

sub-section (6) of section 3 of the Essential Commodities Act, 1955, a copy each of the following Notifications of the Ministry of Food and Agriculture (Department of Food):—

- (i) Notification G.S.R. No. 217, dated the 7th April, 1958, publishing certain amendments in Government Notification S.R.O. No. 4153-A, dated the 28th December, 1957.
- (ii) Notification G.S.R. No. 218, dated the 8th April, 1958, publishing an amendment in the Punjab Rice (Movement Control) Order, 1957.
- (iii) Notification G.S.R. No. 219, dated the 8th April 1958, publishing an amendment in the Amritsar and Gurdaspur Districts Rice (Export Control) Order, 1957.
- (iv) Notification G.S.R. No. 241, dated the 15th April, 1958, publishing further amendments in the Bombay Wheat (Movement Control) Order, 1956.
- (v) Notification G.S.R. No. 242, dated the 15th April, 1958, publishing an amendment in the Inter-Zonal Wheat Movement Control Order, 1957.

[Placed in Library. See No. LT-674/58 for (i) to (v).]

MR. CHAIRMAN: Mr. Pattabiraman.

REFERENCE TO NOTICE OF A MOTION TO DISCUSS SITUATION IN ORISSA.

DR. R. B. GOUR (Andhra Pradesh): Sir, before the regular business starts, I had given notice of a motion to discuss the calling of the Military at Bhubaneswar in connection with the alleged breach of peace as a result of defection of certain M.L.As. from the ruling party.

SHRI B. K. P. SINHA (Bihar): I would like to know how that can be discussed here. It is a State subject.

MR. CHAIRMAN: The question was whether the calling of the Military does not bring it under the Centre. Anyway, we have passed it on to the Home Minister.

DR. R. B. GOUR: It was called with the sanction of the Central Government. If they have sanctioned it, they are already apprised of the situation. They will be able to place the facts before us now.

SHRI V. K. DHAGE (Bombay): The question is that of a Member of Parliament having been arrested in this regard. He has been arrested. Not only that, but no bail has been granted.

MR. CHAIRMAN: We have nothing to do with that now. Let us wait.

SHRI B. K. P. SINHA: Military Police are State forces. Moreover, a Member of Parliament can be arrested. Only the arresting authority has to inform within a certain period officers of the Parliament that they have arrested a Member of Parliament.

(Interruptions)

MR. CHAIRMAN: Mr. Pattabiraman.

THE FINANCE BILL, 1958—continued

SHRI T. S. PATTABIRAMAN (Madras): Mr. Chairman, the Government deserve our congratulations for vigorously implementing the Second Five Year Plan and thus speeding up the achievement of socialism in this country. While everybody is trying to co-operate with the Government and the Prime Minister in having socialism in this country as soon as possible, it is highly regrettable that the vested interests, the businessmen and the capitalists are not playing their game properly. It is highly

regrettable that in the past few months their agitation against the Government, their simultaneous attack against the nationalisation policies of the Government of India and the States, the attack on the Life Insurance Corporation, the State Trading Corporation and the taxation policy of the Government throughout the country by their trusted economists, are mounting and are certainly not without significance.

Sir, it is high time that the capitalists and the industrialists of the country realise that socialism, as in any other country, is inevitable in this country also, and that the sooner it comes and establishes itself in this country the better for everyone. The question of an alternative is, whether you are going to allow the Congress Government to implement socialism through constitutional, peaceful, non-violent and bloodless ways, or whether you are going to retard and then block the progress, and then allow socialism to come into this country through the backdoor through violence, bloodshed and anarchy.

DR. R. B. GOUR (Andhra Pradesh):
As in Orissa.

SHRI T. S. PATTABIRAMAN: The capitalists of this country should realise that and come to a decision very soon.

Sir, I am very sorry that the Government of India has also fallen a victim to the propaganda stunt that has been made against the Government policies in recent months. Sir, the haste with which the Government of India reduced the excise duty on cloth is a pointer to this effect. I would like to know whether the Government did go into the question of stocks of accumulation of cloth or yarn in this country or whether they were simply overwhelmed by the enormous propaganda that was let loose on the country by the millowners of this country. I would like to know whether there was any justification for the reduction of the excise duty. I submit, Sir, that in my

humble opinion there was no justification. Sir, I am sure that the millowners themselves were very much surprised by the enormous relief they got from the Government. They did not expect so much. I want to know whether there was accumulation of superfine cloth and fine cloth in the mills and, if so, what was the quantity. Some figures which I shall give will be interesting and I would like the Government to give us figures to controvert them. Otherwise, I feel that the Government was also a bit taken aback by the volume of propaganda and criticisms levelled against it and really took the misleading figures to be correct and acted hastily.

Sir, according to information, the total cloth production in 1957 was 5,317 million yards, of which excise duty was paid only for the stock released and not for the cloth manufactured—excise duty was paid for 4,216 million yards in this country, and 1,000 million yards have been earmarked for export. Then where was the margin, where was the accumulation of cloth, where was the necessity for the immediate relief that was given to the industry? Now, we have given them relief for nearly four or five varieties, and the Government has lost Rs. 15 crores of valuable money in these hard days. There was large accumulation of coarse cloth and the poor people were suffering, and the millowners were saying that due to the non-removal of stock the mill industry was suffering. Now, we have lost Rs. 1.5 crores on the basis of 580 million yards of coarse cloth, for medium Rs. 11.8 crores on the basis of 2,941 million yards, for fine Rs. 70 lakhs on the basis of 367 million yards, for superfine cloth Rs. 1 crore on the basis of 328 million yards. Now, we have lost Rs. 15 crores. Was there any justification for the contention of the millowners that the mills were suffering huge losses, that they will have to shut down the mills and close the industry? I wish the Government of India had consulted the Reserve Bank of India in the Economic Research Section and

[Shri T. S. Pattabiraman.]

found out whether the allegation was true. I do not think this bulletin issued by the Reserve Bank of India can tell a lie and mislead the Government of India. According to this—the yields for Industrial Securities, all-India, tax free rates, variable dividend on industrial securities, per cent. per annum—in 1957-58 for cotton textiles it was 6.36. For 1954-55 5.85; 1955-56 5.26; 1956-57 5.25. In January 1957 it was 5.87. In February it was 5.88. Sir, I will not burden the House with these figures, but in November it was 7.17; in December 7.44; in January 1958 7.61; in February 7.63. Sir, this is the dividend that the textile industry gave in this country during the year 1958 for the months of January and February. If there had been really a slump, if there had been losses and accumulations, how was it possible to give 7.63 per cent. dividend tax free? On this I think the Minister will give me facts and figures and prove that the relief that was given was justified. My humble opinion is that the interest of the handloom industry has greatly suffered by the agitation of the mill-owners. I know, Sir, the millowners are highly organised, they have an efficient machinery, they have got economists at their command, they can give facts and figures, they can give statistics flooding the Members of Parliament with literature every morning and evening and simply carry their opinion. But the poor handloom industry is not in a position to do so, and I would appeal to the hon. Minister to find out whether there is still justification for the grant of exemption to superfine and fine varieties of cloth and, if not, whether it is too late to revise that policy and reimpose that.

Sir, with regard to the other aspect, I would like to know whether the rebate that has been given to the handloom industry will be continued or not. The handloom industry is the mainstay of many people not only in Madras but in U.P. and some other States.

According to the Kanungo Enquiry Committee there are about 14 lakhs of people who are directly concerned with handloom weaving, and 1 crore of people are directly depending on it for their livelihood. What has been done for the handloom industry? We were giving them 1½ anna rebate. We have reduced it to one anna. We have given them one anna or six paise as rebate and that too for two months.

Sir, we would like to know whether it will be sufficient. The handloom industry is passing through the greatest crisis. Unless something serious is done, there will be great difficulty and there will be an economic crisis throughout the country. Sir, it is not as if the handloom rebate has been helpful to the people to the same extent as the rebate has helped the other industry, as a matter of fact, even with this rebate that we offered to the handloom weavers. There are about 4.8 lakhs of looms in the Madras State of which 1.9 lakhs are in the co-operative field and they have not been able to profit much. Even with this rebate, the handloom weaver's average monthly income is Rs. 30 and he works for only 15 days. They are manufacturing about Rs. 75 to 80 lakhs worth of goods only in the co-operative field and there is already a great accumulation of stocks. I would like to know whether the Government is going to consider the extension of the rebate. The rebate is . . .

(Times bell rings).

I spoke for only three minutes, Sir, that day.

MR. CHAIRMAN: That day 5 minutes; today 10 minutes.

SHRI T. S. PATTABIRAMAN: That was not five minutes; it was only three minutes.

MR. CHAIRMAN: All right, go ahead.

SHRI T. S. PATTABIRAMAN: There is a large accumulation of stocks and as such, it will be better if the Government of India comes to a deci-

sion and then extend the rebate for the time till the stock accumulation of cloth is cleared.

Then there is one more point which I would like to mention, that is, the Government of India is still allowing the import of yarns of 80s and 100s. It is absolutely unnecessary. The mills of India can produce the yarn that is necessary and it is not necessary at all to import the yarn, and that is a drain on the foreign resources of this country. I would like the hon. Minister to consider whether they should not stop the import of yarn into this country and allow indigenous production to cope with all the demand.

I have only one point to make. I would like to finish my speech with only one remark, which is rather provoked. The other day, we expected Mr. Bhupesh Gupta to speak in a restrained tone. But, unfortunately, even after the Amritsar Conference, his utterances have not changed. He accused the Congress of having collected money and also said that the Congress was thriving with the help of industrialists of this country. We know how the industrialists are trying to throttle the growth of the Congress. But, Sir, unfortunately, there is one point. Mr. Bhupesh Gupta said that the Communist Party of India was dependent only on the collection that it made in this country and that too from voluntary contributions from workers. But, I would like to point out, as I was about to point out the other day, that the New Century Book House, which is owned by the Communist Party in Madras, has imported lots of books in 1956-57 and has credited to the U.S.S.R. Rs. 23,442-0-0 and to China Rs. 9,446-0-0. According to their own statement, they made a profit of Rs. 86,314-0-9 for the year 1956-57. My friend, Mr. Bhupesh Gupta and the Communist Party are against any indirect taxation in this country. But what about the indirect benefits from foreign countries which they get? I would like the hon. members of the Communist Party of India

not to carry on the tirade in this unbecoming manner against the Congress and its great leaders. But, they would find out that the Congress, in spite of their assaults, will remain and remain for ever. It was my late lamented leader, Shri Satyamurti who, two decades ago, declared: "Let the ravens croak on the river Cooum and on Mount Road, but the Congress will go on for ever." I would now prefer to say this: "Let the ravens croak in Trivandrum and Amritsar, but the Congress, like the rivers Ganges and Cauvery, will flow on majestically for ever and ever."

SHRI M. C. SHAH (Bombay): Sir, I am grateful to the Chair for giving me an opportunity to make some observations on the motion for the consideration of the Finance Bill moved by the hon. Minister Shri Gopala Reddi. Sir, the time at my disposal is very much limited and so, I will have to be brief on the few points that I want to make out.

First, when we discussed the Budget in the first half of March, we discussed about the strains and stresses through which our economy was passing. We have already entered the third year of the Plan. Sir, though the climate was very much ruffled in the last 18 months, there are some signs of improvement in the economic climate of the country. Sir, I was happy to read the other day in the press a summary of the observations on the Planning Commission. I want to say the very same things today on the Planning Commission, its composition, its functions and how it has extended and how it has begun to assume possibly the functions of a super-Ministry. I am happy to endorse the observations made by the Estimates Committee with regard to the composition of the Planning Commission that, after all, a small body of experts may prepare the plans and then evaluate the programme of the plans, but that everything must be left to the Ministries of the Centre as well as the Ministries of the States concerned to implement the plan programmes. Today, there is a feeling

[Shri M. C. Shah.]

at the Centre and in the States also that we have to go to the super-Ministry. There is overlapping of the functions of several Ministries, those of the Finance Ministry and the functions of the Planning Commission. I entirely agree with the views expressed by the Estimates Committee that there is no necessity whatsoever for the Ministers to be there on the Planning Commission. They may be invited when important matters are being discussed and the members of the Planning Commission also may be invited as they are invited to the Cabinet meetings for discussion amongst themselves on the programmes to be put through. At the same time, the Government, as I have seen and observed, are getting the clearance certificate first from the Planning Commission about the implementation of certain items of programmes before they are sanctioned by the Finance Ministry. The functions which are to be carried out by the Planning Commission must be clearly defined so that there might not be any overlapping of the functions; there might not be a feeling of the Planning Commission being the super Ministry, and the work can go on. The Planning Commission is not an executive body, as I understand it, Sir. It is an advisory body to formulate and prepare the plans and also to evaluate the implementation of the plan programmes. So, it is good that the Estimates Committee have made certain valuable observations and I am sure the Government will take them into consideration and try to implement as many recommendations as are feasible in their view.

Now, coming to the Plan, as I said, we have entered the third year of the Plan. The Plan estimated Rs. 4,800 crores as financial targets and there are certain physical targets. Now, we have already passed through two years of the Plan. We have seen the difficulties. We have seen that in the plans that we accepted or that we agreed to in both the Houses of Parliament, there were certain underestimates; there were certain omissions

and there were certain factors which were not anticipated. The prices have gone up. The Plan which was to cost Rs. 4,800 crores might cost Rs. 5,600 crores. There were difficulties about the foreign exchange. We expected difficulties, but not to the extent that we have been experiencing during the last two years. Fortunately, Sir, there has been some improvement and the difficulties to that extent are reduced. It was decided that the financial target of Rs. 4,800 crores should be maintained, but I understand now that the Planning Commission is considering the rephrasing of the Plan. And when they are considering the rephrasing of the Plan—and that is to be placed before the National Development Council, which will be meeting possibly within three or four days—they must be realists and realism must dawn upon them when they have all these factors before them. Is it not possible for us to look into the difficulties with regard to external as well as internal resources, although there has been a slight improvement of late? Is it possible to carry through the Plan of Rs. 4,800 crores even at this inflated price of 15 to 20 per cent.? I believe, Sir, looking to the amount of work that has been done during the last two years or so, it is not possible to get the internal or external resources to the extent to which we expected though we have already raised our taxation to the fullest possible extent as was demanded in the Planning Commission's Report, and perhaps even more. So, Sir, even if they fix the financial target at Rs. 4,500 crores, they will require an additional taxation of Rs. 125 crores. I think, Sir, that we have to take into account the facts as they are and we must try to be realists. It may be said that I am a defeatist. I am not a defeatist. I am an optimist, and I want to have an ambitious plan, as my ideal and I want to do away with the poverty of the millions of our people in the country, and I want to see that the millions of my countrymen get two meals a day, get adequate clothing, and also

get some roof to live under. But at the same time, we have to face the facts as they are, and instead of waiting for our people to be frustrated at the end of the Plan period when we cannot carry out this Plan of Rs. 4,800 crores even at this inflated price, we must try to be realists from now onwards and face the facts as they are. I believe Sir, that the Plan of Rs. 4,200 crores will be quite sufficient for our purpose and in that case we can fulfil the Plan also and can go to the public in 1961 and say that we had the courage to face facts, and therefore in that way we can just win the confidence of the public at large. Therefore, Sir, I submit that the Planning Commission should take courage in both hands and should speak out their mind and place all the facts before the National Development Council.

We have spent Rs. 1,500 crores during these two years or rather Rs. 1,515 crores, and we have planned to spend Rs. 1,017 crores during the year 1958-59. I am sure that we will not be able to spend that much, as has been our experience for the past few years. Even then, Sir, if we keep this target of Rs. 4,800, we will have to spend nearly Rs. 3,300 crores more during these three years, and we have to find the necessary resources for that purpose. With regard to our external resources, there are so many difficulties. Sir, we have been circulated a note on foreign exchange. We had demanded information first in November and then again in March as to what were our commitments. Now, we are told that by the end of March the commitments already made will be of the order of Rs. 864 crores. Now, for this half year we have already granted licences and we have already sanctioned our foreign exchange budget. We have sanctioned about Rs. 520 crores, and perhaps for the whole year it will come to Rs. 1,100 crores or so. And unless we get foreign assistance in abundance, Sir, it will be very difficult for us to get on. What is our position with regard to internal resources also? Last year, we could get only Rs. 68 crores by way

of loans, whereas we were required to have at least Rs. 140 crores net by way of loans and public borrowings. There will be a shortfall in our small savings also. We were expecting to have Rs. 100 crores by way of small savings. But I do not think we will be getting even Rs. 60 crores. I do not know what are our actual figures, but assuming that we will be able to reach the figure of Rs. 60 crores, there will still be a fall of Rs. 40 crores. So Sir our internal resources are falling far short of our expectations. And what is the reason? We expected a saving in the First Five Year Plan to the extent of 5 per cent. of the national income. We expect that we will be able to get savings to the extent of 10 per cent. in the Second Five Year Plan. If we get those savings, certainly there cannot be any scarcity with regard to our internal resources. But the funds are not coming forward. What is the reason? Are there no savings or are there some other difficulties in the way of our people saving something and investing it in the Government borrowings? If we just read the 'Economic Survey', we find that in the matter of post office savings there are heavy withdrawals. We hope that we will get loans this time. We are going to raise loans to the extent of Rs. 125 crores plus Rs. 28 crores or so to be repaid during this year. It will come to about Rs. 153 crores or so. Let that shortfall be kept apart. But even this year, in order to fulfil this target of Rs. 1,017 crores, as far as expenditure is concerned, we will require Rs. 325 crores by way of foreign assistance. We will require Rs. 153 crores plus Rs. 100 crores from public borrowings.

In the matter of taxation we cannot go ahead, because we have already reached a saturation point. Perhaps, we will have to reverse the gear rather than to go forward. We have raised all that we could raise during the last eighteen months. We have given jerks to the Indian economy by taking certain steps, and in order to stabilise the economy of our country, we will have to reverse the gear. We have

[Shri M. C. Shah.]

already done so, and I am very happy to learn that there have been some signs of realisation on the part of the Government during the last one month and a half. They have reduced the excise duty. We demanded the reduction of excise duty in December first and then in March. Now, although belated and inadequate, the relief that is given is a very welcome one. My friend, Mr. Pattabiraman, said that it was not justified. Well, if he just recollects or remembers one thing, he will find that when we introduced a Bill with regard to additional excise duty in September, 1956, there were two main objectives of additional taxation. One was to mop up the extra profits that the industry was making and the other was to inhibit consumption. And both these objectives were more than fulfilled. And there was a crisis in the textile industry. And we must not forget that it is a very important sector in the economy of our country and we cannot allow the textile mills to retard their progress and thereby go on disturbing the economic structure of our country. And therefore what has been done, has been rightly done. They have also taken certain steps with regard to the development rebate. Though the Taxation Enquiry Commission recommended development rebate for only certain industries, it was given to all the industries in 1955 by the then Finance Minister, and it worked well. It was meant for the expansion of the industry. Then there was all of a sudden a suggestion that certain restrictions were required to be made because there were certain abuses made by certain people who got that rebate. So far as restrictions are concerned, Sir, there cannot be any quarrel about them. But we thought that 100 per cent. of the total to be taken to reserves was rather going to harm the industry as a whole, and therefore that wise step of reducing it to 75 per cent is a very welcome one.

We had this integrated tax system. I don't understand what is that integrated tax system which has been so much

boosted about. I am glad to note that the Finance Minister in the Lok Sabha has said that the Government will keep on reviewing or rather they will consider evolving a tax structure which will be rather reasonable, effective and efficient. I understand that is the right approach. This much-boosted tax structure of last year, what was it? Really it was not the wealth tax and the expenditure-tax. There was that divine Bible from Kaldor which was taken possession of by the then Finance Minister and he thought he was going to have an integrated tax structure. The integrated structure consisted in rather reducing the personal tax from 91·8 per cent. to 77 per cent. on earned and 84 per cent. on unearned income, thereby losing about Rs. 6 crores from those who can well afford to pay. Instead he put in wealth-tax on persons above and then there is always the uncertainty. Though it was stated that they would get Rs. 9 crores from companies and individuals, they have hardly been able to get Rs. 6½ crores and the next year's budget estimate is Rs. 12 crores. Rs. 6 crores from the companies as wealth-tax is not justified but I am not going to advance arguments on that, but they have got hardly Rs. 6½ crores. So, I say that the observations made by the Finance Minister that the tax structure should be rather reasonable, efficient and effective—that is a good omen for future tax structure of the country.

I am very much troubled about deficit financing. The Prime Minister while introducing the Budget on the 28th February said that deficit financing for these two years would be to the extent of Rs. 600 crores. The former Finance Minister came so often to this House and that House and said that he was not going to have deficit financing to the extent of Rs. 1200 crores but he would limit it to Rs. 800 crores and upto the maximum of Rs. 900 crores. After a month deficit financing has been to the extent of Rs. 702 crores—Rs. 100 crores more. With a rise in prices . . .

(Time bell rings.)

MR. CHAIRMAN: Please wind up.

SHRI M. C. SHAH: There are two points more if you give me only 5 or 10 minutes more. Deficit financing is a dangerous weapon when the prices are rising. When prices are falling, if you create money, it is quite all right. Now, the prices are rising but by the grace of God this country has not had the experience of prices running away, because of the tax structure, I must admit and also because of certain other things namely, last year we had import surpluses. We had the cushion of the foreign exchange and sterling balances. So, the prices did not run away. We have the sterling balances to the extent of Rs. 275 crores when we include the Rs. 95 crores that were taken from the Monetary Fund. During this year I am sure that by the end of the year the sterling balances will be practically nil. Only we will have the Rs. 85 crores that we are required to keep and perhaps Rs. 50 crores more as a cushion. We will have to spend about Rs. 175 crores of those sterling balances. Therefore, we are facing a very bad situation. There is every possibility of a rise in prices and consequently rise in wages and the resultant increase in cost. Therefore, our export trade also will be affected and as I have already stated, it is very difficult to restrict imports though we may impose restrictions on them. So, even Rs. 1,200 crores of deficit financing will not be sufficient. It will be much more.

[MR. DEPUTY CHAIRMAN in the Chair]

We will have to face this vicious circle of rising prices, rising wages and rising costs.

One more point about civil expenditure. It is going up by leaps and bounds. If we see the figures even if we don't take the entire civil expenditure but take the civil administration, from Rs. 94 crores in 1955-56 this year's budget estimate is Rs. 200

crores. Now, there is every scope, there is wide scope for economies in civil administration. If you want people to tighten their belts, we must first act according to what we say. Have we tightened our belts? In the civil administration there is every possibility of reducing expenditure and saving crores and crores and if we do so, we may not have to fall back upon taxation proposals like reducing the limit of exemption from Rs. 4,200 to Rs. 3,000 which the poor middle classes who are the big back-bone of the society who had helped us in the freedom fight, have to pay now. After a good deal of discussion, from 1939 to 1950, when the exemption limit was Rs. 2,000, it was raised in 1950-51 to Rs. 3,600 and in 1953-54 to Rs. 4,200 after very great consideration. Then the Taxation Enquiry Commission stated that the limit should be brought down to Rs. 3,000 but the then Finance Minister considered this very seriously and said that looking to the rise in the cost of living, the purchasing power of Rs. 400 in 1953-54 was equal to that of Rs. 100 in 1939-40. Now we have reduced that to Rs. 3,000. Those who are getting Rs. 250 will have to pay income-tax. It is said it is only to the extent of Rs. 3-8 a month but I say it is not a small sum to those people with fixed income. I know that this pleading of mine is of no use because the Prime Minister said that all should participate in paying the taxes. Then, the Finance Minister also negated the plea and here also he may do so but I must enter my strong protest against this reduction of exemption limit from Rs. 4,200 to Rs. 3,000. We may possibly get 2 lakh people to pay tax and that will come to nearly Rs. 84 lakhs. Supposing, there are 4 lakhs, we might get Rs. 160 lakhs . . .

(Time bell rings.)

MR. DEPUTY CHAIRMAN: There are 13 speakers more and the hon. Minister is replying at 4.

SHRI M. C. SHAH: I am not speaking irrelevantly, I am not repeating

MR. DEPUTY CHAIRMAN: It is a question of time.

SHRI M. C. SHAH: I will not take more than 3 minutes. So, I plead with all the earnestness at my command that the Government should reconsider this position. Only those people with a limited income of Rs. 250 to 300 will be affected and they are also paying excise duties. It has gone up from Rs. 50 crores to Rs. 300 crores. Are these middle classes not paying excise duties? They pay the excise duty on sugar, they pay on cloth, on matches and on all those commodities which are required for consumption and still this additional burden is there. Why not economise and find Rs. 2 crores from the economies? If you take the delegations, it has gone up from Rs. 2 lakhs to Rs. 60 lakhs and all the efforts made by me to save in this direction have gone in vain. There are staff cars and thousands of rupees have been spent on them. There is huge expenditure on civil items. This year it will be to the extent of Rs. 517 crores out of Rs. 797 crores of revenue. Cannot you save? It is very easy. I say with confidence and also with a **full sense of responsibility** that if there is the vigilant eye of the Minister in charge of Expenditure, I am sure a few crores can be easily saved and if that is done, then there will be no necessity for bringing such additional taxation on the poor middle classes who are the back-bone of the society and who have been of great help to us in bringing freedom to the country.

MR. DEPUTY CHAIRMAN: Dr. Kunzru. Now, we have to sit through the lunch hour and hon. Members who have given their names for speaking will please sit during the lunch hour and keep the quorum.

SHRI H. N. KUNZRU (Uttar Pradesh): Mr. Deputy Chairman, the Bill before us does not throw a very heavy burden on the people. If we confined ourselves to the provisions of the Bill, we shall have to confess that they deal with somewhat minor matters in com-

parison with those with which previous Finance Bills have dealt. Nevertheless there are some matters in connection with the new proposals which require consideration. These are small matters, as I have already said but I think the position of the Government nevertheless, requires revision. I shall not say, Sir, anything about the reduction of the exemption limit for income-tax from Rs. 4,200 to Rs. 3,000 for an unmarried man and Rs. 3,600 for a person with two children, because my hon. friend Mr. M. C. Shah has already forcefully referred to it. I shall only say that I wholeheartedly agree with him in what he has said and I hold the opinion that I expressed last year with regard to this reduction. It has to be noticed that when the Finance Bill was first introduced, it was proposed that the exemption limit should be Rs. 3,000 in all cases. But now it is Rs. 3,000 for a married man only and in the case of those people whose income does not exceed Rs. 20,000. For those whose income exceeds Rs. 20,000 the sum on which no tax will be levied will be only Rs. 1,000. Sir, if that is the argument on which the Government relies as justification for what it has done, then there may be no exemption at all in the case of persons earning more than Rs. 20,000. But it is doubtful whether even the present Government which is sorely in need of more funds will go to that extent. I entirely agree with Shri M. C. Shah that in these times when prices are high and the section of the population which is most hit is that section which is known as the lower and upper middle class section, it is only fair that the exemption limit should be restored to what it was in the time of Shri Chintaman Deshmukh.

Now, I come to the provisions of this Bill. First of all, I would like to make some observations with regard to the definition of the term "technicians". This definition has been made narrower and a technician is defined as a person engaged in manufacturing or constructional activities. I do not think that

this definition is enough. If you want to attract foreign capital, then you have to allow in the case of new foreign industries, the admission of people who may be in a position to manage the new concerns that may be started. And if for instance, people with managerial capacity are needed, there is no reason why they should not have the advantages that technicians can avail themselves of. Apart from this, I should like to bring to the attention of the Government that there are certain other cases which I think, require serious consideration. There are research and educational institutions in this country which, from time to time, require the help of foreign experts. Take the National Council of Applied Economic Research. If you ask those responsible for the management of this organisation, you will find that they stand in need of experts who will be able to help them in certain respects for some time. Government has given no consideration to such a case in the Bill. Again, there are educational institutions which need the help of foreign experts and they find that it is very difficult to get them because of the heavy taxes to which the salaries of these experts would be subjected in this country. I know from personal experience how difficult it is to accept the terms on which foreign experts are prepared to come. You have to find out associations that will be prepared to help the persons whom the educational institutions wish to import, to such an extent in their own countries as to enable them to get a much larger net income than they would if their salaries were subjected to the income-tax of this country. Now, there are such cases which require consideration. Why Government has overlooked that, I do not know. In their own case, I am sure, they themselves come across difficulties like that. The Ministry of Commerce and Industry engages some experts. Income-tax has to be paid on their salaries. I believe it is the Ministry that pays the tax to the Finance Ministry. Government can do this; but it is

not possible for other organisations to do that. They have to find bodies like the Ford Foundation or the Rockefeller Foundation which will be able to give as much help as will enable the educational institution to import the experts that they badly need.

Sir, the next point I want to deal with is the clause relating to municipal taxes on house property which are deductible from the income that is assessable to income-tax. At present, only half of the total amount of municipal taxes levied on house property is allowed to be deducted from the taxable income from the property. When this arrangement was made there was a wide demand throughout the country that the entire sum levied as municipal taxes on house property should be deducted from a man's income before it is assessed to income tax but as the Taxation Enquiry Commission was against this, this proposal was not accepted. I think, Sir, that there is good ground really for pressing this suggestion again on Government. The fact that Government need more money is no reason for departing from fair canons of taxation.

The next point I want to deal with is the power proposed to be conferred on the Central Board of Revenue to make rules for determining the value of perquisites. The Taxation Enquiry Commission considered this matter and suggested a formula. I should have said this with regard to the municipal taxes. The Taxation Enquiry Commission recommended that the Central Board of Revenue should be asked to examine in consultation with the Ministry concerned whether the limit of 50 per cent. could not be raised. I should like to know whether this recommendation of the Taxation Enquiry Commission has been carried out, with regard to the extent to which the deduction of municipal taxes on house property from the income of an individual is provided at the present time.

[Shri H. N. Kunzru.]

As regards the rules for determining the value of perquisites, this matter too was gone into by the Taxation Enquiry Commission. The Commission, merely as a matter of equity and not because any large addition to revenue was expected, recommended that these perquisites should be taxed. Some rules exist on the subject and in what direction it is proposed to change them, I do not know. I should like to know whether it is proposed to tighten them up or whether it is proposed, at least in the case of foreign technicians, to liberalise the scope of the present concessions. I for one feel, Sir, that since our purpose is to attract as much foreign capital to this country as we can, we should not, where a large amount of revenue is not involved, impose conditions that might be regarded as harassment by those who will be affected by any tightening up of the rules for determining the value of perquisites.

Sir, this is all that I should like to say about the provisions of the Bill before us, but, there are some other matters also which require consideration. We were told when the Budget was discussed and even earlier that the question of rephrasing the Plan was engaging the attention of the Government. I understand now that the Planning Commission which was giving its earnest consideration to this question has now come to some conclusions. I should, therefore, like to know when the conclusions of the Commission will be placed before us. May we expect to know the Planning Commission's view or the view of the Government with regard to the extent to and the manner in, which the Plan would be rephased before this Session ends? A great deal can be said, Sir, on this point, but I do not want to take up the time of the House in discussing this matter because we had an opportunity of discussing it while the Budget debate was going on but, Sir, in view of the pronouncement made by the Finance Minister in the other House that the limit of prudent deficit financing which Shri T. T.

Krishnamachari thought might be placed at Rs. 900 crores had been restored to the original figure of Rs. 1200 crores. Government claim, Sir, that they have been able to bring prices down recently. Yes, prices have come down recently to a certain extent but can we be certain, Sir, that this is not a temporary phenomenon? Indeed, I read in the paper the other day with regard to U. P. that the prices of wheat had not gone down even during the harvest time. This clearly shows, Sir, that inflationary pressures already are there and that if, in the present situation, the full extent of deficit planning proposed in the Plan is resorted to, the consequences might be serious. We have in this 1 P.M. connection to consider not merely the amount of foreign exchange that we shall need but also the money that must be provided internally by means of taxation, borrowing and small savings. It is believed that in the present year, i.e., by the end of 1957-58, the small savings will be able to bring in only about Rs. 60 crores as against Rs. 100 crores provided in the Budget. I should like to know from the Finance Minister what the exact sum received up till now through small savings is. Even if the March figure is not available, he should be in a position to tell us what the sums received in January and February have been.

THE MINISTER OF ECONOMIC AFFAIRS (SHRI B. GOPALA REDDI): Round about Rs. 60 crores.

SHRI H. N. KUNZRU: In all you expect to have Rs. 60 crores by the end of this month. This means that there is a serious deficit here and it is well known that though people when pressure is put on them may buy the various certificates that are on tap, when the period for which they take the certificates expires, they are in a hurry to cash them. If you will look at the figure of repayments, you will see large repayments take place; I think repayments amounting to about Rs. 25 crores are expected to be made in the course of the year. With this state of things going on how can we

expect, in spite of all that we are doing, to achieve full success in the matter of collecting Rs. 100 crores through small savings? We may be able to get more money because of the restrictions imposed on lending of money by banks for the purchase of foodgrains. This and the division of the country into zones for the movement and purchase of foodgrains may increase to a certain extent the investment in small savings in the various Plan certificates, Post Office savings and so on, but do Government hope that as a result of the restrictions imposed by them on the scheduled banks, they will be able to reach the target that the Planning Commission has placed before us? I need say nothing about the loans because I understand that no new loan has been floated since the Budget discussion took place. There too, there will be a large deficit, I think amounting to about Rs. 50 crores. In the year 1958-59 the borrowings will be only about half of what they have been in the year 1957-58. I believe that in the course of the present year i.e., 1957-58 the State Governments have borrowed I think about Rs. 63 crores.

SHRI B. GOPALA REDDI: No; no; I do not think so. Only Mysore and Bombay Governments were permitted to raise loans.

SHRI H. N. KUNZRU: I beg your pardon. In the course of 1956-57 I think that the Government was able to raise about Rs. 141 crores; Rs. 63 crores were borrowed by the States and Rs. 78 crores by the Centre. This year the figure is much smaller and I do not know what the anticipations of the Government with regard to the year 1958-59 are. I wonder whether the Finance Minister can throw light on this subject. It is clear from this that we are short of not merely foreign exchange but also of Indian currency to carry out the Plan. It also shows to my mind that making due allowance for the extra money that may be obtained by means of the small savings campaign on account of restrictions imposed on scheduled banks, there cannot be much hope that

we shall be able to raise the sums that the Planning Commission has expected from loans and small savings.

There are two other questions that I should like to refer to before I sit down. During the Budget discussion we asked for information regarding the repayment of foreign loans in the near future. The Prime Minister gave us some information up to the year that related, I think, to the remaining three years of the Plan and the first two years of the next Plan. But I have no doubt that the Government will try to obtain more foreign exchange in the future. We should therefore, like to know what the expectations of Government in this connection are. They made very serious efforts last year and they have been successful to a certain extent and we all wish that they may be even more successful than they have been so far, but they must have a fair idea by now of the extent to which they will be able to obtain foreign exchange during the next three years. Apart from this, we should like to know how this foreign exchange is going to be repaid. The Prime Minister told us that the money would be repaid, but we would like to have information with regard to the manner in which you propose to repay it and we would also like to know the effect that that would have on the third Five Year Plan, the preparation of which, according to the Estimates Committee, has not yet begun. This information is necessary in order to enable us to get some idea of our resources in the future. The Planning Commission is a responsible body and tries to frame estimates which in its opinion can be given effect to. It takes undoubtedly a certain amount of risk but it takes no more risk than it considers prudent. But I am not sure that the Planning Commission is not pressed by the Government to frame a plan which may appear to its own unbiased judgment to be beyond the existing economic capacity of the country. If we get the information that I have asked for, it will be possible for us

[Shri H. N. Kunzru.]

to compel the Government to cut its coat according to its cloth. We want to remove all temptation in the way of the Government to put any pressure on the Planning Commission to frame larger Plans than are warranted by the economic position of the country.

It is too early to consider the report of the Estimates Committee on the composition of the Planning Commission and other matters relating to it, but I may say that I am in complete sympathy with the Estimates Committee's recommendation that the Prime Minister should cease to be the Chairman of the Planning Commission. The Planning Commission, in my opinion, will not have the freedom that it should have unless it has a Chairman not belonging to the Government. I do not want to cast any aspersions on the Prime Minister. I do not want to suggest that he deliberately places before the country estimates which he knows in his heart of hearts can never be fulfilled. But his enthusiasm may carry him beyond the limits of prudence. And in a matter like this, I think, the Planning Commission may be expected to take a very detached view than either the Prime Minister or any member of the Government can.

Lastly, I should like to know what has been done by Government with regard to the promotion of exports. This question has been under the consideration of the Government for some time now. I believe a committee was appointed this very year to consider how exports may be promoted. Now, has anything been done in the course of the current year to increase our exports? I should like the Finance Minister to tell us what our imports and exports this year are expected to be. I suppose he has the figures relating to the year 1957-58 up to the end of February and he doubtless knows the extent to which goods are expected to be imported or exported during the current month. He should be able to give us a fair idea of our

position in this respect. I do not want to take a pessimistic view of our present situation. We know that we have to do our very best to raise the standard of living of the people and we cannot do that if the increase in our income is just sufficient to feed the increase in population. Heavy taxation, in these circumstances, becomes necessary to increase the production beyond the subsistence level. But we cannot, merely because of our burning desire to improve the lot of the common man and to enable him to lead a happier life, be justified in drawing up plans which the material resources of the country are unequal to.

MR. DEPUTY CHAIRMAN: Shri Sapru.

SHRI P. N. SAPRU (Uttar Pradesh): How many minutes can I have, so that I might adjust accordingly?

MR. DEPUTY CHAIRMAN: Fifteen minutes.

SHRI P. N. SAPRU: Mr. Deputy Chairman, I am grateful to you for giving me this opportunity to speak on the Finance Bill. In considering this measure the Indian background has to be considered. We are a country which was left behind in the struggle for life two hundred years back. The world is now in what may be called the Sputnik age, and we are yet in the age of the bullock-cart. We have therefore, to make considerable headway before we can become a great country. Therefore, effort has to be concentrated on doing everything that we can as speedily as we can to come to the level of the more advanced countries in the world. Indian poverty is a terrible fact and it is heart-rending to see people live in dirty surroundings. They have not a square meal a day. Therefore, we have to plan and plan wisely in order that their standard of living might be improved. I view with some disquiet talk of pruning the Plan so far as the social services are concerned. We want to know exactly where we stand in regard to the Plan. Some-

light ought to be thrown on this matter by the Planning Commission. The time has come when the considered view of the Planning Commission in regard to the direction, if any, in which the Plan can be curtailed, whittled down or delayed in its execution is placed before us. I take it that the three steel plants on which so much emphasis is laid are not the only things which will constitute the hard core of the Plan. Three steel plants may be very nice and very desirable and all that. But three steel plants or four steel plants do not make a country economically prosperous. They cannot by themselves improve the standard of living of the people. You have this problem of unemployment even in highly industrialised countries. The United States of America is perhaps the most highly industrialised country in the world and yet it is facing today the problem of trade recession. Therefore, what you ought to really aim at is to provide employment for your teeming millions. What you want to aim at is to provide them with a standard of living which will enable them to live in fair comfort. I therefore think that too much stress should not be laid upon pruning the Plan, upon whittling down the Plan, upon making it a Plan which it is possible for us to reach. I think it is good for us to have big ambitions. It may be that all those ambitions will not be realised, but let us not from the very start take a defeatist view in regard to the future and the way in which we should plan.

The second point that I would like to say is that last year we had some very drastic changes in our tax structure. I was one of those who did not object to the wealth-tax and did not object to the expenditure-tax. I think there is far too much disparity of wealth in this country, and the question has got to be looked at only from the economic point of view from the point of view of ethics also, from the point of view of social justice. I think it is not right that there should be in this country peo-

ple who cannot have a square meal and people who have millions of rupees and who can only travel in air-conditioned compartments or who can only move about in the streets of Delhi, Calcutta or Bombay in Rolls Royce cars. All that excites envy. That sort of society leads to discontent. It cannot lead to social stability. How can we with human hearts blame the poor man in these conditions for pressing that his wages should be increased because of these inflationary pressures? How can we blame him for asking that the Pay Commission should expedite its work and tell him exactly what wages he can expect during the next five or ten or fifteen years? Therefore, I would say that while there is a case for revision of our taxation system, the revision must not be in direction which would burden the poor man with greater burdens. I will be more specific. I am not bothered about the wealth-tax and the expenditure-tax. The businessmen of this country know the art of evading taxes and will be able to evade these taxes also, and maybe to pay their legitimate dues under these taxes also. It may be that the proposals in regard to the wealth-tax and the expenditure-tax went beyond the recommendations of Professor Kaldor but Professor Kaldor is not the last word on economic thought. I am seriously concerned with the lot of the person whom we call the lower middle class man in this country. I think the exemption limit for the income-tax is too low. These people of the lower middle classes form the backbone of our society. They have a lot to contribute and the margin of utility of the money is much greater for them than it is for people who are in fairly affluent circumstances. Therefore, I would say that there is a case for revision of the taxation system so far as the lower middle classes are concerned. Perhaps, there is a case for revision of the taxation system so far as indirect taxation is concerned. We are working a mixed economy. Therefore, we cannot escape direct and indirect taxation. We have to

[Shri P. N. Saprú.]

have both, but I think that our indirect taxation must be so arranged as not to fall too heavily upon the poorer sections of the people. That is to say, we must provide fairly cheap food for our people, we must see that they get good nutrition. Our food production has to some extent increased, but then that increase does not keep pace with the increase in our population, and I should have liked some part of the money that we are spending diverted to the manufacture of more fertilisers. I should like more attention to be devoted to the problem of land reform. Make the tiller of the soil feel that he has an interest in the land that he cultivates and build up a spirit of co-operation among your villagers and make them achieve big production targets through co-operative effort. Therefore, your community projects, your land reforms—they should in your planning have a priority.

Then, Mr. Deputy Chairman, I would like to say one or two words about foreign capital. I am not against foreign capital. I know that no country has been able to develop without the assistance of foreign aid. But we cannot forget in considering this question certain difficulties which countries which have had foreign assistance had to face. They relied too much on private capital. They relied too much on private foreign capital and that led to difficulties in the working by them of independent systems of governments. We know what happened in Guatemala a few years back. I must not be understood to say that we should not welcome foreign assistance. We should welcome it. But it is on our internal resources, on the utilisation of our manpower, on the mobilisation of our internal resources that we must rely for our planning. Certainly, within limits, we should give to our foreign capitalists, who want to invest in this country every legitimate assurance, but we cannot sort of mortgage the future. We cannot deny ourselves our creed. We cannot say that we do

not believe in a public sector, that we do not believe in the greater utility or the greater importance of a public sector. The case for a public sector is not that the public sector is necessarily from the economic point of view more efficient than the private sector. The case for the public sector rests on some ethical considerations or some considerations which outweigh economic considerations. I would, therefore, say that in getting help from foreign countries, we should bear this particularly in mind. I would say, Mr. Deputy Chairman, that we should make it clear that in planning for the future, in executing our plans, we should remember the needs of the future. We are in the Second Five Year Plan. We shall have to have successive Plans, and if our foreign debts go up, if our public expenditure on foreign debts goes up in the Second Five Year Plan, we shall have to provide funds for repaying the loan and the interest and all that, and it may be difficult for us to carry out the Third Five Year Plan or the Fourth Five Year Plan or the Fifth Five Year Plan. We are experiencing all this difficulty in carrying through this Second Five Year Plan because in the First Plan we were not careful enough to see that it was executed in such a manner as to make way for the Second Five Year Plan. We were free with licences, we were very free in importing articles which were necessary and unnecessary and we gave facilities to almost everybody to import what he liked under this system of free licences for imports. All that must stop. We know that the next 20 or 30 years will be hard years. They will be years in which we shall have to build up the stamina of our people; they will be years in which we shall have to build up the life of our people; they will be crucial years for us. It is only after 20 or 30 years that we shall be able to reap a good harvest. Therefore, in planning for the future, we must so arrange matters as to ensure that everybody gets a fair deal, that our people have the wherewithal to

purchase things and live decently and comfortably. Only after 20 or 30 years will it be possible for us to reap the harvest.

These were the thoughts, Mr. Deputy Chairman to which I wanted to give expression. Within the 15 minutes at my disposal, it was not possible for me to burden you with facts and figures and all that. That I leave to great experts of finance, like Dr. Kunzru. But I just gave expression to some thoughts which struck me when I was considering this question of finance.

Thank you.

MR. DEPUTY CHAIRMAN: Dr. Subba Rao. Just ten minutes.

DR. SUBBA RAO (Kerala): Mr. Deputy Chairman, Sir, I view this Bill as an ordinary citizen who has not the expert knowledge of taxation, intricate economic laws and financial methods. It is said that our aim is 'Socialist Pattern of Society.' Whatever that term might mean, one thing is certain that our immediate task or the main task is national reconstruction.

[THE VICE-CHAIRMAN (SHRI M. GOVIND REDDY) in the Chair.]

To achieve this, we have not only to increase production, but also to distribute it fairly and well. So, we must judge this Bill and the policies underlying it in this view.

Ours is still a poor agricultural country with over 50 per cent. of our national income derived from agriculture and only 17 per cent. accounted for by industries. Over 70 per cent. of our population are peasantry who are entirely dependent for their livelihood on agriculture. Therefore, any measure of national reconstruction must take into account the plight of

this 70 per cent. of the population—the agricultural workers and the peasantry. It is they who, in the final analysis, provide the necessary surplus for investment in national reconstruction. But what do we see? What is the condition of agriculture and peasantry? Over 30 per cent. of them are unemployed. The bulk of them does not have land. Those who have lands to cultivate are at the mercy of the landlords. There is no proper legislation to stop evictions. In most of the States, even though some kind of a legislation has been brought, it contains many loop-holes which the landlords take advantage of and evict the tenants, so much so there is terrible expropriation of the peasantry, and the peasant loses the incentive to put his best into the land. We allot and spend a lot of funds for the Community development projects. We talk much about the improved method of cultivation—the Japanese method of cultivation. But, still, if the peasant is not sure that he is going to continue in the land, that he will entirely reap what he has sown, he will entirely lose his incentive. So the Planning Commission has recommended some welcome land legislation proposals. But, unfortunately, most of the States have not implemented them nor has this Government given them a directive to implement the same.

The next point that I want to bring to the notice of the House is the method of administration. The administration, as it is today, is centralised and very bureaucratic. We inherited the bureaucratic system of administration from the British Imperialism. So, people expected that there would be reorganisation of the administration for the better, by democratising it and decentralising it. Unfortunately, so far, it has not been implemented. In this respect also the Planning Commission has recommended certain good features, but they have not been taken into account and implemented so far.

[Dr. Subba Rao.]

The third problem is that of unemployment. The Plan promised big things—employment to a million people. But after two years of the Second Five Year Plan, we see the unemployment situation worsening. To tackle this problem, we must have rapid industrialisation. Along with it, in order to give relief to the unemployed in the countryside, the distribution of the waste lands should be taken in hand. We have over 12 crore acres of waste lands and fallow lands. If these lands are distributed among the landless poor people in the countryside, that itself will go a long way in meeting the immediate pressure on the land and increase food production.

Incidentally, I would like to bring to the notice of the hon. Minister that there is a lot of fallow land under the Railway administration. Few years back, when the "Grow More Food" campaign was invoked, these lands were leased out to tenants and were given to the railway employees as well. But later on, this practice was discontinued. Why this has not been expedited in spite of several representations? Out of the total national income of Rs. 11,410 crores, only Rs. 1,970 crores are from industries. Again, if we see the percentage distribution of the national income, it has remained almost steady during the last ten years. In 1940-41, agriculture constituted 49.1 per cent. and industry 17.1 per cent. of the national income. In 1956-57, it is 49.8 and 17.3 respectively. Practically, there has been no change. This shows that, even after ten years of our independence, industrialisation has not relatively advanced. Our planning and development also have not bettered the condition of the masses. Industrialists are being given concession after concession in taxation and other measures. Incentives are given only to the rich while they are denied to the poor. It is generally agreed that production and profit have increased. But when workers ask for better wages and

amenities, they are denied these. If they organise and demand these facilities, they are suppressed, harassed and victimised. The worker is told about patriotism and asked to tighten his belt, while the fabulous industrialists are given all facilities to loosen their belts further. Unless this policy is changed, we cannot expect the worker to have any enthusiasm to work more and thus to take part in the national reconstruction. Again, Sir, in order to realise our socialistic pattern of society, we must have an equitable distribution of wealth. As it is, today, there is profound disparity of wealth. The financial policy of this Government does not try to minimise this, but on the other hand, it tends to increase this disparity. While only Rs. 15 crores have increased in direct taxation, the indirect taxation has increased by Rs. 195 crores. Since 1955-56, further severe burdens have been placed on the common man. On a percentage basis, while indirect taxation has increased from 52.2 to 57.1 between 1948-49 and 1955-56, the share of direct taxation has come down from 34.4 in 1948-49 to 26.91 in 1955-56. Is this equitable distribution of the burden of national reconstruction? The richer sections are getting further concessions like the development rebate and other things as proposed in the Finance Bill. But the worker is more taxed by way of indirect taxation. I would request this Government to go into the entire structure of taxation and minimise the burden on the common man.

Then, Sir, I would like to bring to the notice of the House how this attitude of the Government affects the under-developed areas in the country. Sir, I come from a very under-developed place — Kasaragod — which is the northern-most part of the present reconstituted State of Kerala. *(Time bell rings.)* Yes, Sir, I will just finish. Sir, there is a lot of scope for improvement and development. For example, from Kasaragod to Manjeshwar it is only 18 miles. It is connected by railways, and there are four

or five rivers in between. If you have got to travel five to six miles from one place to another by the road route, you have got to travel nearly 30 to 40 miles. There are no bridges connecting all these rivers. We are told that the construction of national highways is going to be undertaken by the Central Government. We have been waiting for these national highways for the past four or five years. We understand that in the case of other rivers, for example in South Kanara and other places, they are having all these bridges constructed. But here in the case of Manjeshwar, it is very much regretted that it has not been constructed, nor is it proposed to construct it in the immediate future.

Then again, Sir, Kasargod is a trading centre for the entire Kasaragod taluk. It was considered to be a minor port once, but because of the silting and other things it has been in disuse. But there was a proposal by the people of that area to construct a minor port at Kasaragod. We do not know how that proposal has fared with the Government. But I hope that a minor port will be constructed at Kasaragod to facilitate trading and other things.

Then again, Sir, we want increased production in the matter of food. All the rivers there are silted and the river beds are at a higher level than the surrounding areas, so much so that one single rain will be able to flood the entire area and destroy the crops as usual. So, Sir, there is no possibility of having a major irrigation scheme or anything of that sort there, but the desilting operations, not on one particular river, but on all the rivers, have to be undertaken. In this connection it might be asked: Is it not the duty of the State Government? But, Sir, the present State Government is doing its level best for the economic advancement of that area. Unfortunately the funds allotted by the Centre today are so frugal that it cannot devote all the attention that

that area requires. So, I would appeal to the Central Government to show some special consideration to that particular region and also to allocate more funds to the State after taking into account the thickly populated area there. So, Sir, once again requesting the Government to plug all the loop-holes for tax evasion, to do away with all the concessions that are given to big industrialists, and to give some relief to the common man, I conclude my observations and I thank you for having given to me this opportunity to speak.

SHRI BABUBHAI M. CHINAI
(Bombay): Mr. Vice-Chairman, Sir, in the first instance, I take this opportunity to thank you for giving me an opportunity to speak on the Finance Bill.

Sir, before I speak something in detail and express my views on some of the proposals in the Finance Bill, I would like to touch on some salient features of the policies of the Government of India in the matter of taxation. This will no doubt give rise to thought on the present Budget proposals; it will also give us a basis for future consideration. Sir, there is no doubt that we have resorted to very heavy taxation in order to meet and fulfil our targets of the Second Five Year Plan. There can be no difference of opinion with the Government that we must all see and try that all the targets of the Second Five Year Plan are successfully achieved. But at the same time, when we are thinking of raising of necessary funds, we should do so very judiciously and it should be properly spread over, and we should take into consideration the extent of public borrowing, the extent of deficit financing, the extent of taxation burden, the extent of foreign capital, and so on and so forth. Sir, there is no gainsaying the fact that our expenditure on administration is top-heavy and this matter requires serious consideration at the hands of the Government. Sir, for the year

[Shri Babubhai M. Chinai.]

1956-57 and 1957-58 we have raised an amount to the tune of about Rs. 180 crores by way of taxation. How much of it has actually gone for the furtherance and the fulfilment of our Second Five Year Plan targets? If you look to 1955-56, we had only Rs. 56 crores at our disposal. If you look to 1957-58, we have Rs. 61.5 crores at our disposal. And out of this, most of it is absorbed in defence expenditure, civil administration and other usual items which are not at all connected with the Plan. Therefore, Sir my submission is that we are not in a position to raise further funds by way of taxation, than what we have already done. Let us use all resources that we have got for the fulfilment of the targets of the Second Five Year Plan. As I said, we must try to see that our administrative expenditure and our defence expenditure are curtailed as much as possible, without, of course, hurting the efficiency of our administration.

I have no doubt that there is ample scope to do that. The other day the Finance Minister said in the Lok Sabha that he had already started economising in his own Department and that it would be followed up in other departments. I hope, wish and also pray that his efforts would be successful and that we will be able to save a very large amount by going into this matter. The necessity of our economising utmost is absolutely imperative if we want to fulfil our Five Year Plan. The Finance Minister, as I said, is doing his utmost and it is our duty that we should all join hands in doing so. Otherwise, the tax-payers will lose their heart and I am sure that we don't want to create that situation that in spite of contributing the maximum or making the best of efforts, the Plan is not to succeed because certain economy in the administration, certain economy in certain Departments of Government could not take place. It would be a very bad day for us. We are all agreed that our country is to be rapidly industrialised and for that, we have to plan that our industry should

produce more and not only that, but produce more of quality goods and if we want to achieve that, we will have to put our resources at the hands of people who are technicians, who are doing research work. I for one, am of the opinion that all companies who make profit every year should set aside a certain percentage of the profit for the work of technological research. Only by such encouragement and a little sacrifice on the part of companies, we will be able to achieve what we want, namely, more production and more quality production. So, I would appeal that if voluntarily that is not done, Government should come before the House and enact an Act whereby a certain percentage of companies' profits can be utilised or set aside for such technological research. Now, a company is allowed for income-tax purposes to set aside a certain amount provided the use is made for the same class of business. But there should be a provision whereby not only in that particular business but for any other technological research the company should get tax relief.

Coming to the important amendment of 1957 in the Foreign Exchange Regulations Act, I wish to draw the attention of the Finance Minister that by doing so, they have given more powers to the officials and withdrawn the power from the judiciary. I have failed to understand why it has become more or less a habit with the Government of the day that judicial powers are being transferred to permanent officials. As far as the Foreign Exchange Rules were concerned, the judiciary had power not only to impose fines but even to give 2 years' imprisonment. These powers have been withdrawn and given to officers. The net result is the jail provision has gone. Only fine can be imposed up to 3 times the amount concerned. The officer has the power to fine a token sum of Rs. 5 or even 3 times the value of the amount alleged to be involved. Powers have been withdrawn from the judiciary and given to the officials and this, according to me should stop and should not be continued.

Regarding raising of the resources, I have to point out that the Centre is not the only or exclusive authority and it is not only the responsibility of the Centre that resources should be raised and that the Centre should feed the States. After all the Five Year Plans are for all States and the States have also a responsibility to see to the resources required for the fulfilment of the Second Plan targets. They should also try to contribute as much as possible. I find that some of the States have been relying too much on the Centre and they do not put their shoulders to the wheel. They have not been able to make more efforts or create more money for development of their States and in turn, the development of the country and thereby fulfil the targets. So, the States should also be vigilant and should try their best to come forward. The taxation measures of the Government of India have become intensive and extensive. Out of 19 direct taxes in the advanced countries of the world, we have 16 of them and one more has been added this year by way of gift-tax.

SHRI B. GOPALA REDDI: What are the other two?

SHRI BABUBHAI M. CHINAI: I don't know but I can tell you that if I tell you, I am sure that you will jump on them no sooner I tell them. These 16 taxes are not prevalent in one country only. They are in different advanced countries but India, being an advanced country, as we have seen, we have collected all these 16 taxes here and added one more by way of gift-tax. Even though the country's need is, as I said, that we require more resources for the fulfilment of the Five Year Plan, that does not mean that the resources at our disposal should be taxed to the maximum and then one fine morning we face a situation whereby we may not be in position to raise any more. It is of utmost importance therefore, that the tax-payers' capacity to pay also should be taken into consideration.

We are wedded to the socialistic pattern of society and having been wedded to it, I, for one, would agree that in order to achieve that end, all the efforts necessary should be made. But even agreeing to this, I am sure—and I have no doubt in my mind—that consistent with this objective, it is possible even to make some readjustment in our taxation policy. I am glad that lately the Government has been considering this. The latest announcement of the Finance Minister of suspending the compulsory deposit scheme for one year is a right step. After all, what was the amount which the Government thought they would get? They did not get more than Rs. 3 crores and now they have come forward with a suspension for one year. What will happen to those people whose cases are still pending? I submit to the hon. Finance Minister that the cases which are pending should be dropped because after all, when you are suspending for one year, then those cases that are already there, if you ask them for deposit, then they will get relief one year later. So, my submission is that these cases also should be dropped. Government came forward with a suggestion that the excise duty on superfine, medium and coarse cloth will be reduced. I for one, though I belong to the industrial class, have failed to understand one point, how the Government came to the conclusion of reducing excise duty on superfine. Superfine cloth mills were not losing. The imported cotton was selling at Rs. 2,500 and when the excise duty has been reduced, it is selling at Rs. 1,700. I have failed to understand what has made the Government come to the conclusion of giving double relief to this particular class of industry. There was a case for medium and coarse . . .

DR. R. B. GOUR: To help the Ahmedabad capitalists he did it.

SHRI BABUBHAI M. CHINAI: I don't know whether he did it for Ahmedabad industrialists or Bombay industrialists. After all industrialists are everywhere in the country, including your Kerala also. You are

[Shri Babubhai M. Chinai.]
perhaps from Hyderabad. There are so many industrialists in Hyderabad also.

Therefore, I say that Government should be very cautious in giving even relief when they want. Today the position of the medium cloth mill is such that if no relief is coming forward from the Government and if their case is not considered, in 2 P.M. another month, these mills are bound to close not because the mill agents want to close them but because they are helpless since the medium cloth is not lifted at all and there is a heavy excise burden on them. Therefore, relief to the medium mill cloth industry is absolutely necessary.

It is necessary that the other taxation measures should also be reviewed with a view to reducing the load of taxation and resurrecting the capital markets thus making possible savings and investment on a large scale. In Germany, if you look at the tax burden, you will find that it has been reduced. Take the case of the United Kingdom, there also the latest budget shows that they are reducing the burden of direct taxes. In the U.S.A. the talk of recession has come up and the direct result of it is that they are thinking in terms of reducing the taxes. Therefore, let us by our methods of taxation face the situation in the manner in which it has been faced by our friends in other countries.

I also want to point out that the taxation measures have not a little been responsible for the slackening down of the rate of industrial production and a marked decline in capital formation. My hon. friend Mr. Leuva spoke about the raising of more capital and about the floating of more companies in last two years. About that the correct picture is this. According to the Report on the Working and Administration of the Companies Act, in the year 1956-57, 848 new companies were registered as against 1448 in 1955-56 and 1203 in 1954-55. The figures of authorised

capital in respect of companies formed in 1956-57 superficially show an increase from about Rs. 157 crores in 1955-56 to Rs. 211 crores, but this increase is mainly accounted for by 13 Government companies with a total authorised capital of Rs. 120 crores. Further, the amount of paid-up capital actually raised by the new companies during the latest year was only Rs. 13 crores. There was an overall increase of Rs. 39 crores in paid-up capital during the year. The balance of Rs. 26 crores was raised by existing companies in the market and by the issue of bonus shares. These figures indicate a not very healthy development in the formation of new companies or the expansion of existing ones.

I would, therefore, humbly suggest that it is necessary in view of these circumstances, to have a review of the taxation form and next year when the revision is made, I hope the hon. the Finance Minister will take into consideration my suggestions. I suggest that the tax on excess dividends and on bonus shares should be revised. Even if they be dropped the amount involved would be only Rs. 150 lakhs. Even the wealth-tax on companies on which there is strong opinion in the country should be revised. I also suggest for the consideration of the Finance Minister that dividends from investments in certain classes of undertakings should be declared as earned income. If these three points are taken into consideration, then the capital market is bound to come up and there will be more savings and more investment in the country.

DR. R. B. GOUR: The hon. Member is demanding relief for the poorest class in the country.

SHRI BABUBHAI M. CHINAI: I do not claim to represent the poorest class.

THE VICE-CHAIRMAN (SHRI M. GOVINDA REDDY): Mr. Chinai, you have only two more minutes. You have already taken 20 minutes.

SHRI BABUBHAI M. CHINAI: I am just finishing, Sir. So far as the entertainment allowance is concerned, the Government employees have been exempted from tax on it. In the case of private employees it has been said that if the employee was getting it before 1955, he will get it. But suppose I employ a person now, he will not get this allowance because he was not getting it before 1955. This is an anomaly which I would request the hon Finance Minister to remove.

Next, I come to the most important point that I want to deal with and that is about the development rebate. By an announcement of the Finance Ministry, Sir, it has been stated now that to the tune of 25 per cent. of the development rebate the industries can use this money for themselves. I personally feel that up to the extent of 50 per cent. or so would be a proper figure, and if the industrialists are allowed this much, that would meet the requirements of the day. At the moment I do not say that the relief given is no relief at all. Of course, it is some relief. But this relief is there by way of income-tax also, because in the income-tax also they are given the relief. Therefore, this also needs to be examined.

One point more and then I have finished, Sir. That is connected with equity rupee capital. Sir, rupee capital is very shy and we want more and more of it. Formerly, the Import-Export Bank of the U.S.A. could be approached and we were able to get deferred payment facility. Therefore after the unit had gone into production, the instalments of repayments started to begin. What has happened now is this. The Government of India has been able to get some 150 million dollars by way of help from the U.S.A., from the Import-Export Bank, etc. and therefore, if we go in for negotiating say, a sum of Rs 5 crores, we have to raise this sum of Rs. 5 crores right now today. In view of these difficulties, the Reserve Bank must come forward and persuade the scheduled banks and the Industrial

Finance Corporation that they should discount the bills against the machinery etc., so that rupee capital which is shy today for the expansion of new industries may be raised with less difficulty. If this is done then the problem to a certain extent, will be solved. With these words, Sir, I conclude and I thank you once again.

SHRI P. S. RAJAGOPAL NAIDU (Madras): Mr. Vice-Chairman, yesterday, the hon. Member who initiated the debate on this Finance Bill was laying great stress that the incidence of taxation is more on the urban people and less on the rural people. Sir, he was at great pains to show to the House that the urban people are over-taxed and that they cannot bear any more tax burden and the shift should be on the rural sector. But the Taxation Enquiry Commission's Report to a certain extent belies the statement made by my hon. friend Mr. Leuva. It is true to a certain extent that the incidence of taxation on urban people is greater over the Rs. 300 income limit, but in the lower level and in the middle level also, the incidence of tax both on the rural people and on the urban people is almost the same, according to the Taxation Enquiry Commission's Report. For the information of my hon. friend I may just read one or two sentences from that Report:

"The enquiry indicates that, although the level of urban taxation on the whole is higher at all income stages as compared to the rural, the disparity is not quite as great in the middle and lower ranges of income as is often believed. Considering the higher average income within any given income group in the urban area than in the rural area, the difference in tax incidence in groups up to Rs. 300 is not appreciable."

Further, they say:

"Apart from any general scope for stepping up tax incidence in

[Shri P. S. Rajagopal Naidu.]

urban areas, there appears to be greater room for increased taxation of higher rural incomes, if the country is to have a more satisfactory picture of incidence."

Sir, this Report was made in the year 1953-54 and at that time very few States had levied that tax on agricultural income. Since then almost all the States have levied the agricultural income-tax and in some of the States the levy is very high. When that is the case, Sir, I am sure that now even at the higher levels, over Rs. 300, the incidence of taxation is almost the same between the rural and the urban sectors. In that view I am sure that the strain of taxation is felt even in the rural areas as it is felt in the urban areas. I am not here for a moment suggesting that there should be no more taxation in the country. I quite agree with several other hon. Members who had preceded me that the taxation is very heavy in our country and that we can hardly bear any more strain, but to say that the rural people are less taxed than the urban people and that they should be taxed further is something which, in my opinion, will not be conducive to the progress of the rural people in our country.

I now come to land revenue. Whereas every villager who has got even one cent of land pays land revenue of some sort, it is not the case with the urban people. There are no doubt house taxes in urban areas but, Sir, wherever there is a Panchayat, the villagers also have to pay house tax to the Village Panchayat in addition to paying land revenue, even if it be one cent of land that he owns. We find from the Taxation Enquiry Commission that land revenue is still at the highest, 1.87, followed by general sales tax at 1.84, State excise duties at 1.21. Even in the Finance Commission (1957) Report, page 28, it is said—

"Land revenue, which accounted for a little less than 20 per cent. of the revenue from principal heads in 1951-52, accounted for a little over 25 per

cent. in 1955-56, the yield rising from Rs. 48 crores to Rs. 78 crores, largely as the result of the abolition of zamindari."

That being the case with land revenue, so far as the State Governments are concerned, I do not see how there can be any accusations made against the rural people that they are less taxed than the urban people.

SHRI MAHESWAR NAIK (Orissa):
What about income-tax?

SHRI P. S. RAJAGOPAL NAIDU:
I had already mentioned that with the levy of the agricultural income-tax in several States, the incidence of tax even on the higher income levels among rural people is almost the same as that of the urban areas. Though it was said in the Taxation Enquiry Commission's Report that at the higher levels of income the taxation was less so far as the rural sector was concerned—it was more in the urban sector—with the levy of the agricultural income-tax, the incidence now is almost the same in both the rural and the urban sectors. That is what I was trying to say. If Sir, there was more taxation in the cities and the taxation was less in the rural areas, how can there be these multi-storeyed buildings coming up in the urban areas, these air-conditioned rooms, the huge cars, the telephones, and all these things? Just compare, Sir, the way of living of the urban people with the way of living of the rural people. We find in almost every village that conditions have remained exactly as they were forty or fifty years ago but, Sir, look at the cities and how they are developing? If, as is said, the tax is high in the urban areas, I wonder how these people can go on building such huge multi-storeyed buildings and roll about in costly cars. That only belies the statement of my learned friend, Mr. Leuva, that the urban people are over-taxed.

Then, Sir, coming to the real problem that is facing the villagers, I

have to say this regarding the ceilings on lands. Of course, Government has to impose ceilings on lands. There ought to be ceilings and one should not have more than what is absolutely required for him but, Sir, I want to ask the Government as to why there should not be any ceilings on buildings in the urban areas. It is no doubt true that there are several people who do not own land but then, Sir, there are a few people who are having excessive lands, which should be equitably distributed among those who are landless. Then again, Sir, in the urban areas, similarly, where thousands of poor people, millions of poor people, are living on the pavements, is it not the duty of Government to see that people who own streets and streets of buildings, storeys upon storeys of buildings, are made to surrender a few buildings which could be given to these poor millions who live on the pavements in the urban areas? Why should not this principle be made applicable in the urban areas?

AN HON. MEMBER: There is the wealth-tax.

SHRI P. S. RAJAGOPAL NAIDU: That is only an indirect tax. In the villages, you say that a man cannot have more than 30 acres or an income of over Rs. 3,000. Why should not this principle be laid down for the urban areas? How can there be a man living in the towns getting Rs. 30,000 or Rs. 40,000 or Rs. 50,000 by way of house rent coming out of 100 or 200 buildings owned by him while at the same time we find people in the hundreds and lakhs living on the pavements? Why should not these buildings be taken away from them and distributed to people who are not having any abodes to live? I do not see why this principle should be applied only to the villages? Is it simply because they are voiceless, or is it simply because the townspeople are more vociferous and vocal and hence their voices are felt by Government? There is feeling amongst the villagers as to why the Government should have this sort of partiality only for them. Unless this

sort of distribution is started both in the villages and in the urban areas, I am sure, Sir, there will be this sort of feeling amongst the agriculturists which will act as a great impediment even in the production of more food. I shall leave this at that and shall now proceed to the way in which Government is proceeding in the matter of the development of the co-operative movement in the country.

Sir, two years back we had the Rural Credit Survey. All of us acclaimed it as one of the best Reports so far produced and the Government had accepted the Report to a large extent. There was a conference of the non-official co-operators in the country and they had come out with certain recommendations in regard to that Survey Report. They accepted this to a certain extent and the Government also had accepted to a certain extent the recommendations of the non-officials. One of the most important recommendations made in the Rural Credit Survey Committee's Report was State participation in the formation of societies. The other important recommendation made by the Rural Credit Survey was the amalgamation of small-sized societies into large-sized societies and a sort of integration of credit and marketing, the opening of warehouses, creation of so many funds and all that. Sir, the formation of large-sized co-operatives was accepted by the Planning Commission and this is what they said on page 225:

"Another feature of the scheme of reorganisation proposed in the Rural Credit Survey is that credit and non-credit societies should be linked to one another so that the agriculturist can be provided with credit for seeds, manures, agricultural implements and essential consumer goods and is also helped in disposing of his produce. In view of the range of operations contemplated, the Rural Credit Survey recommended that large-sized credit societies serving groups of villages should be formed by amalgamation

[Shri P. S. Rajagopal Naidu.]

of the existing small societies and societies constituted for the first time should conform to the pattern recommended by the Survey".

Now, Sir, the pattern of the formation of large scale societies had been going on according to the Plan in several States in India. Unfortunately, in one or two States, they did not conform to the pattern laid down by the Planning Commission and the Rural Credit Survey. Instead of grouping four or five villages, they had grouped fifteen or sixteen villages and formed them into a large-sized society, and now, for the sin committed by those States, which did not conform to the principles laid down by the Planning Commission, the others that had strictly conformed to these principles have to suffer. Now, Sir, the Planning Commission comes forward and says, "Turn round about. Don't proceed further with the formation of large-sized societies." I may say, Sir, with my experience as a co-operator that there is a great amount of enthusiasm amongst the non-official co-operators in the country for the formation of large-sized societies in the country. When that enthusiasm is there even without consulting the non-official co-operators in the country, the Central Government have now suddenly come forward and said, "You shall not hereafter proceed further with the formation of large-sized societies; if you want, just confine yourself to one big village or two villages at the most." Sir, this will retard the progress of the co-operative movement in the country. The Government can certainly evaluate the progress made in the course of two years in this regard and they can certainly come forward with any suggestions that they can make, but suddenly even without consulting the non-official co-operators in the country, even without consulting the State Governments, even against the opposition made by the State Governments with regard to the cancellation of the formation of large-sized societies, the Central Government is now insisting that there should be no more large-

sized societies formed in the country. What I am trying to stress is, if the Government wants to change its policy, let the Government consult the persons who are concerned with these things; let not the Government suddenly, curb the enthusiasm of the people who want to form large-sized societies in the country and say, "Look here, do not proceed further." I do not know what made even our Prime Minister to say at the All-India Co-operative Congress held recently in Vigyan Bhavan that in a weak moment they had accepted the recommendations of the Rural Credit Survey Committee. Now, he does not agree with some of the recommendations of the Rural Credit Survey Committee. If that is the case he could have as well asked the Planning Commission to place the entire matter before the country once again. The Rural Credit Survey Committee Report had been placed before the non-official co-operators about two years back. The Government had taken their opinion before. The Government could take their opinion and proceed further in the matter even now; instead of that without even consulting the non-official co-operators in the country the Government says that the Rural Credit Survey Committee Report is wrong. It will curb the enthusiasm of the non-official co-operators in the country.

(Time bell rings.)

Only one more point. The Rural Credit Survey Report had said that there should be State participation at all levels, but then it was accepted as a compromise that State participation may be only at the apex level, that is, the Government can invest by way of share capital only in the apex co-operative banks and they should canalise all the funds through the primary co-operative societies and the Government may nominate three Directors at the apex level. But let us see what the State Governments are doing. The State Governments are nominating not three, but six, seven, eight and nine

Directors; the majority of the Directors are Government nominees. And on the top of it they say they have the veto power. Even if they had invested only Rs. 10,000 in a bank with a share capital of two or three lakhs of rupees, yet they say they have got the veto power. They say, "You can pass any resolution either in the Board of Management or even in the General Body; here we are to veto." And instances are not wanting. Even in Madras when they say that a particular place should be the venue for starting a co-operative society, the Government with its vetoing power has come forward and said that that is not the place where a society should be established, without any reasons whatsoever. Of course, politics had come into the picture.

Then the capital that is invested by the Government should be only equity capital, but it is treated as preferential capital. They say it must bear a certain amount of interest; that it should be redeemable, and they want all sorts of reservations to be made. Well, that is not what is contemplated in the Rural Credit Survey Committee's Report. That is not the compromise arrived at between the Government and the non-official co-operators. The State Governments invest in the share capital by way of State participation and then they claim all sorts of preferences.

Sir, I wanted to say one or two more points but for want of time I shall restrict myself to these observations.

SHRI JASWANT SINGH (Rajasthan): Mr. Vice-Chairman, Sir, the pattern of our tax structure which was started some 18 months ago seems to have been completed in the present Budget by the provision of the gift-tax. After the Budget was presented, as a result of discussions in the Lok Sabha, a few changes have been made and the Finance Bill that has come before us is important in one form and that is in regard to the development rebate.

The new Finance Minister has taken certain measures which have been welcomed by industrialists though they have not been fully satisfied.

Sir, another important measure which would have given real relief to a large number of people—and an important section of people—somehow or other has not been agreed to by the Finance Minister. What I am referring to is in regard to the income-tax exemption limit. Nobody would deny that taxation should be broad-based and that everybody should contribute to the public purse according to his ability to pay but this principle cannot be so strictly applied to income-tax. We have to consider that no class in India has been hit harder than the lower middle class of salaried employees. Higher prices of articles of consumption, cost of education, clothing, housing etc. in addition to the indirect taxes both of the Centre and of the State Governments and of the local bodies amount to something like Rs. 15 per head and this is telling very heavily on these middle classes. A comparison with the position of the lower middle classes in foreign welfare States would be altogether misleading, because we do not give all such facilities to our middle class people as are given in foreign countries. I will show what is being done for these classes in foreign countries. First of all, their children get free education up to a very high standard, even up to university standard in case of more promising students. Then they get free medical attendance and treatment by specialists. They get housing subsidy; they get provision for maintenance during unemployment and old age pensions. There is in fact almost complete security from birth to death. In the circumstances there cannot be any comparison between our country and foreign countries, and any comparison, as I said, would be misleading. Therefore, it would have been a correct thing if the exemption limit of Rs. 3,000 for unmarried people and Rs. 3,600 for married people with two children had been raised to Rs. 4,200

[Shri Jaswant Singh.]

for all and the distinction between married and unmarried people had been done away with.

Now, Sir, I would come to the position of taxation as was envisaged by the Planning Commission and the position that obtains now in the country. The Planning Commission in the Second Plan had envisaged an additional tax revenue of Rs. 800 crores over the period of the Plan. Out of this Rs. 800 crores, Rs. 350 crores were to be from increased yield at the existing rate of taxes and Rs. 450 crores from new taxes. Out of this Rs. 450 crores spread over five years, Rs. 225 crores were to be found in the Union Government's sphere and Rs. 225 crores in the States' sphere. An average of Rs. 45 crores of additional taxation per year at the Centre was considered as a safe limit. I do not know what is the position in regard to the States. As I stated, Rs. 225 crores were allotted to the States for raising taxation. As far as I can see this target is very far from being fulfilled and a good many States must be in arrears. But I will be grateful if the Finance Minister would be pleased to tell us as to what is the position in regard to the States fulfilling their part of the target in raising the taxation to Rs. 225 crores.

My friends, Mr. Vallabharao and Dr. Thomas, pleaded for more freedom of action to the States in regard to the allotments that have been made to them from the Union. I am sorry I would not agree with them as a general principle. In regard to those of the States which have fulfilled their commitment and are doing their best to satisfy the people all round, this freedom can be given. But then there are States and States, and if this freedom is given, my fear is that the resources that will be placed at the disposal of the States will be misused. I am sorry to say that and I feel sorry particularly when I mention that my own State cannot be entrusted with such wide powers. Whatever the basic principles of the Congress Party

may be, in certain matters even they overlook their basic principles. For example, communalism is a factor which, basically the Congress organisation considers is to be avoided. They, in fact, consider it worse than communism. But the State of Rajasthan, from which I come, and my neighbouring State, the Punjab, well, these two States, unfortunately, suffer from communalism. And if these two States are given a free hand to utilise the funds, then I am afraid these funds will be utilised more from a communal point of view than for the general good of the people as a whole. It is a fact that two of the former Chief Ministers of Rajasthan, Mr. Jai Narain Vyas and Mr. Tikaram Paliwal, who have literally been sent away from Rajasthan, and taken shelter in Rajya Sabha are the victims of this communal move. Because they wanted to enforce secularism in that State they had to leave the State itself. Therefore, I would . . .

THE VICE-CHAIRMAN (SHRI M. GOVINDA REDDY): How is that concerned with the Finance Bill?

SHRI JASWANT SINGH: It is concerned this way that the States should not be given a free hand unless they fulfil their commitments and they utilise the funds given to them for the purpose for which they have been given. That is all I was submitting.

Then, Sir, I would come to the Centre, in regard to the Rs. 225 crores to be raised by way of new taxation. The position in regard to this is this. Mr. Deshmukh had already raised Rs. 30 crores by new taxation. Then, Mr. Krishnamachari, last year had raised further the new taxation by about Rs. 100 crores. Thus the total has, in two years, come to Rs. 130 crores. Thus the safe limit of Rs. 45 crores of new taxation in a year has already passed and this year, again, last year's taxes are being continued. In addition to that, I was submitting a little while ago, that the pattern which was started some eighteen months ago has been completed by the addition of the gift-

tax this year, and this will further bring in more taxation. It has been known that in the world there are something like nineteen kinds of direct taxes and there is no country in the world which levy more than six to ten direct taxes. But it is to the credit of our country that out of nineteen kinds of direct taxation we levy at the same time fifteen direct taxes. And it appears that this fact has not been taken into consideration in the Budget.

Then, Sir, our taxation structure has been based on the scheme presented by Prof. Kaldor. But we have departed from it inasmuch as he proposed some of the new taxes as a substitute, while we took them as a supplement to the existing system of taxation. I would now like to ask what is the level of taxation. First, I will take the individuals in the higher income bracket. This is supposed to be about the highest in the world. There are many countries which have the same taxes as we have, but they have placed ceilings on direct taxation. More than 75 to 80 per cent. of the total income cannot be taxed. But in our case, in some cases 100 per cent. tax on the total income could be charged. Even 120 to 130 per cent. could be charged and money could be taken from the savings or from the capital of an assessee.

Then, Sir, about the middle class salaried classes, I have already spoken and I need not repeat that. They also are very hard hit. The third is this corporate taxation. In regard to this also, practically we are amongst the highest in the world and we pay between 51 to 56 per cent., being exceeded only by the U.K. With this position of taxation naturally the law of diminishing returns has begun to set in and in due course of time probably it may take an acute form. This would be visible in more than one way which I am going to submit presently. First of all, there is a fall in the return of income-tax. For this, there may be very many reasons including evasion, but decidedly there is a fall in the yield from income-tax. Then, in re-

gard to the indirect taxes also there is bound to be some fall. Then, Sir, the economic survey shows that during the last two years postal savings are definitely going down; instead of a net accretion to the post office savings bank accounts, there is a net decrease.

Then, in regard to public borrowings, during last year Government got a net receipt on public loans of Rs. 68 crores, including Rs. 30 crores of short-term bonds floated early in the year. In spite of this it is estimated by the Government that in the current year our net receipt on public borrowings will be something like Rs. 125 crores. I do not know how this figure will be fulfilled, when our experience of the past year is otherwise.

Then, Sir, in regard to the small savings. . . (*Time bell rings*). I will just wind up in a few minutes. From my side I am the only speaker and I may be allotted more time. Then, in regard to the small savings, the Planning Commission feels that Rs. 100 crores per year, spread over five years, should be the target. I would say that in the ten months of the year it has been found that only Rs. 37 crores have been realised and how has it been realised? It can be stated without any controversy that in many places it is not a voluntary contribution.

[MR. DEPUTY CHAIRMAN in the chair] Some coercion has also been used in some of the States and this small saving is supposed to be a voluntary contribution. But it has been brought about in some parts of the country by means which are not quite fair. Even this method has brought in only Rs. 37 crores. So, it is not known how the target of Rs. 100 crores could be fulfilled.

(*Time bell rings*).

I am winding up, Sir. Then so far as deficit financing is concerned, here we were told more than once that it will not exceed Rs. 900 crores or something like that. But from the recent statement of the Finance Minister in

[Shri Jaswant Singh.]

the Lok Sabha it is clear that what was provided by the Planning Commission, that is Rs. 1200 crores, will be reached in regard to deficit financing also, and already something like Rs. 700 crores of deficit financing has been resorted to during the last two years. Then our external resources condition is also getting very tight and the sterling balances are fast disappearing. Serious and earnest efforts have also been made by our Government to get assistance from foreign countries and our efforts have also succeeded to a very large extent. Some foreign countries have given us the benefit of deferred payments. This will only be putting off our difficulties. In 1961, when some of the payments will become due, we will be put to real difficulty. So far, by God's grace, we have been able to fulfil our international commitments, and it is hoped that when these loans and interest will become due, we will not be found failing in regard to the payment,

Lastly, Sir, I would submit in winding up, as my time is so short, that we have to curtail our expenditure. Our civil expenditure in every year mounting up to a very very high figure. That has to be curtailed. Unproductive expenditure has to be curtailed. Then it is understood that some new office buildings will cost something like Rs. 40 crores. These unproductive expenditures have to be ruthlessly curtailed.

So far as taxation is concerned, we have reached the limit, rather there is no room whatsoever for any further taxation. Time and again we have been told by our Prime Minister that we should move with the times, that we should not be static, and he tells that, if the country has to progress, those who are conservative have to give up their conservative attitude. I would submit that if we are practical and if we stand by our professions and act up to our professions, then we should not be static but move with the times, and therefore it is high time that we scrapped prohibition. At one time

it was a good point but now we have gone very far, and if prohibition is scrapped, I am certain that most of the difficulties with which we are faced will be removed, and even some of the taxes which are irksome both for the people in the higher income bracket and for the middle class people and the poor people—their difficulties will be removed, the people will have a real relief, and we will prove that we are not static but that we act according to our professions. We will then get plenty of funds.

Thank you, Sir.

SHRI SANTOSH KUMAR BASU (West Bengal): Sir, may I be permitted to commence my observations with a word of welcome to the hon. Minister who comes with a wealth of experience of public finance in an advanced new State of India?

Sir, I am glad that he begins his ministerial career in Parliament with piloting the Finance Bill in this House. This House which may not have the full constitutional powers in regard to these Bills but which often makes its contribution by its ripe wisdom and calm, dispassionate consideration of matters coming up before it.

Sir, achievement of the targets of the Plan while maintaining the balance of the economy in the process of its execution, without any major upsets in any important sphere of our national life—that, I take it, is the main purpose and objective of the Budget proposals and of the Finance Bill which seeks to give effect to them. Tested in the light of those objectives, can these proposals merit the criticisms that have been levelled at them by some of my hon. friends in this House? On the other hand, do they not, by and large, merit our wholehearted support?

The Plan has been able to earn unstinted and universal support. Even the stresses and strains from which a developing economy is bound to suffer have not weakened that universal sup-

port to any extent whatsoever. The opposition has continued to reiterate that support whenever occasion arises, thereby presenting a very welcome united front in the matter of fulfilment of the Plan upon which all our hopes are centred. That being the position, it is somewhat difficult to reconcile their attitude towards particular aspects of the Plan, apparently because they happen to be in conflict with some aspects of their political ideology. The incessant attack on the private sector, in season and out of season, in language balanced and unbalanced, is somewhat of an enigma to many of us, unless it can be explained as political claptrap, as vote-catching devices, to mislead the ignorant and unwary.

The estimate in the Plan of the aggregate private sector investment is Rs. 2400 crores. The whole foundation of the Plan rested upon the principle of total utilisation of all available and potential resources of the country to realise its grand objective. Now, when the Plan was formulated, the private sector was already functioning with ready-made organisations, the necessary 'know how', plant and machinery, and great potentialities for growth and development. It was an integral part of the economy of India. The Indian section of the private sector was being run with Indian money, Indian talent and of course, with Indian labour. Are we to disown them and refuse their co-operation? Are the magnificent achievements of industrialists like Tatas and Birlas, the great textile mills of Bombay and Ahmedabad and other industries in other centres to be neglected in the shaping and developing of our economy? Similarly, the foreign investors already in India were part and parcel of our economy. Their resources were India's resources. We could not appropriate them, but had to utilise them to the fullest possible extent, of course, with several suitable safeguards in important respects. If we accept the Plan, we have to accept it as a whole, private sector and all.

This brings me to the question of development rebate. But before I do that, I would only refer to two able speeches which have been made on the floor of this House from the Opposition benches. I refer to the speeches of Shri Vallabha Rao and Shri Rohit Dave. They have, in their own way, drawn attention to some difficulties which have arisen in course of the execution of the Plan in several respects. But may I point out that those are difficulties, stresses and strains which are bound to appear when such a vast experiment, a new venture on such an enormous scale, is undertaken particularly, when the country has just been freed from the shackles of a colonial economy? These have got to be faced with courage and determination. The question is whether we are vigilant and watchful, whether we are devising ways and means to meet the challenge. Any impartial consideration of the efforts of the Government in that direction will convince any one that our record is not bleak or blank. In the matter of production, both industrial and agricultural, there are signs of recovery. The price indices have also gone down in most places. But in some of the industrial centres like Calcutta, Bombay and Jamshedpur, the situation is still very serious on account of the sharp rise in prices much above the all-India price-index calling for special measures on the part of the Government to meet the situation.

Sir, I mentioned the question of development rebate. Government, in my view, have fully succeeded in making out a case for the rebate with the limitations and safeguards provided in that respect. In furtherance of the policy of the full utilisation of the resources and development of the private sector, we must further insist on the observance of a proper code of conduct on their part. I would only mention one aspect of the matter—the great anti-social effort on the part of speculators to corner shares of highly developed concerns and to capture them not for the development

[Shri Santosh Kumar Basu.]
of our national economy, but to further their own sordid ends. If such measures as development rebates are to yield the desired results, the necessary amendment to the provisions of section 250 of the Companies Act should no longer be delayed. That would prevent these adventurers from utilising their ill-gotten votes by the practice of cornering of shares to secure control of the management of well-conducted companies.

I would also support the point raised by my hon. friend, Shri Surendra Mohan Ghose, regarding the proper and real Indianisation of the higher staff of foreign companies not only in the matter of number, but also in the matter of status and emoluments. The hon. Minister would do well to enquire if there is galling discrimination in those respects on racial grounds and wherever found, he should draw the attention of the various foreign concerns to the need for their removal.

Similarly, in the case of foreign aid, I should have thought that there had been a change in the outlook of the Communist Party having passed through the practical and difficult experience of running an administration in a developing economy. Sir, some time ago, I saw in an Indian newspaper a cartoon showing a big, fat purse of American Dollars dominating the centre of the scene, with a Brahmin priest purifying it with what was described as '*Ganga pani*'. The beneficiary of the Dollars was standing in front with a complacent smile on his lips and an outstretched hand waiting for the conclusion of the purification ceremony. The name of the priest was shown in the picture as 'G.D. Birla' and the expectant recipient of the Dollars bore the name of the hon. Chief Minister of Kerala. One should have expected that the event that the cartoon was portraying had injected some realism, responsibility and restraint in a section of the Opposition in this House and outside in their approach to questions like foreign aid and the private sector.

But that, probably, is expecting too much of them.

Now, Sir, the question of taxable minimum and exemption from income-tax assessment has been brought up again by Shri M. C. Shah in a powerful speech. In my observations last year on the Budget, I raised my voice in opposition to the lowering of the limit. None of the reasons advanced by me has lost its force in the light of actual experience. The condition of things in advanced countries cannot serve as a precedent to us as has been pointed out so forcefully by my esteemed friend, Shri Jaswant Singh. In our country, the upper and lower middle classes have responsibilities and obligations, both domestic and social, which are unknown in other countries. The former Finance Minister who introduced the measure put forward as one of his reasons that a beginning should be made now by raising the taxable limit so that it might fit in with 'the mounting *Crescendo* of taxation'—to use his own words—in our future developed economy. I found it difficult to understand the logic of that argument at that time when applied to the middle class assessee of today with larger families, higher prices and lesser incomes, compared to those in the fully developed future economy of India. So, the mounting *crescendo* theory is hardly applicable to conditions obtaining today. I commend Shri M. C. Shah's suggestion that by a rigid pruning of what appears to be unjustified and extravagant expenditure, the necessary funds can be found to replace the earnings from the added income-tax revenue from this source.

Sir, I do not desire to continue my observations because within the short space of time allowed, it is not possible to go into the figures on a vast scale. I would, therefore, conclude my observations with the expression of my thanks to you.

SHRI D. P. SINGH (Bihar): Mr. Deputy Chairman, Sir, so much has

already been said on the Finance Bill that there is hardly any remark which I can add to it. Still, I would like to make two or three observations in regard to the Finance Bill which is before us.

Sir, I believe that the test of the success of the financial proposals which have been made lies in the fact whether the lot of the common man is likely to be improved by these financial proposals or not. If the lot of the common man is improved, then certainly we shall have to commend the measures which are before us. I wish to point out, Sir, that in a country which is so thickly populated as India, the whole direction in which our economy is being taken as a result of all that is being done, is not something we can be very complacent about. Sir, I say this because I

feel that that in an over-populated country the problem of unemployment cannot for long be deferred. That problem has got to be tackled. We have got a very vast army of unemployed in our country, and it seems to me that this army is increasing instead of decreasing. We are concentrating a great deal at the moment on heavy industries. Big appropriations have been sanctioned for these heavy and big projects. But so far as our small projects or the village-level projects or the cottage industries are concerned, in the first place, the appropriations which have been made are not very satisfactory and according to our expectations, and secondly whatever appropriations have been made or the money that is allotted is not being spent. Now, the result is that those industries which can be labour-intensive, those industries which can be employment-oriented, are not being fostered as much as big industries. Not that I am against the encouragement that is given to big industries. I want big industries to grow so that a sound base may be laid for the future development of our country. But the poor man or the average man in this country demands

that his standard of living should be raised here and now. He cannot wait indefinitely in the hope that at some future date, ten years or twenty years from now, his lot will be much better and in the meantime he has to suffer. That is something which ordinarily does not happen, and we cannot reasonably expect our people to put up with their lot for an indefinite period without an improvement being introduced here and now. For that, Sir, what was necessary was to have a large number of small-scale industries all over the country. My own feeling and my own information is that that has not been done. That is evident also from the Fifth Paper on national income issued by the Central Statistical Organisation which says that all income generated in the small-scale industry sector is continually falling down, which means, Sir, that adequate attention is not being paid to the development of small-scale industries or to the development of village industries. If that does not happen, we will be preparing ourselves for developing them at a very rapid pace in the distant future. Meanwhile, the needs of our consumers will remain unsatisfied, and the average man will not feel that we are a free country, and he will not feel that glow of freedom to which our Prime Minister and others have often referred. And if that does not happen, there will be no participation by the average man in our country in whatever is being done. There will be restiveness; there will be trouble, and if there is trouble, our infant democracy which we are pledged to further and defend will be imperilled. I therefore suggest that more and more attention should be paid to the development of small-scale industries and of village industries. I am not for a moment suggesting that we should not build up a sound base for the rapid industrialisation of our country. We should certainly do that but we should at the same time pay attention to the small-scale industries.

Now what is happening, Sir, is that more and more people are getting out

[Shri D. P. Singh.]
of employment and the problem of unemployment is getting more and more gigantic and it is not being solved. Our Finance Minister, the other day, said that only two million people had so far been employed during the first two years of the Second Five Year Plan. Now, the idea was to employ about eight million people during the course of the Second Five Year Plan. But only two millions have been employed thus far. Even according to the information given by our hon. Finance Minister, it seems to me that not more than 60 per cent. of the target will be reached or fulfilled. Then we have a large number of unemployed people already. Table I at page 112 of the Second Five Year Plan says that altogether there will be about 10 million new labour force with the back log of about 5.3 million unemployed—altogether 15.3 millions. And even if the target is realised, only eight million people will be employed. As it is, I submit, Sir, that even that target will not be realised. So, it can be seen that the situation is fairly precarious. We are standing on a kind of magazine, and if this problem is not immediately tackled, I do not know what is really going to happen.

Now, Sir, another point to which I would like to refer is the point which has often been stressed in this House, namely, deficit financing. It has been said that deficit financing in our developing economy will not make any serious difference as far as the standard of our people or their purchasing power and all that is concerned. But I submit, Sir, that it will definitely make some difference. Our former Finance Minister told us that deficit financing would be reduced from Rs. 1,200 crores to Rs. 900 crores. Now, our present Finance Minister has again raised the level to Rs. 1,200 crores. Now, that will again introduce some kind of imbalance. That will create again a problem which will give rise to unrest because our purchasing power in terms of goods will shrink as a result of so much money

being injected into our country, and there will be difficulty again.

Then, Sir, there is another point to which I wish to draw the attention of this House, namely, wasteful expenditure on our administration. It is obvious to every one of us that avoidable waste is being indulged in, that too much is being spent over our administration, that there is some conspicuous spending, and that a good example is not being set. In a country like ours, where most of us are very poor, if a good example is not set, then it is a little difficult to expect people to tighten their belts. Everywhere there is a very unfortunate example of spending too much. In this connection I would submit that Mr. Appleby in his report, made a few suggestions for introducing economy in our administration. The suggestions made by Mr. Appleby were reinforced by the Estimates Committee but what is it that has actually been done so far? Our Finance Minister the other day said that it was not possible now to introduce economy in our administration, although I am quite aware that Shri Patil, our Transport and Communications Minister, differed from the view and he held the view that it was possible to introduce economy in our administration. Our administration could be so organised that economy could be introduced. I don't know what the view of the Government is going to be ultimately but it is clear that so far, no effort has been made to introduce any real economy. If economy is not effected, and if money is wasted, if the ordinary man feels that money is being wasted, it will not be possible for him to put up with his lot. If you want the ordinary man to put up with his lot, then we must so organise our economy, we must so conduct ourselves and our rulers and our administrators must so conduct themselves that the ordinary man feels that everyone is participating in the building up of this country, that every one is participating in the misery which is there in this country. Unless

that feeling is there, I submit that it will be difficult not only to carry through our projects, not only to fulfil our plans, but it will be difficult to maintain what we value most, namely, democracy. We are moving in this country in a manner which indicates that we are a totalitarian country. We are really a democracy, we have civil liberties to a large extent and all that but (*Time bell rings.*) We are really behaving in a fashion in which fashion we can behave only in a totalitarian country. If we do not try to produce goods which will meet the needs of the ordinary poor people, if we do not here and now raise the standard of living of the ordinary man, well, there will be difficulty, there will be resistance from the side of the ordinary man and that resistance the Government of the day will try to crush. In its attempt to do so, totalitarianism is bound to emerge. I therefore, submit in the interests of democracy also that it is absolutely necessary that the direction of our economy is changed to some extent, that greater stress is laid on the production of goods which will meet the needs of the ordinary man here and now. If we do that, it is only then that we can carry our people with us the Government can carry the people of this country with them and can build up democracy and at the same time raise the standard of the people.

SHRI S. C. KARAYALAR (Madras): Mr. Deputy Chairman, Sir, in rising to support the motion for consideration of the Finance Bill, I would like to make a few observations in respect of the Finance Bill or the implications of the Finance Bill. My first observation would relate to the structure of the Income-tax Act. The structure of this Act is already very complicated and it is getting to be more and more complicated by reason of the annual amendments brought in by way of the annual Finance Acts. I will only refer to a few features of the Income-tax Act to show how complicated it is in making assessments and also in administering the machinery. First of all the Act provides for the levy of

ordinary income-tax at certain rates. On top of that you have to pay surcharge which is ordinary and special according to the nature of the income whether earned or unearned. Then you have the super-tax and a surcharge on super-tax. There also it is complicated by the introduction of super-tax on earned and unearned incomes. Then you have the rebate on life insurance premia, then you have the earned income relief and then in the case of certain companies like 23A companies, as they are called, there are certain provisions which are very difficult to comprehend. In the case of those companies, the companies are required to pay a high rate of dividend, about 60 per cent. of their income, and at the same time the law imposes a tax on excess dividends. Then you have the development rebate. Then you have the levy under Section 18A of the Income-tax Act. Then you have Section 23B. All these assessments under Sections 18A and 23B and these rebates etc., then the final assessment after making allowances for all these purposes under Sections 18A and 23B, make the structure of the Act absolutely complicated so much so that the ordinary man or layman is actually confused and confounded. In this state of affairs the ignorance of the ordinary taxpayer is being exploited by the income-tax officers. It is no wonder that it is being done and the layman or the tax-payer is in the hands of the income-tax officers and superior officers. I will give only a few illustrations to show how the Income-tax Act is being administered, how the machinery of the Act is being misused.

In the first place, I would mention that the income-tax officers and their superiors are ignorant of one fundamental principle of interpretation of fiscal statutes, namely, that whereas there is possibility of making two interpretations, one favourable to the subject and one favourable to the State the one which is favourable to the subject ought to be preferred to the one which is favourable to the

[Shri S. C. Karayalar.]

State, but this principle of interpretation is observed more in the breach than in the observance. For instance, I would like to refer to a case which came to my notice. Recently, an income-tax officer of his Appellate Assistant Commissioner actually declined to accept an interpretation made in respect of a certain provision in the Income-tax Act by one of the High Courts in India just because he was not functioning in the area under that particular High Court. This is absurd on the face of it because at least it is possible that that interpretation which was accepted by that High Court was one possible interpretation. That was an interpretation which was favourable to the subject. So, this officer refused to accept it. This is one of the vagaries of this Department which ought to be corrected.

Another illustration is this. It is well known that cess is a very well-defined expression. It has a definite statutory connotation. A particular income-tax officer, it came to my notice recently, included in the total income of an assessee the proceeds of the cess which ought to be paid to the Government and were paid to Government. He treated the proceeds of the cess collected by the assessee as part of the total income and made the assessment on the total income. In this case, either the officer concerned did not understand the significance of the expression "cess" or he deliberately included the proceeds of the cess in the total income. If he did not understand the significance of the expression then he is not fit to be an officer, and if he had deliberately included the proceeds in the total income, then also he is not fit to be an officer and in either case his conduct deserves to be censured.

Another instance which came to my notice of the misuse of the machinery of this Act is connected with the way in which appeals are being disposed of. I know of certain instances in which appeals were heard not by one

appellate officer, but by two successive appellate officers, and left undisposed of. And I hear that a particular appeal is still pending. What is the interference to be drawn from such evasion? I believe that that particular Appellate Assistant Commissioner must have found that substantial deductions had to be made in that particular case and so he did not dispose it of. This is the way in which Act is being administered—in a very sordid way.

The illustrations which I have now given go to show that there is something fundamentally wrong with the administration of the Act and there seems to be some deep-rooted evil attaching to the whole administration and I think it is high time that the matter is investigated by a commission and the disease diagnosed properly and remedial measures applied at an early date, not only in the interest of revenue, but also in the interest of the purity of the administration and in the interest of better relations between the Department and the people.

Sir, if I may give an extract from a book which has just now come into my hands, I will read out one short passage from it. This is what the author says.

SHRI AKBAR ALI KHAN (Andhra Pradesh): Who is the author?

SHRI S. C. KARAYALAR: One Mr. Nandi. This is what he says:

"The solid facts are that some of them"—that is to say the assesses—

"have to wait for years for the adjustment of advance payments that are made by them; that some are put to endless harassment and humiliation by the issue of Certificate against them even in respect of demands that they have already paid, it maybe, months and years ago, or in respect of artificial or false demands raised against

them without adjustment of the advances previously paid by them; that some have had to wait for years for refunds in respect of deductions of tax made at source or in respect of amounts 'funded for the benefit of assesseees'; that some are put to great hardship by being required to pay demands for a number of years at a time owing to the failure of the Department to make timely assessments; that some have to wait for years for the disposal of appeals made against arbitrary assessments; that some have to wait for years for the finalisation of even the voluntary returns that are submitted by them; that some have to appeal before an Income-tax Officer or his successor or, successive successors, even ten times or more, in connection with an assessment proceeding which can be finalised in two or three sittings, at the utmost".

And the author goes on in the same strain. I have no reason to doubt that the author of this book is one who has been connected with the income-tax administration all his life and that he speaks from actual experience.

SHRI B. GOPALA REDDI: Is he an officer?

SHRI S. C. KARAYALAR: No, he has just retired.

AN HON. MEMBER: After retirement he wrote the book?

SHRI S. C. KARAYALAR: I don't know, this is a recent publication, and he must have based his conclusions on his experience gained during years. I am only pointing out that there is a case for investigation of the whole system in which a number of evil practices and usages have grown.

Having said that much on that point, I come to another subject i.e., the question of raising revenue. Here I may refer to one important matter dealt with by the Taxation Enquiry Commission in their Report. For the

purpose of raising non-tax revenues they suggest the setting up of fiscal monopolies in respect of certain commodities. They have definitely said that the setting up of fiscal monopolies in respect of certain commodities has got a very distinct advantage over other forms of taxation, such as excise, duties. This system has also been very successfully used by other countries for raising revenues, and the Commission have also said that they had not discussed any concrete proposal in this respect because they did not have the opportunity to do it; at the same time, they have recommended that the whole question should be gone into by an expert committee to investigate the possibilities of raising non-tax revenues through fiscal monopolies. In this connection, I would mention the case of salt for monopolisation, because there are certain special circumstances in relation to salt. Salt is the only commodity which has fallen in price by over 50 per cent from the 1939 level. It is the only commodity which has fallen in price, whereas all the other commodities have risen in price by about 200 to 300 per cent. Therefore, it seems to be that it is a fit case for fiscal monopolisation. At least the distribution part of it may be made a subject for fiscal monopolisation. I seriously suggest that salt, along with other commodities may be taken up for fiscal monopolisation.

A reference was made during the course of the debate to public borrowings and the small savings scheme. It was pointed out by several speakers that the response to public borrowings, to public loans and small savings has not been quite satisfactory. Sir, I would like to make one or two suggestions in order to make public borrowings more satisfactory. It is well known that in the case of public loans, a very large section, indeed a considerable section of the investors are people who invest about Rs. 5,000 to Rs. 10,000. (Time bell rings.) I shall finish in one or two minutes, Sir. In the case of these people, the interest which accrues is about Rs. 200 to

[Shri S. C. Karayalar.]

Rs. 400. But in such cases, income-tax is deducted at the source which will absorb about 30 per cent. to 35 per cent. of the interest. This is a big slice for these people who invest Rs. 5,000 to Rs. 10,000. Therefore, they are absolutely disinclined to invest their savings in public loans. I would suggest, therefore, that there may be a modification. Of course, it may be argued that these people can get refund of the tax which has been deducted at the source. But having regard to the fact that the cost and labour involved in collecting the refund are out of all proportion to the amount to be collected by way of refund, they are disinclined to consider that aspect and therefore they are unwilling to invest their savings in the public loans. I would therefore, suggest that deduction of income-tax at source, at least in the case of the small investors, should be done away with so that there may be more response to public loans. After all, it is only the people who are liable to pay income-tax that should have the income-tax deducted, if at all. There is no purpose in deducting income-tax in the case of a small investor and then asking him to get a refund. I think, Sir, if any such scheme is introduced, there will be a bigger response to public borrowings. Likewise, in the case of small savings also, Sir, I should like to mention that the campaign that is being carried on in this regard really does not extend to the class of people who make real savings and who can be asked to put in their savings in the small savings. Actually, people who cannot afford to put in any savings are being asked to contribute to the small savings scheme. It is well known that in the case of mills, factories and industrial establishments, large amounts are being annually distributed by way of bonus. I understand the total amount of bonus distributed to the workers in the various mills and industrial establishments is of the order of Rs. 50 crores. I suggest seriously, Sir, that, this amount ought to be mobilised in the

small savings either by way of voluntary contribution or by some kind of legislation so that the savings of these people can be real savings to them. Otherwise, all these savings are really frittered away, part of it goes to the so-called labour leaders. We want to save them in spite of themselves by devising means by which all these savings can be mobilised for the small savings scheme.

I should like to mention a few more points but since my time is up, I will close my observations.

SHRI R. G. AGARWALA (Bihar): Mr. Deputy Chairman, while speaking on the Finance Bill, I would like to point out two things. During the last two years, India has become the most-taxed country in the world, and, as Mr. Chinai pointed out, out of nineteen taxes, India can claim seventeen taxes.

SHRI B. GOPALA REDDI: What are the other two?

SHRI R. G. AGARWALA: The present tax structure of our country has been based on the recommendations of Prof. Kaldor. We have taken his recommendations but there was one recommendation regarding reduction in the rate of income-tax which has not been accepted by Government. That was a very important recommendation, especially in the integrated tax structure which was being prepared for India but we did not accept such an important recommendation. The point is this: We want money for raising the standard of living of our common men; we want money for welfare activities and for so many things but, Sir, what we do not realise is that by levelling down, by allowing the taxes to reach the saturation point, we have diminishing returns. When this thing operates, we are not going to get money. Money lies in creating wealth, if I may say so. We should produce wealth; we should not get money otherwise than by producing wealth and production of wealth means industrialisation. I would like to ask the

Finance Minister as to whether, by putting in more of these taxes, he has left any incentives to saving and for capital formation. Government may start many mills; they may start a project costing Rs. 200 or 300 crores. That is public money and they play with it but has the Finance Minister left any money with the private sector to be put back into industry? Company's money is no more with the private sector. It is all borrowed money wherein they have to pay a heavy rate of interest and even otherwise, capital is very very shy at the present moment and it looks practically as if there is no money in the market. I want to know whether by putting these taxes they have left any incentive to the foreign investors to invest in India. Except loaning out some amounts, no foreign investor—except maybe one or two due to political reasons—is ready to invest in India where the tax structure is very high. Our own capital is shy. We have no money left and the foreigners cannot come. In such circumstances, are we creating wealth which is the main intention of our Second Five Year Plan and the First Five Year Plan? We have failed miserably in this respect and this is only due to the high rate of taxation. We have accepted such of those recommendations as gave us more money but there were some other recommendations which were made with the idea of giving some relief to industry which we have not accepted; we have neglected those recommendations altogether. I will request the Finance Minister to think more seriously, to study the problem and not to go on hearsay, not to call the industry a lion at large and then kill it but to think of the problem a little more seriously. Mr. Chinai has pointed out the case of the textile mills. Relief has been given in excise duty on super-fine which was not required at all but medium and coarse cloth has been left out. If at all it can be called a relief, it is something of the order of one naya paisa or two naye paise that has been granted to medium and

coarse varieties. He has suggested that immediate relief for mills which are producing medium and coarse cloth is required as otherwise there is a serious danger of these mills being closed. You may ask as to why these mills are not closing down now and as to why they are clamouring and saying that they will close. The main hindrance is the retrenchment relief. Mills which are working for the last fifty years have to pay 25 months' wages as retrenchment relief if they are to close down now. In such old mills, the strength of labour is also large compared to the new and modern ones. This payment of retrenchment relief alone will come to Rs. 10 to 15 lakhs which the mill-owners are losing now. Government should think about this problem seriously now but if Government does not think about it, Government will be responsible for what happens then; it will not be the responsibility of the private sector. The private sector cannot be abused then because it has given sufficient warning, warning after warning, that conditions are very bad. Mr. Pattabiraman has raised a very important point. He quoted certain figures and asked as to why these mills were asking for this kind of relief. He has taken the average. It is just like the case of a family trying to cross a river on the basis of an average. The father took the average depth of the river which was three feet in one place, five in another and so on, and then asked his family to cross the river. The result was that the small children were washed away, drowned in the water. This is the same case here. There are very old mills where the labour strength is more and which are losing. Of course, there are new mills producing super-fine and fine cloth whose position is better. Government or Parliament may appoint an expert committee to go into the balance sheet of each company, of each cotton mill and find out the real position. Government should not go on hearsay or on assumptions but should examine the actual position with its own eyes. So, Sir, my submission is that Government should not

[Shri B. Gobhai Reddi.]

lose time in implementing this recommendation. Mr. Chinai who knows the position of the industry very much and who has been the President of the Federation has given a timely warning. He has said that if the relief does not reach the mills in one or two months, there might be a catastrophe in the textile mills. Of course, Sir, mills which are rather old are employing more labour. At one point, we wanted to create more employment but by this kind of action, Government is creating unemployment. Government wants to have the golden egg, not caring for the goose. If we do not care for the goose but care only for the golden egg, then the same old story will be repeated and we will stand corrected. I, therefore, suggest, Sir, that a committee of the Parliament should be appointed immediately to go into the working of each mill and this Committee should be asked to submit the report within one month of its appointment so that Government may know the real position of the textile industry. Sir, there are welcome signs that the Government has begun to realise that **there** is some snag in their taxation policy, and that is why they are coming with the speed of an ant giving a small concession here and another there so that they may show that they realise it but that they cannot do it all at once. Because only a year back they had imposed such a high tax and they cannot take it away now because they have made it a point of prestige. Sir, if they have committed a mistake, they should withdraw it. I request that the Finance Minister should reconsider these proposals and I hope that the taxes which are already imposed will be suitably amended. Thank you.

PROF. A. R. WADIA (Nominated): Mr. Deputy Chairman, Sir, it is an acknowledged fact that our poor country is very heavily taxed and it was very refreshing to find even an ex-Finance Minister talking very realistically on the floor of this House this morning. My only regret is that his wisdom was not utilised when he

was in a position to have made his opinion felt. The taxation is so high at the present moment that even multi-millionaires complain that they work for the Government for 11 months out of 12, which means that they live on one month's income for the whole year. And there are cases where their income does not suffice for the payment of taxes, but, of course, they live at a very high level and they have practically to live on their capital. At the same time one feels that these multi-millionaires manage to live fairly comfortably. Some of the middle classes have been practically slaughtered out of existence. The only class that seems to be flourishing—but I am not sure about it—is the industrial labour. I use the word 'seems' because I am not sure that the cost of living has not been rising much more than their wages. So that, on the whole, we find all round people have been suffering, all because this is done in the name of the Plan. Sir, on a previous occasion, I ventured to say that after all the Plan exists for the people and not the people for the Plan. There is a good deal of wisdom in the suggestion that the Members of the Planning Commission should be independent. That should be a body of experts, not dominated by Cabinet Ministers. It is their business to recommend what can be done in the light of the resources available. On the other hand, they seem to have proceeded on the basis that something has to be done and then resources have to be found for it. And they have been disappointed year after year; their targets have not been reached; the savings that they expected have not been forthcoming to the extent expected and no wonder that the Government has been continuously trying to reconsider their plans.

On more than one occasion in the past my humble voice has been raised, and it has had some good support from very powerful voices, that the policy of prohibition has to be reconsidered. After all we cannot

afford to throw away precious money in the interests of an ideal which has not been realised and will never be realised. I was surprised to find my good friend, Mr. Saksena, saying that we do not want this country to be a country of drunkards. Well, Sir, I admire his intentions and I admire his heart, but I am afraid he must be walking about the streets of India with his eyes closed, because if he did not do so, he would have seen that perhaps there are far more drunkards in the so-called dry areas than in the wet areas, and the ultimate result is that the morale of the people has been very badly affected. The greatest evil of prohibition policy is not so much the loss of money as the amount of corruption that it has introduced and the lot of bad ways in which prohibition has been worked.

Sir, a good many defects have been pointed out in connection with the working of the Income-tax Department and any one who has had anything to do with it will bear those complaints out. A doctor friend of mine was complaining that in one year he had three income-tax officers coming to him one after another. Either it means that the work had not been satisfactorily done by the two previous officers or it means that it was a plan to put some sort of a screw on that doctor. I think that sort of thing is very harassing and the number of examples that were pointed out by my friend behind need really the serious consideration of Government.

Well I feel very pessimistic about this taxation policy. The only good sign is that we have a new Finance Minister, and even within the short time since he took charge he has brought to bear on it a certain amount of commonsense and realism, but, of course, it is difficult to expect him to change the structure of taxation straightway. But there is some reason to hope that, as soon as he finds himself firmly settled in the saddle, it might be possible for him to reconsider the whole structure of taxation and

make it more realistic so as to be really more paying and fruitful in the long run.

In spite of such heavy taxation that has been prevailing, I was surprised to find an extraordinary example in Bombay of a private family investing about Rs. 40,000 in a piece of land. That piece of land has been leased out to a co-operative society for 999 years and the amount of ground rent charged is 13,000 rupees a year. It means that practically the family covers the full capital in three years, and this goes on for 999 years. There must be something wrong in this taxation structure when so many limitations are placed on house building—and our housing problem is a very serious problem everywhere, not merely in Bombay city but everywhere. Instead of encouraging house building, this sort of exorbitant ground rent is an obstacle in the way, and yet we are told that there is some lacuna in the law which makes it possible for this sort of exorbitant ground rent to be charged. People who build houses have a standard rent, fixed but the man who leases out the ground for rent has no such standard rent. He thinks that there is no standard rent for him and that leads to exploitation. There are occasions and circumstances which would justify high taxation as in this case but that has not been done. Well, Sir, I am afraid our own patience is getting a little exhausted; I do not know how far this rate of taxation can be borne actually though I admit that there is a good deal of good intentions behind the Plan and the efforts to make it successful so that the people may benefit.

SHRI ABDUL RAHIM (Madras): Mr. Deputy Chairman, in spite of the fact that the Planning Commission was formed at an early stage in spite of the fact that most eminent people were included in the Planning Commission, in spite of the fact that the Planning Commission was headed by no less a person than our revered leader, Nehruji, in spite of the fact

[Shri Abdul Rahim.]

that they took strenuous efforts and strained every nerve of theirs to chalk out a plan and make the first Five Year Plan successful, in spite of the fact that the most unstinted public support was given to the Plan, and in spite of the fact that the most intelligent Finance Minister was there at the helm of affairs, the First Five Year Plan, I am sorry to say, is a failure. We cannot say it is a cent per cent. success. How many tens of thousands of tons of foreign food-grains were imported? If we want to say things according to what conscience dictates, I can say that it is not a cent. per cent. success. What is the cause for this failure? And till now we are not able to achieve self-sufficiency in food. Has the Planning Commission bestowed their thought to this? What is the main cause for this failure? I would rather say that though at the helm of affairs and at the top of the Planning Commission, there are efficient and good leaders, the machinery to carry out the wishes of the Planning Commission was not satisfactory. And in my opinion unless the mistake is found out, the mistake may be somewhere else—it may not be the same as I pointed out, it may be somewhere hiding, it is for the Planning Commission to find out the mistake and do the needful in the matter—and unless we do it, we cannot say that we have done justice to the activities we have taken. And hitherto, after independence, something like Rs. 4,000 crores have been budgeted to be spent. And what is the total outcome? The total outcome seems to be the rich becoming richer and the poor becoming poorer. That is the real situation which we see today before our own eyes. Is this not to be corrected? Who is going to solve the problem of the poor? The public at large gave fullest support to the Congress and in all the States we had Congress Ministries in the beginning and people had the fondest hope that the Congress will certainly solve the problem. And I am sure it is the Congress which is going to solve the problem. We have not made a begin-

ning yet, I can say. In my opinion, the whole procedure was in the wrong. Instead of beginning things from the top we should have begun things from the bottom. We should have taken up the problem of the beggars and the 'have-nots' first; we should have bestowed our thought as to how to solve their problems. Instead of that though we may be tempted to hide things, it is a fact that the rich have become richer and the poor have become poorer. How long is a state of affairs like this to continue? And unless we solve the problem in the very near future, there is no redemption for our country. I can quote a simple stanza in Tamil by the late revered Subramania Bharathi, who wrote an inspiring Tamil poem:—

*'Tam Oruvanukku Unavillaienil
Jagattinai Azittiduvome'*

That is one line from the poem, the meaning of which is if one man does not get enough to eat, the world is fit enough to be destroyed. That is the most revolutionary song ever coined in any language, I can say. And it is with that intention that our Governments are formed and we are here to provide food first, then clothing and dwelling. In spite of the fact that thousands and thousands of crores of money have been spent we have not come nearer to the goal. I can say that the main defect is in spending the money. People have given money. People have given support and it is with the Government all these things lie. It is up to the Government to take particular care as to how to spend the money. There are many other defects, that were pointed out since yesterday, that Government did not take much care to spend the money carefully.

I can point out one particular aspect where we are simply spending money like anything. Take the case of the military. It is a white elephant I can say. Why are you spending money over the military more and more? Why are you increasing the strength of the military more and more. I cannot understand the reason,

the most prominent reason, why we are accumulating military strength so much. (*Time bell rings.*) People say that Pakistan will certainly attack India one day. I can assure you that no such thing will happen. If any war between India and Pakistan breaks out, it is going to be a world war. And in my opinion, from my memory, I can quote that no world war has taken place in India. Let not any world war take place here, nor anywhere. Let us be free from any fear. Pakistan will never make an attempt even to fight us, because they know their loop-holes themselves. They know their defects. They are not fit enough to control the Government even for a day. You may have seen how many Ministries have been changed in Pakistan. It will take years and years and decades and decades to set things right in the administration itself. Where is the time for them to think of war? You may think that some Western Powers may be instrumental in bringing war to India. All those things may not happen (*Time bell rings*) and let us not spend money over military purposes again and again. With these words, I conclude.

SHRI M. M. SUR (West Bengal): Mr. Deputy Chairman, for the successful implementation of the Plan we have to raise revenue and various enactments have to be made from time to time for that purpose. But enactments alone will not collect revenue. We must have an efficient machinery, manned by able men, to collect the revenue. But what is happening now? We find the collection of estate duty is not up to the expectation. The wealth-tax yield is short by 30 per cent.; and various taxes are under enactment. Unless we make our machinery for tax collection efficient enough, we shall be lagging behind our expectations still more.

4 P.M. I think we are Rs. 200 crores in arrears in income-tax. But why is it so? For every case of assessment there are appeals and counter appeals, and it goes on and never ends, so that the

revenue that we expect for the Second Five Year Plan may not be collected even at the end of the Third or the Fourth Plan. We have side by side the civil courts where also money suits are decided, but they decide it in such a manner that both the parties admit that to be just, and there are few appeals; whereas in income-tax cases there are many appeals. Unless these appeals are stopped we cannot progress very much. In order that appeals may be stopped the officers must be well trained and they must be able to do the assessment in such a manner that appeals will not yield results. As matters stand now, by making appeals people find that they benefit, that they get relief, but when they find that the assessments made by the income-tax officers are so just that by appeals they will not get any benefit, that they will only be wasting money on lawyers and paying penal interest, then only they will be dissuaded from wasting money, from delaying payments by making appeals, and tax collection will be quicker.

There are several taxes also coming, such as the gift-tax and the expenditure-tax, and in order that these may be administered properly we have to see that the tax collection departments are run more efficiently. We are short of able men. Many posts cannot be filled up because of shortage of men. Even multi-purpose schools and secondary schools face the problem of shortage of teachers. But revenue collection is more important than anything else. If we could not find enough able men for the salaries we pay, we have to give them better salaries so that we attract able men for the tax collecting department. Not only these direct taxes are to be collected but we have been neglecting the indirect taxes, taxes on luxury goods. Up till now we are paying the same sales-tax for whatever we buy, it may be a common article of everyday necessity or luxury article. Whereas in other countries, in England for instance, they have purchase-tax for jewellery, they have a gradation of purchase-taxes for various goods. Why should not such

[Shri M. M. Sur.]

taxes be introduced in our country so that these taxes can be collected? The expenditure-tax is there but it is collected only after they spend the money. Why not collect that tax as they go on spending the money? We have luxury hotels where people hire a room for Rs. 150 a day. They pay Rs. 15 to Rs. 20 for a meal. Why should not the people pay an additional sum of Rs. 50 when they pay Rs. 150 as hire, for the welfare State? These collections should be made at the time when the people are spending their money.

Some of my friends have spoken about reimposition of the salt-tax. Sir, at present we are subsidising food because it is beyond the means of the masses to pay higher prices for food. When we are subsidising food, importing food at high prices and giving it at concession rates, will it be proper for the people to pay any salt-tax? Salt and food go together. Salt is as necessary as food. If any reimposition of salt-tax is contemplated, that should be postponed till we have made the food position easier, till we have got plenty of food at reasonable prices. Then only we can think of imposition of salt-tax, not otherwise.

With these remarks, Sir, I support the Finance Bill.

SHRI B. GOPALA REDDI: Mr. Deputy Chairman, as many as twenty-four speakers have participated in this very important debate, and I am really thankful to all of them for the very valuable suggestions they have given to the Government. Being new to this House, Sir, they have been of great value to me, and I must confess that I have been greatly benefited by what has been said on the floor of the House.

Exactly two months ago the Prime Minister presented the Budget to both the Houses of Parliament, and this Budget has been before the country and the House for these two months. In the general discussion of

the Budget both in the other House and here, in the discussion of the Appropriation Bill there and its discussion here, and in the discussion of the Finance Bill there and here, all aspects of the administration have been discussed threadbare. Therefore, there is nothing that Government can conceal from the onslaughts of the hon. Members and also the press and the public and therefore the Budget can be said to have been thoroughly discussed.

After all these two months of discussion two things emerge out—these twin proposals, the Finance Bill and the Appropriation Bill, are the two things that emerge out of all these discussions. The Finance Bill enables the Government to levy taxes, the usual income-tax, the wealth-tax and other taxes that have been passed some time ago, and the Appropriation Bill enables the Government to spend the money on the various Departments. So, the net result of all these discussions lasting over two months is these two Bills, and I am really happy that, though I came in the middle of the Budget discussion, I have been greatly benefited by the various speeches made here.

There is nothing new in the Finance Bill. Whatever has been done was done last year and in the previous years and the provisions in the Finance Bill are very tame, as some hon. Members remarked. Only the development rebate dominated the show, as it were. But hon. Members did not confine themselves to the provisions in the Finance Bill. They took this opportunity for covering a very wide ground of reviewing the entire revenue administration, the fiscal and economic policies of the Government ranging from unemployment to industrial development and from foreign assistance to civil expenditure. There is not one aspect of civil administration that has not been covered during the short debate on the Finance Bill. It is natural, Sir, that before enabling the Government to levy income-tax and other taxes, they do have their

say with regard to administration generally. Mr. Karayalar and others have spoken at great length on the administration of income-tax. They confined their remarks entirely to the administration of this important tax, the income-tax, and they covered a very wide ground indeed. Sir, I was accustomed to the administration of sales-tax for a number of years now in Madras, in Kurnool and in Hyderabad, and the very same criticisms were levelled against the administration of sales-tax. Though I am new to income-tax, I am quite familiar with the general criticisms made against these taxation measures. Whether it is the sales-tax in the States or whether it is the income-tax, or tomorrow whether it is the wealth-tax or the expenditure-tax, the general criticism always remains that this department is harassing the people, they are mulcting the people and they are making these people wait at their doors for long. Mr. Karayalar has made some very sweeping remarks against these officers—about 100 officers or so—in the various States who are doing some very unpleasant work indeed. It is a very unpleasant job to probe into one's profits. After all there are people—I do not say 'all'—^{who} try to conceal their profits and who want to evade taxation, and it is the duty of these unfortunate officers to have a probe into their profits and try to get what is due to the Government. We have not instructed any officer to get a single pie which is not legitimately due to the Government, and whatever is due to the Government, certainly must be got at all costs. It may take some time, some months, some years, or it may mean going to the various appellate authorities, but the entire process has to be gone through and every single pie that is due to the Government must be collected by this department. And in this process if some officer or officers have not dealt with some particular cases with great expedition, then it is up to the hon. Member to write to the Government which will certainly look into the matter. I do not

know which of those officers have examined the case and they have not delivered the judgement and they have been sitting tight—it may be that they may have to give some relief to the assessee there. Anyhow, if there are any odd cases like that, and if the hon. Members write to the Government or to the Central Board of Revenue, we shall always be willing to look into the matter. But I once again say, Sir, that this department has been more sinned against than sinning. It is really, as I said, very unfortunate and difficult work, and yet they are discharging their duty to the best of their ability and judgment, and they do want to help the Government in trying to get whatever is due to the Government. Therefore, Sir, I want hon. Members also to be generous in their criticism against these collectors, and they must also understand the difficulties of these officers. Let us not assume that every assessee who comes before these officers is a *Harish-chandra* personified in *Kaliyuga*. There are some cases and I know personally that in our own mica industry in Nellore there are people who are trying to evade some of these taxes, and it is up to these officers to probe into their profits and see whether somebody is concealing some profits or somebody is giving a real account to these officers. All that has to be gone into very carefully. Therefore, Sir, let us not make any sweeping remarks against these unfortunate officers who are doing a very difficult job indeed. After all, Sir, they are not present here and therefore it is for us to protect them against any unjustified attacks on this department.

Then, Sir, there were also certain other controversial matters that were brought in, perhaps those which should not have been brought in here namely, the question of direct and indirect taxation. After all, Sir, these taxes have come to stay. Then what is the point in discussing them here and suggesting that "We welcome more direct taxation and we are all against indirect taxation."? On the other hand, Sir, there are other friends on

[Shri B. Gopala Reddi]

this side who have suggested that our taxation must be broad-based and let us collect as much money from as many people as possible, of course, without their feeling the pinch of it. Therefore, let us resort to indirect taxation. In the State Legislatures, Sir, generally the Members advise us from all sides that we must resort to not direct taxation, but to indirect taxation. Sales-tax, of course, is a very convenient source of revenue in the hands of the Legislatures and more and more money is being realised through it. The direct sources of revenue generally, either to the State Governments or to the Central Government, are limited. We cannot resort to direct taxation. Even in the Central sphere, direct taxes are just these, the income-tax, the wealth-tax and other things. But more than all these taxes, our Central excises are going to yield. It may be that everybody who goes in for sugar or everybody who goes in for textiles has to pay a little more. That may be so, and therefore the controversy raised here is quite unnecessary when these direct taxes and indirect taxes have come to stay and the Central excise has come to stay, and it is going to be a big source of income for us, and perhaps according to the Taxation Enquiry Commission also more and more articles could be included in the sphere of Central excise. Therefore, Sir, this controversy at this stage, whether somebody prefers direct taxation or indirect taxation, is quite irrelevant at least to my mind. Both of them have come to stay, and it is the endeavour of the Government to see and to watch how these taxes, direct as well as indirect, are disturbing or helping the growth of our economy in this country, and it is for the Government to review the position from time to time on the advice of their economic advisers and other experts who are constantly advising the Government in regard to these matters.

Then, Sir, there was another point raised which was also perhaps unnecessary. It was asked whether the

rural people are taxed more or the urban people are taxed more. And it was suggested that the urban people were taxed more and the *per capita* taxation on the urban people was more than that on the rural people. Perhaps, Sir, sitting in this House one cannot say that the urban taxation is very high and therefore it calls for some relief, because if you examine it at great length, you have to compare the amenities which the urban people get with those which the rural people get. What is the *per capita* income in the urban area and what is the *per capita* income in the rural area? All the industry is concentrated perhaps in some of the towns, and therefore this income-tax and these Central excises come from the urban areas. And what is the *per capita* income of an agricultural labourer as compared to an industrial labourer? All these matters, Sir, are quite evident, and more so when you compare the various amenities that are provided there. If a rural man or a peasant wants to get his daughter or his son educated, he has to send his child to some town and there his child has to put up in a boarding house or perhaps in a hostel. Well, the urban man has his own parents there, and there is no extra cost except the tuition fee for his son or his daughter. Therefore, Sir, it is not right that we should compare the rural man with the urban man and say that the urban man is being taxed very heavily and therefore some relief must be given to that urban man. I may even say that in spite of our best efforts, we have not been able to give a great many of the amenities to our rural people. I know what is happening in Madras, Andhra, and I know to some extent Telangana also. The rural people there are not given a good many of the amenities that they deserve. What about communications? What about rural dispensaries? What about elementary, primary and secondary education? They are still far far away from their goal, and in spite of our First and Second Five Year Plans, we have not been able to meet their demands and

we have not been able to provide them with all the facilities that they deserve. So to compare urban taxation and rural taxation and then to urge on the Government that we must give some relief to urban people, is certainly out of place and I don't congratulate the hon. Member who has pleaded for relief on behalf of the urban people.

Again, there was another controversy, whether we should invite foreign capital here or not. I have also heard a good discussion in the other House and our Finance Minister has very rightly replied to all criticisms levelled against it. As far as I could see, I don't think even the Communist Members are against foreign investment here and they have also—I think Shri Vallabharao expressed it,—said “We also welcome foreign investment here provided it does not affect our self-respect or it does not hit against the dignity of the country.” I want our hon. Members to examine all the deals we have had with foreign countries or the investments they have made during the last, say, 10 years and let them tell us whether in any case the Government has yielded ground to them, where they ran away with terms unfavourable to us.

DR. R. B. GOUR: You lay all the terms on the Table and we will examine and tell you.

SHRI B. GOPALA REDDI: Please ask questions, whether Starred or Unstarred and they will certainly be replied to. You can ask us, how many deals have been entered into, what are the terms and you can certainly have a discussion later on after eliciting the entire information.

SHRI H. N. KUNZRU: They have already ^{asked} questions.

SHRI B. GOPALA REDDI: I don't know the replies they got, and how far they have been benefited by the replies given by the Government. Anyway, the question has been there and

the country and our Prime Minister and the entire Cabinet are fully alive to the dangers on account of over-capitalisation of foreign capital here in our country. Our Prime Minister has been repeatedly telling the country that we do want assistance but there should not be any strings attached to those loans or grants or whatever it is. It should not affect our self-respect in this matter. Our Ministers, our leaders here, are fully alive to what is being done and every deal has been examined thoroughly by more than one department and I can assure the hon. Members either on that side or this side, that nothing will be done to impair the self-respect of this country. Money may come or may not come but we shall not forsake our self-respect for the sake of a few dollars or sterling and we shall see that our self-respect is maintained at a high level. That I can assure you. You may see if you like what has been done, what is being done for the present and what is likely to be done for the future and you can see that nothing has been done and no unfavourable terms have been given to the foreign investors here.

DR. R. B. GOUR: Are you sure that you are not committing too much?

SHRI B. GOPALA REDDI: I don't think I have gone beyond my realm. I think I can say so on behalf of the Government that nothing unfavourable to us will be done, nothing has been done and nothing will be done hereafter. Mr. Vallabharao again has referred: “Look at the terms or rate of interest. What are the rates of interest for your Rourkela, what are the rates for your Durgapur and what are the rates for your Bhilai? Examine the rates of interest and you will understand who is your friend and who is not” or some such thing. I say, after all, it is not merely the rate of interest that is very important. May be that in some cases it may be 2½ per cent. or 3 per cent. In another case it may be 5½ per cent or 6 per cent. but it has a bearing on the inter-

[Shri B. Gopal Reddi.]

nal rate of interest in their own countries. To illustrate, England was having 7 per cent bank rate of interest and now they have reduced it to 6 per cent. We cannot expect them to give us some deferred payment investment on anything like 2 or 3 or 4 per cent because their own borrowing rate was 7 per cent till yesterday and today it is 6 per cent. The Russian rate of interest, of course, is very low. They have maintained it, we are all thankful to them that they have been able to maintain their rate of interest at very low rates and they were able to give us at lower rate of interest when they came to put up their steel factory. So from all those things, we cannot draw any lesson that somebody is very favourably inclined towards us and somebody is not and therefore, those things also may be avoided as far as possible.

Then came many matters. Shri Kunzru also raised the question of small savings etc. and many other people also have raised the question of our borrowing capacity and every time they came back to the Plan expenditure. They asked: "How are you going to raise the resources? What is the use of telling the people that you are going to spend Rs. 4,800 crores when your foreign exchange position is like this, when your own internal resources position is like this, when you are unable to raise the loans required through small savings or through market borrowings? Why don't you tell us clearly and give us a picture of what the Planning Commission has said in this matter and what you are likely to do in this matter?" Sir, there are people who are constantly reviewing the position and it is the duty of the Planning Commission to be constantly evaluating what has been done and what is being done with regard to physical targets and assess the physical targets and certainly they are coming out with a paper on this matter and they are also placing it before the National Development Council in the coming week.

When all the Chief Ministers of the various States will be here, they will have the benefit of the Planning Commission, they will have the benefit of the other Cabinet Ministers also, and the Cabinet Ministers also will have the benefit of the reactions of the various Chief Ministers. The Plan is all important to us. Everybody agrees to that. There is no opposition to it, and we are also aware that when the Plan was put forward and when it was launched before the country, we knew the various difficulties, we knew that we required nearly Rs. 800 crores of foreign exchange, we knew that we had to raise about Rs. 1,200 crores by deficit financing, and we knew again that domestic resources have to be raised to the extent of Rs. 2,400 crores, leaving ultimately a gap of Rs. 400 crores. There is nothing secret about it. Everybody knew about it and anybody who knows anything about planning knows about all these; and in spite of the great effort that was put forth, that was sought to be put forth, they knew that there was an uncovered gap of Rs. 400 crores. Nobody knew how it was going to be covered. With the Rs. 1,200 crores of deficit financing, with roughly about Rs. 800 to 900 crores of new taxation both by the Centre and the States, and with the external assistance etc. to the tune of Rs. 800 crores, there was still an uncovered gap of Rs. 400 crores and nobody knew how it was going to be covered. All that this House was well aware of. Time and again it was discussed here and yet, we were bold enough—I don't say we were unwise enough,—we were wise enough, we were bold enough to say:

"Let us try and let us see whether we could raise the necessary resources and complete this Rs. 4,800 crores plan in the next five years."

The Planning Commission did not keep anything secret. They said, "We do want so much of foreign exchange, we must resort to Rs. 1,200 crores of deficit financing and we must resort, willy-nilly, whether we like it or not, to, say, Rs. 800 crores of addi-

tional taxation." All those factors were before us. Nothing has happened now to take a very frustrated view of things that things have gone wrong except of course, to the extent that our foreign exchange calculations have gone a bit high last year and yet, steps are being taken to regulate them, to see that they don't exceed what was adumbrated in the Plan originally. Therefore, nothing new has happened, of course, except a review or retrospection. We are now taking a look-back and seeing what has been done in two years, what is likely to happen in the current year and what should be done in the fourth and fifth year of the Plan. Therefore, all these people—not only the Planning Commission, but every Ministry, as it were—are having a review and they will place all their reviews before the Chief Ministers for their reactions. The Prime Minister has said, "Let us not cut down or curtail our Rs. 4,800 crore plan. Let us stick to it. We must try to mobilize our resources, must bend every ounce of our energy to see that we fulfil our target of Rs. 4,800 crores." Maybe there are difficulties. Maybe that we have to make greater sacrifices. Maybe that we have to resort to additional taxation, certainly in the States, for the Central Government has fulfilled its target. Of course, there are difficulties before the State Legislatures also and they are trying to resort to additional taxes. But as we have seen from what has happened during the last two years, some States have yet to do a lot with regard to their additional taxes. Some States have done well. Anyway, it is up to us to bend all our energies to see that we raise the internal resources and also see that we export our articles through our export promotion councils and other such organisations and thus earn foreign exchange and thus see that we do not make our social services the victims of our inefficiency. After all, if we are going to cut down anything, it will necessarily be the social services when we make these economies, it

may be public health, it may be education or it may be some other amenity which the people have been looking forward to, and it is not right that we should do anything to give them a gloomy picture of what is likely to happen with regard to the Second Five Year Plan. Of course, I am awaiting the reactions of the National Development Council; but according to the Prime Minister who is the prime factor in the Planning Commission and the Government, we must make every effort to see that we keep up this sum of Rs. 4,800 crores. It is likely, if things go well we can raise internal resources. The small saving scheme has done exceedingly well. I may tell the hon. Member Dr. Kunzru that we raised about Rs. 60 crores through the small saving scheme. It is, I am told, not Rs. 60 crores, but actually Rs. 68 crores. During January, the collection was Rs. 5.5 crores and in February Rs. 8 crores and in March it was as much as Rs. 15 crores. These sums were collected through the small saving schemes, making a total of Rs. 68 crores, in 1957-58. Of course, we are fully aware that it has fallen short of our expectation for we thought we must raise Rs. 100 crores through these schemes.

SHRI H. N. KUNZRU: Are these net figures?

SHRI B. GOPALA REDDI: They are all net figures. Of course, we have taken credit for Rs. 80 crores in the current year. Likewise market loans also, if there is a good effort and if we appeal to the people, they can bring us good results, because things are not so gloomy as somebody depicted them. Things are moving smoothly and we can get market loans; and also raise money through small savings. Therefore, let us not present a gloomy picture to the people and say that in spite of our great efforts, we will have to be content with Rs. 4,200 crores or something like that. Let us make every effort to see that we raise the necessary resources. If we

[Shri B. Gopala Reddi.]

accomplish the job, then certainly the world will be glad and we can also compliment ourselves, that in spite of the very many difficulties, in spite of the Rs. 4,800 crores Plan being a very heavy one indeed, we have been able to perform it. If, by any chance, things do not go well with us and if there is a shortfall of Rs. 300 crores or Rs. 400 crores, it does not matter. We have tried to do a difficult job. If we succeed, well and good and we compliment ourselves. If we do not, then the world will not laugh at us. We can also tell our people: These are the things which would not go according to our calculations and therefore, there was this shortage of Rs. 300 crores or Rs. 400 crores, and with the full co-operation of the people, we can make good that, perhaps in the Third Five Year Plan.

Therefore, we should not take a frustrated or gloomy view of things, or a dismal view of things, even now, even in the beginning of the Third Five Year Plan. Therefore, it is up to us to go ahead with our Plan and see that we raise our internal resources to the required extent. I want, in this connection, to appeal to the people that they must also realise the necessity for additional resources and they must also come forward in abundant measure and subscribe to the small savings. They have done well in the last month of the year 1957-58 and collected Rs. 15 crores. If they also realise the need for husbanding all these resources, internal and external, I am sure the people will come forward and help us to raise the internal resources.

Of course, other points have also been raised during the debate, from food production to civil administration. My hon. friend from Coimbatore also raised the question of defence expenditure and asked the question: "Why should you spend so much on the military? I know for certain Pakistan is not going to do any fighting. If they do, it will be a global

warfare." But I say we cannot take such a complacent view of these things. This question was also discussed at great length in the other House when the demand for military expenditure was taken up. It is better we leave it to people who know and understand these matters instead of we from our side talking about it, because it is a very delicate matter and a very dangerous matter and we cannot be complacent about these matters. It is inevitable. Of course, nobody wants too much military expenditure, certainly no Finance Minister or no Prime Minister would **ever like to spend more money than is needed**. But things are being forced on us. There are various factors which have to be taken into consideration. If our military expenditure has gone up, it is in spite of us. But nothing is going to waste. We have to be prepared so that the other man also may not take to aggression, taking advantage of our weakness. At least we have no evil intentions of doing anything against Pakistan or any other neighbour; but we must be fully prepared so that our preparedness would be a sort of deterrent on them; otherwise it will be an encouragement, our weakness may be an encouragement to others to resort to anything they like.

About civil expenditure also, many criticisms were levelled, that we are incurring a large amount every year, on civil expenditure, that departments have been swelling from time to time and unless we tighten our own belt we will not be able to appeal to our people that they must economise and try to save and invest in the small savings, etc. Also it has been urged that non-Plan expenditure must be curtailed to the bone. This is the plea not only here but in the State Legislatures also where Members are wanting that non-Plan expenditure should not be encouraged at all. It is certainly not the intention of the Department here, not certainly of the Finance Department, to encourage non-Plan expenditure, whether it is developmental expenditure or non-developmental expenditure, and we

are trying our best to see that they do not incur any of these non-Plan expenditures. But in spite of our great efforts, in spite of our great eagerness in the matter, there are certain things which are forced on us and there is no escape. As the Finance Minister replied, in Bombay he had personal experience and we in our State had personal experience also that in spite of all this, there are certain things which must be taken up, because in the very nature of things, they are very urgent, they are imperative and they cannot be avoided or deferred. Therefore, whether they find a place in the Plan or not, they cannot be kept waiting and certainly that expenditure has to be incurred. Here, after the Plan was ushered in, the military expenditure has gone up.

SHRI H. N. KUNZRU: May I ask a question? Is it the view of the Finance Ministry that the non-Plan expenditure is being rightly incurred and may be incurred in future too?

SHRI B. GOPALA REDDI: We are trying to examine it at every step; they are being scrutinised and every effort is being made to defer them or to drop them. We try to cajole the other Ministries also to get them to defer or drop them; they also come and try to plead that it is inevitable in the interest of administrative efficiency and no Finance Ministry or Finance Minister can say "No" for all time. Always it is an eternal battle. We are always trying to persuade them that this thing here should not be incurred; but they also try to persuade us, the Finance Ministry, that it is inevitable and inescapable and, therefore, it must be done in the best interest of the administration. So, Sir, it is a matter of administration. It requires inside knowledge to understand whether it is inevitable or not or inescapable or not and, therefore, from outside, of course, it looks as if we are incurring large non-developmental expenditure but I may assure the House that we will certainly strive our very best, we will continue to persuade the

Departments not to go in for additional staff or incur additional expenditure on non-planned items. It shall be our constant endeavour to see that nothing like that is done and yet if there are inescapable things, the hon. Members also must forgive us; we will have to, whether we like it or not, accept some of those proposals but, Sir, from our side we should certainly try our best to see that the expenditure is on the planned proposals only and that there is not much of non-planned expenditure.

Of course, Sir, as far as the proposals proper, which are given in the Finance Bill, are concerned, the development rebate occupied a large space of the discussions. People welcomed it and, of course, there are some people, perhaps Mr. Bhupesh Gupta or so, who objected to it but yet, Sir, development rebate has been given. It is not a new thing. It is not a new relief. We are only trying to restrict it, regulate it this year. The development rebate was utilised for distribution among the shareholders in the form of dividends. Whatever relief they got through the development rebate, they immediately used it in some cases for enhancing their dividends. This time it is being regulated. They cannot run away with the relief they got. They must utilise it to strengthen the industry—whatever they got *plus* another 75 per cent—so that they may have the benefit of it in the long run and not immediately. Instead of merely immediately looking forward to enhance dividends, they can strengthen their hands and thus increase their production and, in the long run again, it will go to the benefit of the shareholders. So, we are only trying to regulate it, regularise it, control it to some extent. Therefore it is not a new relief which has been given. The rebate is there for some time now, for two or three years now, and this year we are not getting anything out of it for the Government. They are not going to invest it in the Government at all. They will reinvest it in their own industry and try to strengthen their position.

[Shri B. Gopala Reddi.]

One point was pointedly asked as to what would happen in the case of deferred payment. What would happen in a case where purchases are made from West Germany on the basis of deferred payment, wherein payment is not made immediately but is to be made only in 1960 or 1961? Sir, once the machinery becomes the property of the man, then he can claim that rebate. He need not wait till the first payment or the last payment is made. Once the machinery is absolutely entrusted to him, then it becomes his property and from that year, he can claim this rebate through the income-tax and from the time he claims this rebate, he begins investing 75 per cent. So, it has nothing to do with the first payment or the last payment and it has also no relation to deferred payment. Once the machinery becomes his property, once it has been handed over to him absolutely, then he can claim the rebate and begin investing the 75 per cent. Therefore, there is no difficulty about that at all.

Some reference was made to the huge arrears. It was said that Government was very soft to these big people who owe ten lakhs, twenty lakhs, fifty lakhs of rupees and all that, the net result of which was the huge arrears of over Rs. 200 crores due to the Government which has not been collected. Sir, I made enquiries. It is nobody's intention to see that these huge arrears hang on for a long time to come. We want to finish these assessments and get the amount as early as possible but, Sir, I want to give the hon. Members a few facts about these huge arrears. The ostensible arrears on 31st December, 1957, amounted to Rs. 262.19 crores. However, out of this amount, Rs. 34.91 crores related to the demands which had not fallen due for collection on 31st December, 1957. A sum of Rs. 16.15 crores represent only the paper demands which would disappear when certain double income relief which is held in abeyance is finally settled and cleared. Demands to the extent of

Rs. 31.64 crores are kept outstanding pending the disposal of appeals. A further sum of Rs. 8.52 crores represents demands in respect of persons who have left India long ago. A sum of Rs. 19.7 crores represent demands in respect of which recovery certificates have been issued to the Collectors but demands which are considered to be irrecoverable amount to Rs. 11.43 crores. A sum of Rs. 83.5 crores is covered by recovery certificates issued to the Collectors. When all these sums are deducted from the sum of Rs. 262.19 crores mentioned above, the balance will be only Rs. 49.49 crores and normal recovery action is being taken in respect of this amount. So, Sir, while this sum of Rs. 262.19 crores looks very formidable, if you analyse, if you examine, the break-up of Rs. 262.19 crores, you will find that it consists of so many other items and that ultimately we are taking every step to see that whatever is recoverable out of this huge arrears is recovered as early as possible. A sum of Rs. 49.49 crores only remains and we are taking normal recovery action in respect of this amount. Questions were asked as to what we were doing about this tax evasion. It was said that there was too much of tax evasion, that Government need not resort to all these taxes provided it collected the income-tax correctly, that the wealth-tax, the gift-tax and all such taxes could disappear if the amount due on account of income-tax was collected properly. It was also said that such action would provide ample money to meet the Second Five Year Plan obligations. Here again, Sir, I have to say that we are taking all suitable steps to see that there is no tax evasion. Not only have suitable steps been taken in the field of administration but a continuous review of the existing laws is made with a view to plugging the loop-holes. It will be recalled that one of the objects of the appointment of the Income-tax Investigation Commission was to obtain their recommendation for closing the loop-holes and several amendments have already been made on the basis of the recom-

mentation made by that Commission. The Taxation Enquiry Commission also partly covers the same ground and Government have accepted the bulk of the recommendations. In this connection, Sir, I would like to mention an important amendment made as a result of which cases covering more than a lakh of rupees which escaped assessment can be reopened without any limit of time. A very important step taken by Government in dealing with legal avoidance is the creation of an integrated structure made up of several elements like income-tax, capital gains-tax, wealth-tax, expenditure-tax, etc. If you look into all the efforts made by Government, you will find that we do want to plug all the loop-holes. Wherever there is evasion, we see to it that they do not evade by suitably amending the Act itself and where there is legal avoidance, we try to put out an integrated structure of taxation. Therefore, Sir, Government is fully aware of the enormity of the problem. It is not an easy matter. Income-tax evasion is not a new thing. It is not new or the monopoly of this country alone. Perhaps in every part of the globe it is being done and yet, it is the constant endeavour of Government to see that the Act is suitably amended to plug all loop-holes and to see that there is no legal evasion or legal avoidance of the tax due to the Government.

This question of cotton textiles has also come in for a good deal of criticism. There were pleas for greater relief to the textile industry and there were also protests against the relief that was already given. One could see on the floor of the House both the viewpoints and there was some hon. Member from the Congress Benches who vehemently protested against the relief.

DR. R. B. GOUR: Only on superfine.

SHRI B. GOPALA REDDI: Whether it is fine or superfine, it does not matter. There were other people who said that what had been done was only the first step and that the entire

question should be re-examined to see whether more relief could not be given to the industry.

Whether the taxation policy has prevented any capital formation, whether new industries are coming up in our country or not, is another point that was raised and I am very happy that my good old friend, Prof. Thomas, has pleaded for greater incentives to industry. He wanted that industries should be developed further before we can think of putting checks on them, or nationalising them or doing things like that. He said that every incentive must be given to industry and at a later stage perhaps the Government might think of putting all these checks etc. After all, here again we must take a *via media*; there are advisers from that side and from this side; there are some rightists and leftists in every party and the Government can only take a *via media*. We do not want to retard their progress; we do want more and more industrial development to take place in our country; we do want more and more employment opportunities in our country; at the same time we must also get as much money as possible without retarding their progress so that that money could be utilised for providing amenities to our people. Therefore, we have to take a *via media* course in this matter. While we are thankful for their views, whether they are from this side or from that side, we on the Treasury Benches can only adopt a *via media* policy. We have to see that we do not retard their growth but at the same time we get as much money as possible to finance our Five Year Plan.

Now, about the rebate given to textiles; certainly, it has helped them to move their goods; it is not correct to say that the objects with which the excise duties were increased in September 1956 have not been achieved. The monthly average exports prior to September 1956 was 63 million yards and after the increase in duty the monthly average rose to 71 million yards. The total exports during 1957 were 854 million yards as against 787

[Shri B. Gopala Reddi.]

million yards in 1956. As the object with which these duties were increased in September 1956 was achieved, the matter was reviewed again and the duty on medium cloth was reduced in September 1957 and a general reduction was made in March 1958. With the reduction in excise duties the stocks with mills have come down considerably; as against 659,000 bales, sold and unsold, at the end of December 1957, the stocks on 12th April 1958 were only 523,000 bales, a reduction of 136,000 bales. As the monthly production of textile mills is about 3 lakh bales, the present stocks represent about less than two months' production and it cannot be considered abnormal. If you consider only unsold stocks, the position is even better; as against 450,000 bales at the end of December 1957, the stocks of unsold bales on 12th April 1958 were only 352,000 bales. So whatever rebate has been given, it has helped them to move their stocks.

SHRI T. S. PATTABIRAMAN: Have we got the break-up according to variety, fine, superfine, etc?

SHRI B. GOPALA REDDI: I am coming to that.

With regard to the criticism that we have unnecessarily given relief to superfine, the position is that in any case the relief given to fine and superfine is far less than that granted to coarse and medium. We have given 12 per cent. to superfine, 9.3 per cent. to fine, 28 per cent. to medium and other sorts and 44 per cent. to medium *dhotis* and *sarees*. So, it is not as though we have given relief only to fine and superfine so that the rich people who put on these fine and superfine cloth will get this relief. In the case of medium *dhotis* and *sarees* the relief is to the extent of 44 per cent. while for medium and other sorts it is 28 per cent. Certainly, there is inter-relation between these varieties in the matter of their cost structure and the excise duties had to reflect this. Therefore, that again has helped the textile mills. A number of mills were actually on the point of

closure in spite of better exports to the tune of 850 million yards in 1957 as against 787 million yards in 1956. It will however be observed that the export target of 1,000 million yards could not be achieved and in the internal market there was consumer resistance and stocks were piling up. Therefore, some amount of relief was called for and it was given. We are hoping that it will help the stocks to move, that production will be kept up and that the exports also will go up in the next few months.

Another point which has been answered by the Prime Minister and also by the Finance Minister was that the income-tax level should be kept at 4,200 rupees instead of bringing it down to Rs. 3,000. I do not know whether I can deal with that matter fully. It has already been replied in the general discussion on the Budget and it has been said that Rs. 3,000 is not a high amount. People who get about Rs. 250 or so per month need not have to pay any tax and even if they had to pay at the lowest level it would only come to Rs. 3/8/- or so. The plea is that the exemption limit should be raised to Rs. 4,200. This matter has been discussed many times here and this has some relation to the discussions that we have in our State Legislatures also. People who get about Rs. 250 or so do not pay anything to the Government except perhaps municipal taxes, while a person living in the rural area, even if he has got half an acre of land has to pay land revenue. This question has been asked of us many times, "How do you justify taxing people even with half an acre of land?" In Andhra Pradesh—we have recently taken some census—there are people who pay land revenue of less than Re. 1, some ten annas or twelve annas. Perhaps, they have a quarter of an acre of dry land which does not yield anything. He has to depend entirely on the vagaries of the monsoon and if there is failure of the monsoon he is nowhere. It is hardly sufficient for his own subsistence, leave alone his family and things like that. Even if he has a quarter of an acre, he has

to pay land revenue. It may be ten annas or twelve annas but we collect it from him. So, this limit of Rs. 3,000 is reasonable. A person getting Rs. 250 need not pay any income-tax at all; he pays only municipal taxes for scavenging, lighting etc. He does not pay anything to the State Government nor perhaps to the Central Government and his pay is nearly ten times the *per capita* income. In fact there are other countries where the minimum limit is less than ten times the national *per capita* income. Therefore, I do not want to argue at great length; much can be said on either side perhaps and the Government decided some time ago that it should be kept at Rs. 3,000 for unmarried people and at Rs. 3,600 for married people with two children. And perhaps this could be retained as it is. We can always see what can be done in the years to come; when we can afford to give some relief we can think of it but for the time being we would not be able to give any further relief. It may be argued that the sum involved would be only Rs. 7 or 8 crores, but even that sum of Rs. 7 or 8 crores is very important now and to some extent a little principle is also involved in it that it must have some relation with the national *per capita* income.

I am very happy that, apart from other things, many other points have been raised. All of them have been noted and certainly they will be examined in the various Departments. My hon. friends will excuse me if I have not replied to all of their points *seriatim* because I do not have the time and I do not have the necessary information. But I can assure them that they will all be examined and whatever action is due, that will be taken.

Indeed I am very happy that the proposals contained in the Finance Bill were not subjected to any adverse criticism as was the case in previous years when there was a lot of criticism about them in the Lok Sabha which had a discussion for about five

to six days. But this time either in the Lok Sabha or in the Rajya Sabha there was no vigorous criticism against the provisions of the Finance Bill. Of course, hon. Members reviewed the entire administration but that is a different matter, but as regards the actual provisions of the Finance Bill, there was not much criticism. I am really happy that so many Members have participated in the debate and as I said in the beginning, I am deeply grateful to them for the very vigorous way in which they have pleaded for their own viewpoints. Whether we agree with them or not, they have put forward their views and we certainly welcome that line of independent thought; each looks at the administration from his own angle. We have no quarrel with them and once again I express my grateful thanks to hon. Members who have participated in the debate and have given me a real education so far as this Finance Bill is concerned.

Thank you.

5 P.M.

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill to give effect to the financial proposals of the Central Government for the financial year 1958-59, 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. There are no amendments.

Clauses 2 to 18, the First and the Second Schedules were added to the Bill.

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

SHRI B. GOPALA REDDI: Sir, I move:

"That the Bill be returned."

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill be returned."

The motion was adopted.

ANNOUNCEMENT RE ELECTIONS
TO PUBLIC ACCOUNTS COM-
MITTEE

MR. DEPUTY CHAIRMAN: The Chairman has fixed 3 P.M. on Tues-

day, April 29, 1958, as the time before which, a Member may withdraw his candidature for the Public Accounts Committee.

The House stands adjourned till 11 A.M. tomorrow.

The House then adjourned at one minute past five of the clock till eleven of the clock on Tuesday, the 29th April 1958.