

[Shri M. C. Shah.] connection, it may be stated that the proofs are read not only by the press proof readers but also by the Secretariat of the Sabha concerned. The expansion of the press, including machinery and plant as well as buildings, has been sanctioned and is proceeding apace. It is expected that the expanded Parliament Wing would be in production before the end of this Session. This would ease the load considerably and permit greater attention to be paid to the execution of the work which will then have to be conducted in less haste."

Then mistakes in questions will disappear and there will be no cause for complaint by my friend, Maharaj-kumar Raghubir Sinh.

DR. RAGHUBIR SINH: How can expansion of the buildings bring about increased efficiency? No good press can offer the plea that expansion of work is the cause of its inefficiency.

SHRI M. C. SHAH: I said, "Expansion of the press, building, plant, everything."

DR. RAGHUBIR SINH: How can even expansion of plant and machinery bring about efficiency?

SHRI M. C. SHAH: There will also be better people there and they will try to see that these complaints do not arise. The Secretariat of the Sabha concerned also is there, and they are also concerned.

DR. RAGHUBIR SINH: The Sabha Secretary is there.

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill to authorise payment and appropriation of certain sums from and out of the Consolidated Fund of India for the service

of the financial year 1956-57, as passed by the Lok Sabha, be taken into consideration."

The motion was adopted.

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

Clauses 2 and 3 and the Schedule were added to the Bill.

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

SHRI M. C. SHAH: Sir, I move: "That the Bill be returned."

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill be returned." The

motion was adopted.

### THE FINANCE BILL, 1956

THE MINISTER FOR REVENUE AND CIVIL EXPENDITURE (SHRI M. C. SHAH) : Sir, I beg to move:

"That the Bill to give effect to the financial proposals of the Central Government for the financial year 1956-57, as passed by the Lok Sabha, be taken into consideration."

Sir, a memorandum explaining the various provisions of the Finance Bill as originally presented has already been circulated to the hon. Members along with the Budget papers. The few changes since made in the Bill by the Lok Sabha at the instance of Government are of a minor character. These changes, which are the result of a careful examination of the various suggestions made by the hon. Members of both the Houses and representations received from outside, are intended mainly to remove hardship in certain special types of cases. The reasons for making them have been already explained in the Lok Sabha.

I do not, therefore, intend to weary the House with an elaborate explanation of the several clauses of the Bill as passed by the Lok Sabha, but shall confine myself to explaining the structure of the Bill in general terms.

Dealing first with direct taxes, the provisions of the Bill are in two parts. One part deals with modifications in rates of taxes. In this category are three provisions. One relates to personal taxes in which small increases have been made for incomes over Rs. 70,000. Another change is a modification in the scheme of Corporation Taxes. As explained in the Budget speech, this scheme is an integrated whole and the provision for a tax on the occasion of issue of bonus shares follows from the fact that the dividends are based not on 'capital employed' but on the 'paid-up capital'. If, therefore, the base is widened by the issue of bonus shares and consequently the super-tax payable is reduced on that account, it is only reasonable that a small tax should be charged on the occasion of the issue of the bonus shares themselves. The tax is not on the shareholder but on the company. The third provision relates to taxes on registered firms. The justification for this tax is to levy a small charge for the benefits that accrue to partners on account of their corporate functioning. In order that small people may not be adversely affected, we have already changed the original provisions of the Bill to the extent of having a free slab of the first Rs. 40,000 of the income, which will be free from that tax.

Now equally important from the point of view of the revenue resources of Government are the other provisions of the Bill which are intended to detect and check tax evasion. Opinions have been expressed both here and elsewhere that if only Government could check tax-evasion, revenue resources would increase considerably. While in the ultimate analysis, the only way of checking tax-evasion is the growing civic sense of the taxpayer the efforts of the Government

in this matter can only be in two directions, namely, administrative and legal. On the administrative side, every effort is being made to improve the quality of officers and the methods of working. This is a continuing effort and we are continuously devising methods of improving the administration. At the same time, there are certain legal escapes and loopholes, and some of the provisions of the present Bill are directed towards closing them. The most important of these provisions is the amendment of section 34 of the Income-tax Act by which powers are being taken in certain circumstances and with certain safeguards, to reopen past cases of tax evasion since the beginning of the second War. In the Budget speech, the Finance Minister has traced the developments leading to this provision and I have already explained about the judgments of the Supreme Court which has necessitated certain changes in the Income-tax Act and therefore all I need say at this stage is that while every possible care would be taken to ensure that there is no undue harassment to the honest tax-payer, we are determined to collect the legitimate dues of the Government. As I have often said before, it is our intention not to collect a pie more but equally not to collect a pie less. In this category of provisions should also be included the powers proposed for search and seizure of documents and for obtaining information from Banks. The tax on registered firms will also assist in checking a form of legal tax avoidance by which Hindu Undivided Families create partitions, whole or partial, on paper and then function as registered firms. In our Budget Estimates, credit has been taken of the recoveries due on account of these cases of tax evasion.

In excises, only three major proposals have been made. These are: An additional duty of six pies per square yard on all categories of Cotton Fabrics except coarse dhoties and sarees, a new duty of six pies per lb. on vegetable non-essential oils, a duty of four annas per gallon on diesel and

[Shri M. C. Shah.] vaporising oil, and of two annas per gallon on industrial fuel oils. The duties on diesel and fuel oils are really not fresh imports. They are mainly in substitution of import duties of about an equal order, the revenue from which is being lost by total replacement of imports by indigenous production at the new refineries in Bombay.

The House would be aware that since these proposals were first announced on the 29th February 1956, we have reduced the duty on Cotton Seed Oil to one-half, namely, from six pies to three pies per lb. by way of a substantial incentive to the better and greater utilisation of cotton seed, a considerable proportion of the oil content of which is now being wasted in the country.

In regard to the Diesel Oil and Powerine duty, some anxiety has been expressed about its effect on the agriculturists. As has been explained in the Lok Sabha, we are not entirely satisfied that there is any genuine need for relief. Our enquiries show that the burden on the farmer who actually uses diesel oil and powerine, is not more than he can reasonably be expected to bear at a time when prices of agricultural commodities are generally satisfactory from his point of view. In fact the State Governments seem to have thought in the same way and have not hesitated to levy increased sales-taxes on diesel oil recently while our proposal is, as I have already mentioned, only by way of recoupment of revenue lost from imports. There are also serious administrative difficulties in operating any concessions in the duty on diesel oil and powerine intended for the farmer in such a way that it is not abused for purposes other than agricultural. However, it is our intention to continue to study the problem and if a solution offers itself and if it is necessary in the real interests of agriculture, it will be adopted and brought into effect by application of the executive powers of Government.

The rest of the excise proposals, i.e. those relating to soap and strawboard are not important from the point of view of revenue. They are in the nature of readjustment of already existing duties and are designed on the one hand to secure better balance of interests between different sections of the industry which had been, disturbed by certain exemptions that had been given and on the other hand to give encouragement to genuine small-scale sector in the industries.

As regards customs duties, the changes are of a minor character and are intended to assist the indigenous industry and are suggested more from the point of view of industrial development than from the point of view of revenue. Sir, with these words, I move.

MR. DEPUTY CHAIRMAN: Motion moved:

"That the Bill to give effect to the financial proposals of the Central Government for the financial year 1956-57, as passed by the Lok Sabha, be taken into consideration."

We have got just six hours and I have already eight speakers before me and we have to complete this work before to-morrow morning, this Bill as well as the Travancore-Cochin Appropriation Bill. So hon. Members will strictly confine themselves to the proposals and take only about 10 to 20 minutes each.

SHRI H. P. SAKSENA (Uttar Pradesh) : These eight names you have got up till now, may probably rise up to something higher, because others who want to speak have not given their names up till now.

MR. DEPUTY CHAIRMAN: Yes, that is why I suggested this, there may be more speakers.

SHRI S. MAHANTY (Orissa): in that case, I would like to have my name included.

MR. DEPUTY CHAIRMAN: Very well. Please restrict yourself to the time-limit, Mr. Kapoor.

SHRI JASPAT ROY KAPOOR {Uttar Pradesh): Mr. Deputy Chairman, it is with a feeling of considerable disappointment that I now rise today to speak on this motion.

SHRI J. S. BISHT (Uttar Pradesh): Sir, may I bring it to your notice that when the Chairman was pleased to announce this time limit of six hours for each of these two Bills, I suggested that for the debate on the Finance Bill, the time was insufficient and further time may be granted .....

MR. DEPUTY CHAIRMAN: We have already taken two hours extra over the Appropriation Bill.

SHRI KISHEN CHAND (Hyderabad): But you cannot deduct that from the Finance Bill.

SHRI M. C. SHAH: May I point out that under the Provisional Taxation Act, we have collected the taxes as have been announced in the Budget proposals. Now the Finance Bill must be passed and it must get the assent of the President before sixty days. That is to say, on the 28th of this month we must have the assent of the President to the Finance Bill. Therefore, I would appeal to the hon. Members to see that we get this Bill passed tomorrow. If you ask us, to sit longer hours, we have no objection. If the Bill is passed tomorrow in this House, then we have to send it to the Lok Sabha on the 28th and we can manage to get the assent of President before evening.

MR. DEPUTY CHAIRMAN: We can cut short the lunch hour by half an hour.

SHRI JASPAT ROY KAPOOR: Tomorrow means what? Mid-night?

SHRI M. C. SHAH: I am prepared to sit till mid-night or if necessary till two.

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MR. DEPUTY CHAIRMAN: We shall see tomorrow. If the Chairman so desires, he can extend the time.

SHRI JASPAT ROY KAPOOR: Sir, as I said, it is with considerable disappointment that I rise on this occasion to speak on this motion. The disappointment is not because I do not find the hon. Finance Minister here, because he is substantially represented by my hon. friend Mr. Shah; but the disappointment is due to the fact that on this occasion I find that the Finance Minister has not shown the open mindedness for which he is ordinarily given credit and I am constrained to say that it has received a rude shock on this occasion, maybe because of the fact that he is more Bombay-minded or Kolaba-minded.

MR. DEPUTY CHAIRMAN: Order, order.

SHRI M. G. SHAH: Sir, that is not proper. He is very conscious of his duties.

SHRI JASPAT ROY KAPOOR: Sir, Mr. Shah has strange notions about propriety. I thought he would be appreciating my innocent remarks rather than .....

SHRI M. C. SHAH: Innocent they are, but they are not proper.

SHRI JASPAT ROY KAPOOR: The sense of propriety or impropriety of Mr. Shah differs very considerably from our sense of propriety or impropriety.

I was submitting that I was feeling disappointed because hardly any one of the suggestions which we made on the last occasion when the Budget was discussed here has been accepted by the Finance Minister and we have before us this' Bill virtually in the same form in which it had been originally introduced in the Lok Sabha; with of course, very minor changes here and there. I will not take up the time of the House by repeating the criticisms and suggestions that we had offered in this House.

[Shri Jaspat Roy Kapoor.] I would only submit that our opposition to the continuance of the increase excise duty on liquid go-Id and handmade soap and coarse cloth continues today in as stern and vigorous a form as it was then. I had suggested then and I might suggest it once again that if the Finance Minister had accepted the suggestion not to impose an Increased duty on coarse cloth but had further increased the duty on super-fine cloth by adding another half an anna, the result would have been that he would have had much greater revenue from excise duty from cloth than he would have now. But then it would serve no useful purpose if I pressed this point once again, because it is surely not going to be accepted by the Government, more so when the Bill has already been passed by the Lok Sabha.

Sir, I would submit that increased taxation should be resorted to certainly in order to have sufficient resources for the Second Five Year Plan. But before increased taxation is resorted to, every possible attempt should be made to effect economy—economy all-round. But what do we find? Rather than resort to economy, we seem to continue to allow extravagance here, there and everywhere. So far as the Central administrative expenditure is concerned, in the years 1930 to 1939 it was only to the tune of about Rs. 2 crores. Now it has risen to as much as Rs. 18 crores. Is there not sufficient scope for economy there? Obviously there is. There is over-staffing and this has been admitted by the Finance Minister himself. He did so last year when he gave his reply to the Budget discussions. There is considerable surplus of staff and he has admitted that. This surplus staff is not only bad by itself, but this leads to extra expenditure, it leads to inefficiency, to delay in the working and to corruption also.

The point was made out by the Finance Minister last time that if the surplus staff was done away with, it would increase unemployment. I do

not see much force in that argument. Why could not the surplus staff be absorbed in the various development schemes that the Central and State Governments have undertaken and more schemes that would be taken up during the next five years? We see waste and extravagance everywhere. In the Audit Report for 1954, we find that very strong criticism has been levelled against very high allowances that are usually drawn by highly placed Government servants. One specific instance has been quoted and that was to the effect that one of the very responsible officers had drawn so much as Rs. 36,000 as allowance and extra salary during the course of a few months. I will not read this portion because the time at my disposal is short.

SHRI M. C. SHAH: Am I to understand that in the instance just now being quoted by the hon. Member, an officer drew Rs. 36,000 as allowance?

SHRI JASPAT ROY KAPOOR: Yes, I will hand over that portion of the Report to my hon. friend. I was presuming that he at least of all persons would be fully aware of it but since it appears that this has escaped the notice of the Minister even, it might be worthwhile handing over that portion to him. *(Interruption.)* In that case, I will sit down unlike the hon. Minister who never yields.

SHRI M. C. SHAH: I want to correct the hon. Member. The Report that the hon. Member is quoting is only an advance Report. An answer was given that such a thing did not take place.

SHRI JASPAT ROY KAPOOR: I do not know whether the answer that was given at another place referred to this particular incident. If this Report is incorrect, that is another matter.

I would submit another matter which is within common knowledge of all of us. At the end of the financial year, any money available with the

departments is spent unnecessarily and extravagantly. Whatever is left from any particular allotment at the end of the financial year is spent extravagantly. That is common knowledge. We find that special pay is paid to highly paid officers; then again, Sir, we find a fleet of new staff cars here, there and everywhere both at the Centre and in the States. So far as contingencies are concerned, they are spent in substantial sums by the various departments and there is a good deal of waste in this regard. Recently, in my own town of Agra, I found that a substantial sum was allotted as contingencies for the Collectorate. We have a very fine officer who is in charge of this contingency amount and, within this limited fund, he had been able to show considerable savings. He has effected improvements here, there and everywhere round about the Collectorate. That goes to show that if there was only an officer who is economically minded, who is patriotic enough, he could make proper use of the funds that are placed in his hands. I can mention one instance of extravagance and unnecessary expenditure which is within our personal knowledge, within the knowledge of Members of this House and of the other House. Last year, in our houses, new-fashioned luxurious globes were fitted for which there was absolutely no necessity. That was done at the fag end of the year. We are not used to such luxurious sort of living and that unnecessary expenditure could very well have been avoided. My object in mentioning all these things here is to suggest that an atmosphere of economy should be created in the minds of everyone of us, Members of Parliament, of the Ministers and other Government servants. Considering the total Central and States expenditure on administration of Rs. 800 crores, even if we are able to save five per cent., which is not difficult, we shall have about 40 crores of rupees which will amount to two hundred crores of rupees in five years. I would, therefore, submit that unless we have tapped all sources of economy, we should not resort to

imposition of taxes particularly because we want the fullest co-operation of the people. If the public begins to groan under new taxes, it is always ; impossible to secure the fullest cooperation from it. Even if we have to resort to new taxes, we should see to it that the new taxes are of such a character that they are not felt as a great burden by the tax payers. We should try to see that a mentality is created in the tax payers whereby they may begin to feel not that these taxes are a burden but that they have to be paid rather in the nature of a charity which is going to be utilised for the well-being of society. I would very much like that the name "tax" should be converted into "Rajya Dharmada". The word "taxation" should be done away with from the Finance Bill and from the economy of the country. We should no more have taxation or anything like taxes; they should all be "Rajya Dharmada". I am glad my hon. friend, Mr. Parikh, seems to appreciate my suggestion and I hope he will support it. If you create in the minds of the people an attitude like this you will be able to have from them all the possible taxes which you may impose upon them because they will then begin to feel that it is not a burden on them but that they are doing something by way of charity.

In this connection, may I submit that so far as the income-tax is concerned, an attempt should be made to make the assessee feel that they are being treated fairly, courteously and that they are really the persons who are contributing to the well-being of the society. We must have good buildings for housing the Income-tax Officers and in those buildings, arrangements should be made for the provision of a proper waiting hall for the assessee to sit. At least, give them such amenities as you give to your first or even third class passengers. In many places, these people have to wait, if not in the sun, at least open to hot winds of the summer and cold winds of the winter. We must see to it—I hope the Finance Minister will see to it—that in every

[Shri Jaspat Roy Kapoor.] income-tax office a separate room is provided for the assessee to come and wait and where there should be electric fans, *khas tattis*, etc., at least amenities to the same extent as we are providing to the third class railway passengers or to the Income-tax Officers themselves.

SHRI J. S. BISHT: What happens to your campaign of economy?

SHRI JASPAT ROY KAPOOR: Yes, I am for economy but I do not mean we should resort to false economy. If you spend a hundred rupees a month over these amenities, you will be able to please the assessee and have from the assessee ten thousand rupees a month more which means you will be having Rs. 9,900 more by investing a hundred rupees.

I will now come to the question of sales tax to which reference was also made by my hon. friend, Mr. Shah, who suggested that we should not say one word about it because it is a State subject. May I submit that though it may be a State subject, yet no sales tax could be imposed unless it has the support of the Central Government, the sanction of the President and I would like very much to know whether it is or it is not a fact, as it was given out by many people and it was also given by no less a person than one of the Ministers who came to Agra in connection with a by-election there, that the State Government of Uttar Pradesh had to impose the sales tax because it was virtually compelled by the Central Government and because the Central Government had expressly said to the U.P. State Government that unless they raised their income by sales tax they were not likely to get financial assistance to any considerable extent from the Centre. A responsible Minister of this State Government said so in so many words. Therefore my view is that this question ought to be seriously considered by the Central Government, more so because the opposition of the public to the sales tax is not so much to the imposition

of the sales tax as to the fact that the sales tax differs from State to State. So far as U.P. is concerned, the business people are opposed to it because they say by the imposition of the increased sales tax not only will you be diverting the business of U.P., particularly of the border districts of U.P. to Delhi and Bihar—one on this side and the other on the other side—but you will also be losing whatever sales tax income you are having even now at the reduced rate. To quote one example, I have been told that on the yarn which is produced in Hathras, which is not very far away from Delhi, the tax has been increased to such an extent that the export of yarn from Hathras to Delhi and then back to Agra will cost only about 4 annas at a particular level, whereas the tax on that is 6 annas. So by exporting that yarn from Hathras to Delhi and getting it back from Hathras to Agra the business-man will be saving two annas and the Government will be losing six annas. Is it not worth while then for the Central Government to seriously consider and also for the various State Governments to consider whether they should not have one uniform sales tax policy for the whole Government? If you do that, much of the opposition against the sales tax would disappear. That is a very important thing and I would earnestly request the Finance Minister to seriously consider this question whether the sales tax should not be taken over by the Centre, even, if necessary, by an amendment of the Constitution. It is no use saying merely that it is a State subject. If there is any constitutional difficulty, let the Constitution be amended. Let us not forget the huge agitation that we have seen in the U.P. We have never seen that sort of agitation during the whole of our lifetime. Hartals were going on for weeks, hartals against this your Congress Government for which there is so much sympathy, for which there is so much affection, for which there is so much loyalty.

SHRI M. C. SHAH: You said, - "your Congress Government." Not "your Congress Government".

SHRI JASPAT ROY KAPOOR: Well, I include myself in yourself. I have always merged my identity with the hon. Finance Minister's identity.

SHRI H. P. SAKSENA: A new merger

SHRI JASPAT ROY KAPOOR: It is only an old merger—only newly realised by my friend, Mr. Saxena.

Then the next point I would like to take up is the important question which is facing the country and that is the unity of the country. We are finding that fissiparous tendencies are raising their head once again. Our hon. the Prime Minister has always been insisting on the unity of the country and appeals to the nation to do away with casteism and communalism. Sir, I have no hesitation in making the confession that while we cry from housetops that casteism and communalism should be done away with, in actual practice we do resort to it. In this connection, Sir, I am sorry to mention that on one occasion—it may have been very inadvertently—even our hon. the Prime Minister attended one of the conferences called the Kashmiri Pandits Conference. Sir, I would expect everyone of us, who is against casteism and communalism to see to it that we do not associate ourselves with any conference or any institution or any organization with which the name of any caste or community is associated. I would submit, Sir, that, if we are really serious,—surely our Prime Minister is—then we should see to it that if there be any party in the Legislature or any party in the country which is a communal or caste-ridden body, it should not be recognised.

DR. SHRIMATI SEETA PARMANAND (Madhya Pradesh): How is it relevant to the Finance Bill?

MR. DEPUTY CHAIRMAN: Pandits are learned men, educationists.

SHRI JASPAT ROY KAPOOR: I was only generally referring to the

Kashmiri Pandits Conference. That conference belonged not only to the learned, but even to the unlearned and innocent Kashmiri Pandits. I say this, Sir, not to criticise the conduct of the Prime Minister, but only to tell him that any little thing he does attracts very wide publicity and attention, and I would submit, Sir, that every Minister of the Central and State Governments should make it a point not to associate himself with the foundation-laying ceremony or opening ceremony of any institution with which the name of any caste or community is associated. This is a very serious thing and if we really mean business, we should see to it that a very important man in the country who cries from the housetops against casteism and communalism should associate himself with any institution bearing the name of any caste or community.

SHRI J. S. BISHT: Even educational institutions?

SHRI JASPAT ROY KAPOOR: No, not even educational institutions. I may say, Sir, that I for my part have refused invitations from many educational institutions to be on their managing committees, institutions which bear a caste or communal name. Unless we take a very definite attitude in this matter, Sir, we are not going to gain much ground in this respect.

May I now, Sir, hurriedly go over to the question of exodus .....

MR. DEPUTY CHAIRMAN: We are now concerned with the financial proposals of the Government of India.

SHRI JASPAT ROY KAPOOR: Exactly, Sir, and I had thought that during the course of the discussion on the Finance Bill we could talk on anything under the sun and the moon, more so because I for one would refuse to give my support in support of the Finance Bill if the money that we are going to vote, not vote—we have no right to vote—the money that we are going to agree to is going to



[Shri Jaspat Roy Kapoor.] be spent in a manner which does not solve the question of the refugees coming over from East Pakistan. Only one word, Sir, and in this connection I would submit that yesterday in answer to a question, the hon. the Prime Minister said that the question of the exodus of refugees from East Pakistan is not only a national question, but an international question, and I submit, Sir, that the only way to resolve this question is to take it up at the international level because the Hindus and other non-Muslims are coming away from East Pakistan because of the fact—and it had been reported in the press that that was the view of Mr. C. C. Desai, who is India's High Commissioner in Pakistan—that this exodus is primarily due to the fact that that State of Pakistan has been declared to be an Islamic State. That being so, Sir, it is a very important question and we have to take this question to the international forum. I submit, Sir, that this question can be solved only by one way, namely, by the non-Muslims of East Pakistan beginning to demand a separate State for themselves, a separate sovereign State, where the non-Muslims of East Pakistan could live as equal citizens. Also this decision of Pakistan to have an Islamic State placing non-Muslims on an inferior level runs contrary to the agreement arrived at Bandung and the declarations that have been signed by so many nations of Asia and Africa. That being so, Sir, we should lend our full sympathy to such citizens of East Pakistan who are not being treated as equal citizens with the majority there and support this demand for a separate sovereign State for themselves.

Sir, may I in passing say one word about the difficulties which particularly the displaced persons from West Pakistan are suffering from? Sir, those displaced persons are now purchasing the evacuee properties and they would like that these purchases should be confirmed as soon as possible. But instances have come to my notice, not one but seven—

rai, that these sales though they were effected so long ago as 7 or 8 months in some cases, have not yet been confirmed, and a lot of corruption is going on in the offices which are responsible to see to it that these sales are confirmed.

Sir, may I now refer to a subject, which has not been referred to at all here, but which I feel it is time now that we took a serious view of? That is the question of the suffering of the political sufferers of the past. We have not yet done practically 4 P.M. anything substantial to alleviate their sufferings. We know it very well that so far as discharged soldiers of the armed forces are concerned, we do a lot for them. Do we not owe it to the political sufferers of the independence movement, at this late stage of their lives—for many of them are old now; some of them are gone and the few that remain now are of an advanced age—to see that they are provided with the necessary amenities of life so that they may be able to pass the few years that are still left to them by Providence in peace? We must see to it that they are properly fed and clothed and their children are properly looked after. We must treat them at least on the same level as we treat the discharged soldiers. In every district there is a Discharged Soldiers Aid Society. Similarly should we not have a Political Prisoners Aid Society to which the Central and the State Governments should contribute handsomely for the next few years to come? For, obviously it is not a permanent problem.

Sir, one word about the request of the Central employees who are stationed at Agra, be they in the Railway, be they in the Income-tax Department or in any other Centrally administered department. Their demand is that Agra should be upgraded to B Class because Agra is a pretty big city. It is almost on the same level as Lucknow which is

being treated as a B Class city. The Central employees there in Agra should also have the benefit of the compensatory allowance which employees in other B Class cities get.

One thing more, Sir. I hope I will not be accused of any local patriotism if I were to make a complaint that in Agra for the last one year or more there has been a Central pilot project for making shoes. The Central Government was good enough to send a German expert there to see to it that the quality of shoes improved. But then he was there for about a year or so, that is at the initial stage, and just at the moment when he had begun to attract shoe-makers, when he was in a position to do something useful, he has been ordered to go to Madras. I would humbly request the Finance Minister to convey this to the Minister in charge of Industries to see to it that this German expert who only a few days ago was ordered to go to Madras is brought back to Agra to look after this pilot project which has been there for more than a year and a half. Otherwise if he is permanently shifted, all the money that has been spent so far would be merely a waste.

Sir, I do not want to encroach upon your indulgence and I would say only one thing more. We should see to it that the war time disposal stocks are disposed of as soon as possible. Recently an instance came to my notice where a few ice plants which were as old as the last war were notified for sale only very recently. I am told they were lying in the open and getting damaged but they were notified for sale only recently. I would submit that the Ministry concerned should see to it that whatever is to be sold as war-time disposals should be sold away as soon as possible.

Lastly, Sir, a representation was received recently by the Ministry of Natural Resources and also by the Ministry of Commerce and Industry with regard to Mica industry. I would not say much about it though J

I could, because I have here with me the representation. Since the memorandum has already been submitted to the Ministries concerned, I would just submit that it should be given serious consideration because Mica is an important industry in Bihar, and if immediate attention is not paid to that memorandum which has been submitted, the Mica industry will stand to lose considerably.

Sir, I have done and my last duty is only to thank you for the indulgence that you have shown me.

SHRI R. G. AGARWALA (Bihar): Mr. Deputy Chairman, by and large I have no reason to oppose the provisions of this Finance Bill because firstly the provisions in this Bill are framed on the basis of socialist pattern of society and secondly our objective is to create a Welfare State, which means the greatest good of the greatest number. Now, how can we achieve these two objectives? Naturally, every section of society will have to sacrifice. Persons who have got money will have to give money; persons who have got knowledge will have to give knowledge; and workers who have nothing to give but work will have to do work. As our aim is for a welfare society, we have got to provide to each and every individual his basic requirements of food, housing and clothing and that can only be done if all the people contribute their mite.

Now, though I do not oppose the Bill, I do not subscribe to many of the clauses thereon. For instance, clause 18 seeks to amend section 34 of the Income-tax Act. Personally I feel that the Finance Bill is not the proper place for amending the Income-tax Act. It should have been a separate amendment to the Income-tax law so that both the Houses could have had a fuller opportunity by having a committee or by having a proper discussion, a thorough discussion, over this issue. This clause does away with the limitation of eight

[Shri R. O. Agarwala.] years and empowers the Investigation Commission to call for the accounts of unlimited period. Up till now eight years were provided but now it can go even beyond that, even up to 50 years. Now I will point out the practical difficulty that this will entail and the harassment that it will cause to the assessee. Suppose a firm today is being called upon to submit the accounts of the last forty years. The proprietor might have died; the Accountant might have left and who is going to reply to the queries of the Income-tax officers? It will really entail a lot of harassment.

I do not know whether this amendment is at all necessary. The Finance Minister has said in Lok Sabha that Rs. 7 crores have been realised with the help of the Investigation Commission and he hoped to realise further Rs. 3 to Rs. 4 crores. This sum of Rs. 4 crores in a country where we are about to spend Rs. 5,000 crores in the next five years is really nothing; it is just a drop in the ocean. I think for this small amount the Finance Minister should not have thought of this amendment

Now I come to clause 20. This gives unlimited powers to the Income-tax officers. They can make searches; they can enter into the houses of the assessee and so on. Their method of dealing with the public is well known to most of the Members. They take everyone as dishonest unless proved otherwise. This approach in my view is quite wrong. They should rather take everybody as honest unless proved otherwise. India has got independence after two hundred years of British rule. It is high time that we changed our outlook. We should approach the people in a spirit of love and not in a spirit of hatred. The Finance Minister is really after money. I may tell you that he wants to realise three to four crores of rupees by this way. I may give a proposal if it is accepted by him, though I doubt very much. India has been

a country where hoarding has been there, not today but for centuries—People have hoarded in ornaments, in gold and silver and what not. Let him say now that if they bring out the hoarded money they will exempt it from income-tax, but on one condition: let them put it in Government securities or in industry. If it is to be in Government securities, it will immediately meet the demand of our next Five Year Plan. It might be hundreds of crores of rupees. Who-knows! The Government has said it to be Rs. 30 crores according to their statistics. But since hoarding is going on for so many thousands of years, I do not know what will be the figure. But it may be an amazing figure as far as I know. And if it is to be in industry then it should increase employment and it will be in accordance with the policy of industrialising this country. So, why not they try this way? Moreover, as I told you earlier, our Home Minister was saying the other day that about 450 cases of corruption were instituted in the Services and so the same story might be told about so many persons. I think our standard of honesty is going down and no law, however strong you may make, will correct the persons for whom it is meant. We should change our outlook if we want our people to have honesty. We should have propaganda that honesty will pay in the long run. We should give medals as we give medals to persons in other fields of life to impress on them that honesty pays, that honesty will pay, and honesty will have high esteem. Then only I think our disease can be checked. Thank you.

SHRI KISHEN CHAND: Mr. Deputy Chairman, the hon. Finance Minister in his very eloquent concluding speech on the Appropriation Bill was answering many things on the taxation policy I will try to confine myself entirely to the taxation policy which is the purpose of this Bill. This is almost the last part of the Financial Bills. When we consider the taxation policy of any country, it will be found so important and it affects so

many spheres of life that to attain any particular objective, we have to adopt a particular taxation policy. Therefore, we have got to look at this Finance Bill from the larger objective that we are placing before the country of a socialistic pattern of society. I would have liked to have heard from the hon. Finance Minister how he thinks that this taxation policy is going to lead to that objective? I submit that this is the normal taxation policy which was followed even in the days of British rule in India—the usual levy of income-tax, the usual levy of some import duty and export duty and a few excises. The hon. Finance Minister has completely failed to show how this Finance Bill is different from the Finance Bill during the last fifty years in this country and how it is going to lead this country to the attainment of this objective. It covers a wide field and I am not going to take up all the items under it, but only just a few of them and confine my remarks to a few of the direct taxes and a few of the indirect taxes. At the outset, I may point out to you that there is a confusion when some hon. Members say that the incidence of indirect taxes is very heavy or the incidence of direct taxes is not heavy enough. Out of the indirect taxes which consist of the import duty, the export duty, the excise on luxury articles and the excise on consumer articles for the common man, if you try to find out the amount of the indirect tax which is collected from the common man, it will be found that it is only about one-fourth of the total indirect tax. Therefore, in trying to compare the incidence of direct and indirect taxes on the various sectors of our society with similar taxes in other countries, we have got to carefully examine whether the direct taxes are falling on people who cannot bear it, whether the indirect taxes are falling similarly on people who cannot bear it. I think that the hon. Finance Minister has been taxing certain essential commodities in indirect tax which he could have easily avoided. To begin with, I think his tax on vegetable oils is very

unfair. It brings in a small amount of money and yet it hits the largest number of people. He could have very easily avoided the tax on vegetable oils. Then, consider the tax on soap. The Finance Minister says we must have cottage industries, we must have small scale industries, but we find in our country that one big soap factory is producing nearly seventy per cent of the soap. In the previous year the small producer was given some concession. In this year's Finance Bill that concession has been further reduced. Now, the tax even on cold processed soap is Rs. 4 per cwt., while the excise duty on soap produced by power and by steam is Rs. 5/4. There is hardly much difference. And in this soap there are factories which are producing seventy per cent, of the total production in our country and there are factories which are not producing even one per cent, of the total production in our country. The result is that the large producer can effect great economies in the method of production and selling and in advertisement and in various other things, while the small producer cannot effect these economies. The result is that Lever Brothers are progressing and the Indian soap manufacturers are disappearing from the field. And this process will go on. This process continues in the case of matches also. The Wimco go on increasing their production and their hold on the market, while the small producers are slowly and gradually disappearing. The hon. Finance Minister promised that he would put such taxes on the large producer as will help the small producer. I would have expected from him, Sir, that in the case of small producers, he should have completely removed the tax—the excise duty—on soap, while for producers of over a hundred tons per year, he would have levied a graduated scale of excise duty so that the largest producer would have paid the highest rate of duty. This would have equated the large producer with the small producer. The largest producer gets certain rebates on his machinery; he gets depreciation allowance on the

[Shri Kishen Chand.] capital outlay, while the small producer does not enjoy any of these benefits. Our Government wants to find full employment, wants cottage industries to develop; but in its fiscal policy, it puts the largest producer and the small producers at par with each other. The result is that the small producer slowly and gradually disappears.

I will next consider the excise duties on cloth. In the case of cloth, the excise duty has been further increased. I would not have minded it if the excise duty had been increased only on the finer cloth or the super-fine cloth. But it has been increased on the coarse cloth also, excepting dhoties and certain other varieties. The definition of coarse cloth puts it as low as 17s. Now the result is that the very coarse cloth used by the poorest sections of our society is also taxed at the rate of 11 annas per sq. yard. It means, if the width is 1½ yards, it is nearly 2 annas per yard. That means a dhoti of that count which is not exempted will have to pay about 10 or 12 annas per piece which is a fairly high amount for the poor man of our country.

The hon. Minister must confess that in the matter of diesel oil, the States are levying additional sales tax. The Central Government is levying an excise duty of annas four per gallon. You know, Sir, the price of diesel oil is Rs. 1/4 per gallon and if, in Rs. 1/4, you levy an excise duty of four annas at the Centre and a sales tax of annas four in the States, the result is that diesel oil price goes up from Rs. 1/4 to Rs. 1/12 per gallon. And the poor cultivator who is using diesel oil for running his water-pump, naturally has got to increase his expenditure by nearly 50 per cent. Is it fair and right that, in our socialist pattern of society we penalise the poor agriculturist to the extent of nearly eight annas per gallon when the price of diesel oil is only Rs. 1/4? I

Are we encouraging him to modernise his methods of agriculture by putting up pumps and irrigating his field?

There are other excise duties against which I have no grievance, for instance, the excise duty on furnace oil. I am very glad that the hon. Finance Minister has levied an excise duty on this oil because it is an oil used by large commercial concerns and if they have to pay an excise duty, I have no grievance against it. But, as I have pointed out, the hon. Finance Minister should very carefully examine the excise duties which are weighing heavily on the common man and the common cultivator.

Then I come to direct taxes. The hon. Finance Minister was very right in saying that we cannot permit any tax evasion and I do not hold any brief for the tax evader. The tax should be collected fully and rightly. But it does not mean that because there are one or two tax evaders, you should introduce certain clauses in our laws and regulations which are against ordinary human rights. Sir, the right of search, the right of investigation, the right of arrest, the right of appearance before the officer, all these rights are enjoyed by magistrates of law courts. The hon. Finance Minister wants to give all these powers to every income-tax officer, every appellate assistant commissioner, every assistant investigating commissioner, every commissioner of income-tax and so many others. Now in our country there will be twelve hundred more magistrates with all the magisterial powers of investigation and of search. Are we justified in it? We do not want tax evasion. We do not want to encourage the tax evader. But there is no justification in empowering all these income-tax officers with judicial powers of searching, of arresting, of taking hold of documents or forcing people to appear before them. Therefore, I would request that such a clause should not find a place in this Bill.

As has been pointed out by the speaker who preceded me, In this

Finance Bill another amendment has been made by which the time-limit of eight years has been removed. Every civil law and Act has a limitation of time. It has always a time bar. You cannot carry on civil prosecutions indefinitely. In the matter of criminal cases, there is no time-limit. But for all civil cases, there should always be a time-limit and after all, as was pointed out, the accounts books may not be available; the persons who kept the accounts may have died a long time back. There should be some sort of consideration given to the tax-payer. If the hon. Finance Minister thinks that eight years is too small, he may increase it to 10 or 12 years, but should not make it absolutely indefinite. The result will be that even a thing which is 30 years old can be raked up. This is not right and fair. During the discussion on the Budget, it was pointed out by certain hon. Members that they would like the industries to develop whether they be in the private sector or in the public sector. Government is the largest sharer of the profits in the shape of income-tax. If the industry prospers, Government's share of the income-tax will be larger. Is it not far better to develop the industry and get a bigger share out of it than try to curb it and get a smaller share?

How is it possible to get a bigger share out of the industry? It is possible only if we allow the industry to plough back its profits into the industry. If some part of the profits is ploughed back, the industry will grow; it will make bigger profits in the next year and the Government, being the sharer of the profits in the shape of income-tax, will get bigger income.

Formerly, a rebate was allowed on that part of profits which was ploughed back into the industry. That rebate has been omitted. The result will be that companies will be encouraged to give greater dividends and not to plough it into the industry. It will indirectly lead to the impoverishment of our industries, to a

sort of diminution and contraction of our industries. When we are having unemployment—of both educated and uneducated—when we are thinking of rapid industrialisation of the country, is it not better that we permit as large a part of the profits as possible to be ploughed back into the industry, so that it grows and in subsequent years, it gives a bigger income to the Government?

Sir, I have supported it before also, and once more I welcome the tax on the bonus shares. The tax levied on dividends paid in excess of 6 per cent, and 10 per cent, at two annas and three annas, and all those things are all right. But where we have deviated from our ideal of the socialist pattern of society, there, I think, the Finance Minister should reconsider his view point and should see if he can make any concession.

Sir, I have a large number of things to say, but as the time-limit is there and as my time is limited, I would once more appeal to the hon. Finance Minister finally to try to very carefully examine the point that I have made. He wanted to enlarge the scope of sacrifices to be made by the common man, so that the generations to come may be able to reap the benefits. When he wants the common man to make more and more sacrifices in order that the Government may be able to get more and more taxes, the hon. Minister should carefully see that when the amount collected from these taxes is going to be spent, it is spent on proper lines and on proper things. There is no control on expenditure. There has been a tremendous amount of waste, and when the common man finds that there is no control or check on the expenditure, he sometimes feels a little shy to make the sacrifices, about which the hon. Finance Minister was so very eloquent.

SHRI C. P. PARIKH (Bombay): Mr. Deputy Chairman, the Budget proposals were before us at the end of February, and since then much water has flowed, and I think, Sir, that they

[Shri C. P. Parikh.] will supply us some lessons for the next twelve months, and for the next Budget also. Our task is very important, and I think, our problems are getting more and more difficult. The rosy picture of optimism that we had in September is slowly disappearing. I think, in the matter of prices, and in the matter of deficit financing, and in all other matters, we have to be very cautious. In the matter of food, we thought that we were able to export, and now the position is that we have to import. In the matter of cotton, groundnuts and other agricultural products, we issued licences for export, but now we find that there is a deficit. And, Sir, with the deficit financing which we had in the last three months and which we are going to have in the next twelve months, we have to be very cautious with regard to any possible reactions on the standard of living of the lower-income groups.

Now, Sir, I would like to offer some remarks in the matter of direct taxation, as also of indirect taxation. With regard to direct taxation, I find that the tax on bonus shares is there. The principle underlying is that these bonus shares will be taxed to the extent of two annas in the rupee. But, Sir, the qualifying clause is there which says that the total payment by a company will not exceed four annas in the rupee of its assessable profits. That qualifying clause may operate things in such a way that the bonus share may not pay any tax, not even one pie, what to talk of two annas. And therefore, when these proposals were being formulated, I had suggested that it should not be linked with the assessable profits. If that suggestion of mine is not implemented, then the Government will be losing a large revenue which it can earn. And it is all the more important because people are converting their reserves into bonus shares. Why should we allow that temptation of converting the bonus shares into reserves? The reason for this temptation is that the reserves are getting only a 2 per cent.

return, while the capital is getting a <T per cent, return for calculation of bonus to workers. Therefore, by converting the reserves, the share of the bonus that may be payable to the workers will be reduced. And that affords a constant advantage to the company. Therefore, Sir, I suggest that this coupling of the two things should not be there. And it is not entirely clear on what basis the bonus shares will be issued. I think, Sir, that the taxation policy should be enunciated in very unequivocal terms by the Finance Ministry, and it should be made very clear on what principles the bonus shares will be issued. If the bonus shares are ordinary shares, I would not mind. But if the bonus shares are issued as preference shares, and especially as redeemable preference shares, I think, no permission should be given at all for any redeemable preference shares.

THE DEPUTY MINISTER FOR FINANCE (SHRI B. R. BHAGAT): There will be no preference shares.

SHRI C. P. PARIKH: Sir, it is all a matter of policy to be enunciated by the Government. It should be clearly laid down on what conditions the shares are going to be issued. If we are saying "non-redeemable preference shares .....

SHRI B. R. BHAGAT: No preference shares.

SHRI C. P. PARHCH: That is all right. I wanted that assurance only. Now, Sir, many companies have got huge reserves and they can convert those reserves immediately into bonus shares by paying two annas. I would like to suggest here, Sir, that permission should be given in such a way that the State is able to realise at least one anna and six pies from the bonus shares issued. That is to say, a kind of restricted permission should be given, not for all the amount that is asked for. When a company derives some advantage, it must give something to the State.

Then, Sir, with regard to the bonus shares that have been issued in the

past, I think we have made great mistakes, and the mistakes which the Finance Ministry should not have made, because bonus shares were issued to the extent of Rs. 77 crores, and the result was that so much supertax was lost to the State. When the -preference shares were redeemed, naturally no tax was paid by the assessee when he was in the lower-income group, and the shares were transferred to the lower-income groups. I think, Sir, that the Government should take suitable steps to see that the present bonus preference shares are not allowed to be redeemed in future. What is the difference between redemption and non-redemption, if the preference share is a negotiable document, and the person realises at least 90 per cent, of the value? Even if we have committed mistakes in the past, I think, now we should make it clear that the redeemable preference shares will not be allowed to be redeemed except on liquidation. By that way, Sir, the State will be able to find a large sum. What has happened so far is this. There have been first preference shares, second preference shares and third preference shares. In 1947, 5 lakhs of preference shares were issued, to be repaid in 1956. In 1947, they again issued 5 lakhs to be repaid in 1957, and so on and so forth. That means that the shares are to be redeemed after every five or ten years, resulting in the loss of super-tax to the extent of four annas to ten annas a rupee to the State. I think, Sir, that loss should be arrested.

Now, I will come to the question of taxes on dividends. This dividend tax is a new departure, and although this practice existed in the year 1946-47, the tax which is now raised is not on a very scientific basis. The incidence of this tax is from two annas to three annas in the rupee. What I suggest is that this method is not scientific. If the free reserves are there, and if the capital is there, it is all the same to the company and to the investor, and we must treat this dividend as return on the capital as

well as the reserves. While calculating the six per cent., we shall have to take the company's capital and reserve. Is the company's capital something different from its reserves? To the investor and to the company they are not different. There may be an academic difference, but there is actually no difference between a company's capital and reserves. Therefore I suggest that this tax should be levied on capital and reserves, and they should be added together, and then its incidence may be higher than what it is now. You will see that some companies may be undercapitalised and some companies may be over-capitalised. I will just give an illustration. One company has a capital of one crore and ten lakhs reserve, while another company has a capital of ten lakhs and one crore reserve. I think it is all the same, but the incidence of the present tax is entirely different for the two companies, even though the position of the two companies is the same. Therefore, this position has to be examined. Now, this tax has to be paid when the dividend is to be paid. That also is not a proper system, because the scientific system will be to find out what are the assessable profits of the company. If the Finance Minister examines the companies which are earning more than Rs. 20 lakhs, he will find that they number about 800 and many of them are making profits to the extent of 20 per cent, and 30 per cent, on their capital and free reserves. I want to ascertain from the Members of this House as to what our ideas of profits are. I think, that our ideas about return on capital shall have to be revised, if our industrial development is to be in the interests of the common man. As long as such profits are made by industries, our sympathy for the common man would be merely illusory. I am making this suggestion. There must be a limit to profits over 15 per cent. You can allow upto 15 per cent. But if more than 15 per cent is earned, I think that the State should be entitled to a 75 per cent, share in it and not the share which you mention here. This is the sug-



[Shri C. P. Parikh.] gestion I have to make. I think that the private sector will say that this will disturb capital formation. If we don't plough back, how can industries develop? I think the answer to that is that the State has established so many institutions in the country like the State Finance Corporation, the State Bank, the Industrial Finance Corporation and so many other corporations. I think that no concern need be disturbed about want of funds; no solvent concern need be perturbed for want of funds, if the industry is required for the country. I believe there are companies in which the State is financing upto 70 per cent, if 30 per cent, is brought in by the entrepreneur. I think we must devise a system where industrialists will be respected, and that can be only when their profits are considered reasonable by the common man.

Then I come to the tea, coffee and rubber companies. Their profits are considered as agricultural income and they are exempted from taxation. Sir, what is the return for them? You will be surprised that in tea companies the return is 100 to 120 per cent, on capital. When such are their returns, I do not understand why the Finance Minister is not tapping this source of revenue.

Now, Sir, I have another suggestion to make with regard to companies' capital and reserves. All these are the property of the shareholder and naturally so, but the shareholder has contributed capital in cash as well as through accumulated profits. We must make a differentiation here. The shareholder is entitled to his capital paid in cash more than he is entitled to his capital out of accumulated profits, whether it is company's bonus capital or reserve. If it is bonus capital and reserves out of accumulated profits, then he should only be entitled to only 6 per cent., and he may be entitled to a higher percentage on the capital paid in cash, because there the shareholder

has taken a risk. I think we shall have to revise our ideas of taxing private enterprise if industries are to be established or expanded in the private sector without the criticism which is now levelled against it from so many quarters.

Now, I come to another point, *i.e.* profits on liquidation. Now, I differ from what the Finance Minister is doing. Now, on liquidation we are taxing companies on their profits made even fifty years ago. I will give an illustration. The Oriental Life Insurance Company has a capital of Rs. 6 lakhs, and its reserves are Rs. 30 lakhs; on liquidation, you want to tax these Rs. 30 lakhs reserves which have been accumulated since 1900. You used upto now to tax profits only for the last six years, but because some companies have misused this provision or taken undue advantage of this, the Finance Minister has brought forward the present provision. He told me, "Suggest something in order that this disadvantage may not remain." I said I could not immediately find out, but I suggest to him now to tax these profits only from 1939 onwards, and not the profits made before 1939, because the profits before 1939 were not very large. Only war profits since 1939 have been heavy and you tax them, but while taxing them in liquidation, you must give some relief. All these receipts are in one year, and I think you should allow the assessee to have it distributed over five years; if the receipt is in one year and you tax the whole thing, then the investor who had invested only last year will be penalised. I think it is very necessary to examine this. Suppose a man has got a share of Rs. 100, which had risen in value to Rs. 1,000 last year, and if the company is taken into liquidation this year, then the man who invested Rs. 1,000 only last year will have to pay tax on Rs. 900. I ask, "Is this justice, is this equity, is this fairness?" I think the Government should find a solution for this. I think they should go into this problem and find out a solution so\*

that there may not be undue hardship and so that the liquidity of the shares is maintained, because it is a very prime criterion for investment. Now the matter will come immediately because with regard to insurance companies, whether they will be considered as liquidated or not. If it is considered as liquidated, then for the Oriental Company shares for its value we will have paid them Rs. 4,000 and the shareholder has paid only Rs. 200. You will tax him on Rs. 3,800. You shall have to make provision that this does not happen in one year and one is taxed over a period of five years. Therefore this definition should be revised.

With regard to excise, much has been talked of but no sound principles have still been devised. We must classify the goods into luxury, semi-luxury and essentials and tax them accordingly but unfortunately there is also sales tax in the States. So the excise, the cess and sales tax are all operating in one direction and sometimes they are hitting the common man. We must see that 50 per cent, of our population has not the income to buy certain essential goods. That cannot be denied. With regard to indirect taxes, Shri Kishen Chand has well explained that 75 per cent, of the indirect taxes are borne by those who have money and only 25 per cent, fall on the other people. In regard to taxes on essentials also, we have to examine what are the taxes which are borne by common man which should not be borne by them. Mr. Kishen Chand has mentioned tax on vegetable oil, on soap and excise on cloth. With regard to tax on vegetable oil, on soap and tax on cloth, all these I consider are essential commodities. [ mean medium and coarse cloth. But we have to look at the )ther problem namely, that we want to develop the small scale and cottage scale industries and an we, by any stretch of imagination, have any measures or devise methods by which without making a corresponding cess or excise levy on the machine-made or large-scale industry, have the cottage scale industry running in the country? Do

you think that without this levy of excise duty on cloth, the handloom industry would have at all progressed? Even we had to give subsidies to the cottage industry in the past years to meet the difference in cost to the extent of 3 annas in a rupee. With regard to large scale and small scale industries, as long as the large-scale production is there and we want to keep it up and we want also production by the small scale industries, we shall have that position. What I mean to say is that there is a grievance that these measures are not properly regulated and the rising prices which are now prevailing in the country should open our eyes to the problems that are before us. At present I may say that the situation of cloth is very bad. Practically the production is not equal to the consumption. That position has reached and the profits that are realised by the mills are very high because it is a sellers' market.

DE. SHRIMATI SEETA PARMANAND: Yet they want to close down?

SHRI C. P. PARIKH: If the Lady Member asks the question by getting up, I will answer. The position at present prevailing there is that our consumption is out-stripping our production. What is the reason? The reason is that the standard of living has increased and from 13 to 14 yards *per capita* consumption, we have gone to 16 and 17 yards and we have not been able to produce that much that we desire. There is also the danger of our losing the export market. So what has to be done? Our cotton requirements are not met adequately and cotton *is* scarce now and cotton prices have touched the maximum and the Commerce Minister has no other go but to impose a control on the prices of Indian cotton in order that they will have restricted and regulated movement in the country and no sales will be effected over maximum prices. Some control which was existing before last 3 years will have to be imposed. It is inevitable. Now we want to avoid physical control as far as possible but

[Shri C. P. Parikh.] fiscal measures are there by which you can regulate, control and bring down the prices. The Finance Minister in 1947, when the index was at 308, at that time, considered it as reasonable and said that it should not go beyond that. That was the opinion at that time. Now it is at 390 and unfortunately I heard, the hon. Finance Minister has said in the other House that our index of 390 is the normal index and should be considered as normal. I think we have to be very cautious about this opinion. If the present index of 390 is maintained, I think the low income groups have to be increased first before we maintain the price at such a level. Because the lower income groups will go down and their real wages will be reduced by 25 per cent., how are they going to carry on? Let us understand that there is political consciousness in the country. Every low income group man understands whether the Government is conducting itself ^in his interest or not. That he wants to know, and\* I think if this index is going to rise above 390, this Government will have to devise measures by which the lower income groups are supplied with essentials at lower prices. This is inevitable and we have 50 per cent. of such population and unless you do that, we shoiiild not think of allowing the prices to rise. We must not forget that we are pumping into the country one crore of rupees every day by our annual outlay of Rs. 300 crores of deficit financing. It is very well mat we are in the hands of a capable Finance Minister who has the situation under control but I think the situation sometimes gets out of control f\*nd there are signs of its getting out of control. This is happening at a time when we want to resort to deficit financing. With regard to excise, cess and sales tax, we shall have to revise our policy.

SHRI M. C. SHAH: All right.

SHRI C. P. PARIKH: If you are not revising today, you wiH have to revise after six months.

SHRI M. C. SHAH: All right.

SHRI C. P. PARIKH: Because the food was ample, we thought of exporting it. Cotton was adequate and we thought of exporting it and we did it and now we have to import. That situation is there. I am just drawing the attention of the Government to this fact; after the next six months, if unfortunately the harvesting season or the agricultural season fails, what will be the situation? Have we enough buffer stocks because index is a vicious circle? If the price of one commodity rises, then others also rise. I will just say what is the effect of this Budget on industries and I will read a quotation from one of the prominent papers in the Bombay market. The prices were low when this Budget was there and what does it say? It says:

"The stock market appears to have shed all weakness for the time being, bom of Government fiscal policy, and by staging an impressive rally since the budget, it has given the verdict that the barking of the Government is comparatively severe than its bite."

AN HON. MEMBER: What was the date?

SHRI C. P. PARIKH: It is dated 24th March. It means the barking of the Government is comparatively severe. I think if you see the quarterly price index you will see that It has been rising by 15 to 20 per cent in one month. So the thing is that people thought that the worst was over and this thing is now facing us.

Then the price of essential commodities have gone up. Therefore I would make a suggestion in this respect that we have to check inflation as early as possible by all possible means by fiscal measures, by regulatory methods without imposing physical controls which may have to b< imposed if we are not aware of tht situation in time.

SHRI M. C. SHAH: All right.

SHRI C. P. PARIKH: On this account now the cesses are there and the excises are there. With regard to essentials, you must give the rebate to the cottage scale products so that the price would not go up. I will illustrate an example. The handloom cloth is given one and a half to two annas as price rebate per yard. The Commerce and Industry Minister only last fortnight or three weeks ago said that this will not be necessary— may be on account of the imposition of the duty. What has happened? The price of both mill and handloom cloth has gone up. Therefore what should be done? So in order that the common man may get his cloth at the price at which he used to get in the last 2 years, the rebate should be allowed to be continued and these revenues should not be appropriated to the General Revenues. We have got some additional excise on cloth contributing some Rs. 14 crores. I think we must set apart Rs. 4 crores for giving as additional subsidy to the handloom cloth till the prices of both mill-made and handloom go down. We must also bring the prices down. This is not the only thing.

The price of gold is going up. That is a most dangerous thing for deficit financing. It is going up because our consumption capacity is going up. The standard of living is going up. We shall have to devise measures by which we can arrest the rising tendency of gold. Unfortunately what happens is, we are allowing futures or speculative transactions to be carried on in gold even in times of deficit financing. I think so many big persons and political leaders say that there shall not be any transaction in bullion exchange but there it is still operating. We are allowing speculative transactions in bullion which are still taking place and this should not be allowed in the country. I say this because the moment the price of gold crosses a certain limit, your whole policy of deficit financing will be in danger. Let us take the subject of foreign exchange. What is it built

on? It is built on our outward payments. We have to settle them, more or less, in gold and unless we do that, unless we bring the price of gold to a reasonable level, for which there are so many measures, into which I need not go into now, there is danger. We must adopt some measures. Government, if they are serious, can find measures to see that the price of gold is at Rs. 95 and not allowed to remain at its present level of Rs. 105. Now it seems to be going to a dangerous level and we may have inflationary movements in the country which it will be difficult to arrest after six months. I think, therefore, that all possible measures should be taken in proper time in order that the prices do not rise over the index of 396. That is a sufficient rise, and as long as the real income of the lower income groups has not risen, as long as there is unemployment in the country, especially when there is political consciousness in the country these measures will have to be taken as far as rise in prices is concerned.

What is the price of oil? Oil is as dear as ghee. That is not good, if we come to think of that. We exported oil. We got a crore of rupees. But the consumer paid some Rs. 20 crores. So we have to balance these factors. Cotton we exported and now we import it. We pay more ' for our imports than we gain in exports. With regard to essential commodities we cannot play with them the way we do at present. We must take measures to see .....

MR. DEPUTY CHAIRMAN: It is time; Mr. Parikh.

SHRI C. P. PARIKH: I will take only five minutes more.

MR. DEPUTY CHAIRMAN: Please conclude now.

SHRI C. P. PARIKH: I have some more points to make.

SEVERAL HON. MEMBERS: He may continue tomorrow.

MR. DEPUTY CHAIRMAN: He will be finishing now.

SHRI H. N. KUNZRU (Uttar Pradesh) : He can do it tomorrow.

MR. DEPUTY CHAIRMAN: I think he will take only five more minutes.

SHRI C. P. PARIKH: Five to ten minutes, Sir. I have only a few more points to make and I think it necessary that these points should be considered by the Finance Minister.

SHRI V. K. DHAGE (Hyderabad): Sir, he is very informative and so I suggest he may be allowed to continue tomorrow.

MR. DEPUTY CHAIRMAN: Very well. But there is a Message to be read by the Secretary.

#### MESSAGE FROM LOK SABHA

THE STATES REORGANISATION BILL, 1956

SECRETARY: Sir, I have to report to the House the following message received from Lok Sabha, signed by the Secretary of Lok Sabha:

"I am directed to inform Rajya Sabha that Lok Sabha, at its sitting held on Thursday, the 26th April 1956, adopted the annexed motion in regard to the States Reorganisation Bill, 1956.

I am to request that the concurrence of Rajya Sabha in the said motion, and also the names of the members of Rajya Sabha appointed to the Joint Committee, may be communicated to this House."

#### MOTION

"That the Bill to provide for the reorganisation of the States of India and for matters connected therewith be referred to a Joint Committee of the Houses consist-

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ing of 51 members; 34 from this House, namely: —

1. Shri U. Srinivasa Malliah
2. Shri H. V. Pataskar
3. Shri A. M. Thomas
4. Shri R. Venkataraman
5. Shri S. R. Rane
6. Shri B. G. Mehta
7. Shri Basanta Kumar Das
8. Dr. Ram Subhag Singh
9. Pandit Algu Rai Shastri
10. Shri Dev Kanta Borooah
11. Shri S. Nijalingappa
12. Shri S. K. Patil
13. Shri Shriman Narayan
14. Shri G. S. Altekar
15. Shri G. B. Khedkar
16. Shri Radha Charan Sharma
17. Shri Gurmukh Singh Musaffr
18. Shri Ram Pratap Garg
19. Shri Bhawanji A. Khimji
20. Shri P. Ramaswamy
21. Shri B. N. Datar.
22. Shri Anandchand
23. Shri Frank Anthony
24. Shri P. T. Punnoose
25. Shri K. K. Basu
26. Shri J. B. Kripalani
27. Shri Asoka Mehta
28. Shri Sarapagadhar Dat
29. Shri N. C. Chatterjee
30. Shri Jaipal Singh
31. Dr. Lanka Sundaram
32. Shri Tek Chand
33. Dr. N. M. Jaisoorya, and
34. Shrimati Tarkeshwari Sinha.