

PAPER LAID ON THE TABLE

MINISTRY OF COMMUNICATIONS NOTIFICATION PUBLISHING FURTHER AMENDMENTS TO INDIAN AIRCRAFT RULES

THE MINISTER FOR COMMUNICATIONS (SHRI JAGJIVAN RAM): Sir, I beg to lay on the Table, under sub-section (3) of section 5 of the Indian Aircraft Act, 1934, a copy of the Ministry of Communications Notification No. 10-A/74-53, dated the 12th October 1954, publishing further amendment to the Indian Aircraft Rules, 1937, together with an explanatory note thereto. [Placed in the Library, See No. S-143/55.]

DISCUSSION OF THE PRESS COMMISSION'S REPORT

SHRI BHUPESH GUPTA (West Bengal): We had been given notice of a discussion on the Press Commission's Report, but we understand that there is now a move in official quarters to postpone this discussion.

MR. CHAIRMAN: Not in official quarters.

THE DEPUTY MINISTER FOR LABOUR (SHRI ABID ALI): It is an insinuation.

SHRI BHUPESH GUPTA: Whatever may be the Government's decision on this, this House should be given an opportunity to have a discussion on this very important Press Commission's Report so that, while we are discussing this, the Government may know as to how our minds are working in this respect.

MR. CHAIRMAN: You are wrong in saying that there is a move in official quarters. There is no such move.

SHRI B. C. GHOSE (West Bengal): I wish my hon. friend, Mr. Gupta, had consulted the other Members of the Opposition. As a matter of fact, we were going to agree, in view of

the fact that the Government have not come to any decision, to the postponement of this discussion, as some of us feel that it would not serve any useful purpose. If my hon. friend had certain points in his mind, we could have discussed them. Personally I feel that the discussion would not be very fruitful at the moment.

MR. CHAIRMAN: That does not matter.

SHRI BHUPESH GUPTA: Even if the Government has not come to any decision on the report, it does not matter. When an important report is made to the Government, we should discuss it even before decisions are taken on it. Now, I am prepared to accept any proposal that may be coming from the working journalists, but I do not see why this should be delayed, especially as I have been given to understand that a certain amount of pressure has been brought to bear upon the Government from certain quarters.....

MR. CHAIRMAN: Another insinuation, as Mr. Abid Ali would say.

THE FINANCE BILL, 1955—continued

SHRI J. S. BISHT (Uttar Pradesh): Mr. Chairman, I was saying yesterday that the Government should take us into their confidence and tell us the method and organisation that they have in order to take prompt action in case any inflationary tendency was visible on the horizon. This is necessary because we have had some bitter experience during the Second World War. There were assurances from the Finance Members of those days that at least in that war there would be no inflation and that no one would be allowed to make windfall profits, while people were dying of starvation, but our experience was that in spite of the vast amount of currency that was pumped into the economy of the country, for three years till about

[SHRI J. S. BISHT.]

the autumn of 1942, there was no inflation but suddenly in the autumn of 1942, inflation came and as if the dam had been finally broken and we were deluged by it. The currency in circulation which was about Rs. 175 crores when the Second World War broke out, went up to Rs. 1,200 crores. It is very necessary that during the Second Five Year Plan all necessary measures should be adopted in time to see that inflation does not spring upon us. I am sure that the Finance Ministry must be aware of the opinion of Lord Keynes in this matter; after having studied the inflationary tendencies in Germany and France after the First World War and after making a detailed study of the subject, he came to the conclusion that, if scientific methods are adopted, there is no reason why there should be any inflation at all. It is necessary that in the interests of the Five Year Plan itself, there should be no inflation, because that will defeat the very Plan itself. The Second Five Year Plan is of the order of Rs. 5,600 crores, and if inflation sets in, prices will go up, and as prices go up, wages will go up, and then the Plan would cost us probably double or treble this amount. It will again be the same old tale of too much money chasing too few goods. This is the reason why many of us feel apprehensive in this matter and wish to be fully assured, because the middle classes and the fixed salaried classes would be very hard hit. Unfortunately in this matter the industrial classes favour deficit financing, and unfortunately also they control the press. That is why the reality of the danger is not so visible.

Now, coming to the Bill itself, I welcome the concession that the Finance Minister has made in reducing the excise duty on coarse and medium cotton cloth. We pressed for it at the time. In view of the fact that the agricultural prices have fallen, this would have hit the agricul-

turists very hard. The Finance Minister has now made this concession and this is very welcome. In this connection I wish to answer one criticism that has been levelled against the Finance Ministry, and it is that they brought forward a Budget and that later on they made concessions and that it became, therefore, virtually a new Budget, because the revenue deficit that was expected to be Rs. 8½ crores would now be Rs. 13 crores.

SHRI H. P. SAKSENA (Uttar Pradesh): Rs. 17 crores.

SHRI J. S. BISHT: Thank you. In fact, I welcome this responsive attitude on the part of the Finance Ministry. This is in keeping with democratic traditions. It is not fair to say that, if the Finance Ministry responds to the criticism of both the Houses of Parliament, they should not be complimented for it. It is not right for any Ministry to take a decision and then to stick to it in spite of the defects and deficiencies pointed out therein by Parliament.

Now, coming to the question of income-tax, whatever proposals are being made now are welcome. It is in fact like the cat and the mouse game, the battle of wits between the police and the criminal or the tax-collector and the tax-dodger, and the Government is entitled to take appropriate measures in order to plug all the holes. But there is one point which must be borne in mind, and it is that tax-dodging goes on to some extent in other countries also. It has, however, assumed large dimensions in this country. There must be some reason for it. Is it that the taxation level has overstepped the saturation point? Or is it that the industrialist feels that the tax is of such dimensions that it is morally right for him to save something for himself by whatever means there are with him? Because, if a man makes Rs. 5 lakhs profit a

year, it means that he is an entrepreneur of a very high order who is risking capital to a very large extent and in order to make that profit, he must be planning carefully, working hard and using all his talents and resources to that extent but at the end of it he finds that Rs. 4,07,000 is taken away by the Tax Department and he is left with only Rs. 93,000. Then in that contingency is it to be wondered at if he tries some method of evading his tax? It may be so that in other countries these things are happening but you must remember that both U.K. and U.S.A. have had 200 years of start over us and they have developed industries to a very great extent. Moreover the economy is individualist, not of the type of which we have here where many of the concerns are of a joint family nature and there are so many dependents on the man and there are so many liabilities and obligations on him. Our Tax Department does not make much allowance for that. In fact even in the ordinary tax rate there is not much allowance with regard to the number of children and the other obligations that they have to meet. For instance, in England they make concessions for that. Therefore the Government must seriously consider as to what would be the right level at which to tax these incomes, if these private sectors are to be left at all, because you cannot have it both ways. If you think that the private sector is not worth having and the whole economy must be in the hands of the State, then it is much better to wipe out the private sector altogether but if you think that a portion of the economy must be left in the hands of private sector, then it can function only under its own laws of economics. It cannot function under a sort of mixed rules which will be more appropriate for a regimented sector of economy. If you leave them that way, I have no doubt that there will be a proper response because after all by merely raising taxation you don't make much because you lose more in the money that is leaked on account of these eva-

sions than the money you recover from that. Moreover the honest man pays and the dishonest man evades even then.

In this connection I want to draw the attention of the Government to the Taxation Enquiry Committee Report. In fact in framing this Budget the Government took advantage of a few proposals immediately in order to increase its revenues. Now my humble submission is that the Taxation Enquiry Committee Report is not as it should be. In fact it is a disappointing report. We expected from such a high-powered Committee consisting of such experts and economists and public men to give us a more scientific basis for taxation. The real point was that they should have looked at it from the point of view of the average tax-payer and not merely from the point of view of the Treasury. Because it is that man who really matters in any scheme of taxation. You have got only one man who is the citizen of India and he is subjected to the taxation by the local authority, whether it be municipal or notified area in an urban population or it is District Board in a rural area and he is also taxed by the State Government as well as the Central Government. We thought that the Taxation Enquiry Committee would find out correctly what is the incidence of taxation at every level of income, i.e., let us take the income of Rs. 100 a month. If you take the average per capita income of this country as Rs. 250 and take a family of 5, then that would come to Rs. 100 a month as the average family income. Then you should know the incidence of taxation at that level of income both agricultural and non-agricultural. The second category would be from Rs. 100 a month to Rs. 350 which is your taxation level. Another would be from Rs. 350 to the super-tax level which you have now reduced to Rs. 20,000 and the last would be those who are above that

[Shri J. S. Bisht.] category. Then find out what is the incidence of taxation on each man and you can distribute that taxation among yourselves. For instance, so far as I am concerned, I am not interested with regard to the internal arrangement and the quarrels between the various authorities. The State, as defined in the Constitution, consists of the Central Government, the State Governments and the local authority. With their mutual arrangements or quarrels or rivalry I am not concerned. What I want is this. How much do you want to take from me? In what way these should be distributed among yourselves is not my concern. There should be a correct and suitable basis for taxation and I hope that before these recommendations of the Taxation Enquiry Committee are adopted by the Government, they will carefully examine this point, because certain sections are being squeezed dry. I also drew the attention of the Finance Department and there was no reply.....

THE DEPUTY MINISTER FOR REVENUE AND CIVIL EXPENDITURE (SHRI M. C. SHAH): Does the hon. Member advocate no other tax excepting this?

SHRI J. S. BISHT: You levy taxes at every level, the local authority, the State Government and the Central Government, in such a manner that the whole incidence is fairly distributed at every level, not that for your convenience you take hold of the same head and jump at the same old man again and again. I also drew the attention of my hon. friend to the report of Mr. Appleby. He said that instead of increasing your rate of taxation you should concentrate on stopping all leakage in collections and he said that if you succeed in that, you would gain more in the total volume of revenue you collect. We would like to know whether the Government adopted any of the proposals made by Mr. Appleby in this connection. It may not be out of place to

draw the attention of the hon. Finance Minister to the Income-tax Department itself. I think the Government is accustomed to complaints of corruption with regard to various departments but surely the Income-tax Department is in this respect quite blame-worthy.....

SHRI H. P. SAKSENA: Who told you that the Income-tax Department was praise-worthy?

SHRI J. S. BISHT: Yes. We in fact note that now they have taken the authority and prestige in the urban areas of the British Collectors of the old regime. Wherever the Income-tax Officer is there, you will find always big bosses of that area dancing attendance on him and meeting every requirement of his there. And why is it that there are so many arrears? Why is it that the assessments are not made quickly? Why is it that people have to be dragged from one place to another and cases drag on for years and years and nobody knows where he stands or how much he will have to pay? In my opinion, this is not quite fair. There must be some rules for assessments to be made quickly. In fact in order to help get over certain evasions made by very clever people, certain rules are made and that is an additional weapon in their hands. Under the cover of that rule, they can again abuse their power. I think the Income-tax Department functions in every country—in England and U.S.A. and we don't hear such complaints there even from the assesseees. Why is it that we have so many complaints? It is worth-while going into it and it is common knowledge that things are not as they should be. It is true that there are large numbers of good people among them but that is not an answer because even if 50 per cent. are not good, the injury done to the assesseees is really very high and I hope the Finance Department will see to that. It is not very difficult if you in fact take proper steps. I can tell them that in U.P. there used to be a certain amount

of corruption in the Civil Judiciary—among Munsifs and Sub-Judges. Then came a Chief Justice by the name of Sir Grimwood Mears determined to root out that corruption and he started his plan and I think within two years he dismissed and punished nearly a dozen civil judges and munsifs and took very strong measures. That was about 25 years ago. And we are proud of it that we have never heard of any corruption in the civil judiciary and it is as pure as can be expected. That is why I submit that if they really take energetic measures and make an example of some such people, they can achieve the object. They have got such a vast Intelligence Department at the Centre and in the States and there is no reason why they should not be able to handle this problem; and once they start doing it, they will find the people also co-operating with them.

Sir, there is another point to which I wish to invite the attention of the hon. the Finance Minister and that relates to the trouble that is being caused by these inter-State sales taxes. I am told that a new sort of theory is being developed that a citizen is also a citizen of the State, as also a citizen of India—something totally unknown in the Constitution. We all thought we were only the citizens of the Union and we are not subjects of local authorities, of any State, and so for the purpose of taxation such theories should not be allowed to come up. It is said that some territorial nexus theory is being developed. There is an appeal at present pending before the Supreme Court being vigorously argued and let us see what the result of it is. Whatever the result, last time, if I remember right, the hon. Deputy Minister pointed out that there were certain constitutional difficulties arising in this matter. But since then we have had two Constitution (Amendment) Bills. Why not have a Bill for amending the Constitution to the effect that sales tax should be levied only on local consumption within the State and that it

should not become this sort of a game between so many States where everybody pounces upon the thing? It is unfair both to the merchant class and to the consumers also. Why should a man pay it so many times? If a man buys a motor car in Delhi, he pays here and also at Bombay, merely because some assembling was done there? In fact we should regularise the thing. I suggest that the Central Government should collect the whole tax throughout India and distribute it to the States according to their shares. If they cannot do it, then at least legislate for the whole of India and let the States collect it in their own territories in the manner best suited. In fact there should be no difficulties. Local authorities, municipal committees, cantonments and notified areas are collecting their octroi duties which more or less, is a tax like this, on local consumption and they make no difficulty about it, because when they find that a thing goes out, they refund the octroi levied on it, and it should be so. If a State levies sales tax for local consumption and if it finds it to be exported, then there should be arrangements for the refund of the tax, and then this grievance will be removed. I think it must have come to the notice of the Government of India that there was a *hartal* throughout most of the country on this issue recently.

In this connection, I wish to draw the attention of the hon. Minister to the point which I had mentioned many times, namely that there was a certain sum—I do not know whether it was Rs. 3 crores or so—in the First Five Year Plan granted to the local authorities to improve their sanitation, sewerage, water-supply etc. I do not know whether that money has been spent or is still lying with the Central Government, or whether the rules were so stiff that nobody could take any money out of it. I hope some arrangement will be made that in the First Five Year Plan, or at least in the Second Five Year Plan, that

[Shri J. S. Bisht.] ... money is duly given to these local authorities that are in urgent need of it. In this connection, I am reminded of a speech made by Mr. Attlee, Leader of the Labour Party of England, when he visited China. He said that when he went round the cities, he found a remarkable change there—that there were no flies, nothing stinking, no dirt, nothing of that sort. And let us remember that that Government in China had come to power only in 1949. Can you say the same thing if you go to any city in India? Here you find the old things, bad sanitation, bad water-supply, the same incidence of typhoid, of small-pox, cholera and what not. Surely we should be able to remove this state of things. When other countries have done it, there is no reason why we too should not be able to do it.

DR. RADHA KUMUD MOOKERJI (Nominated): Have you done it in your Naini Tal? Have you banished them there?

SHRI J. S. BISHT: We have banished typhoid from there. Go to Delhi, the Capital of the country, go to Old Delhi, and see the surroundings, you will find them as they were in the Moghul period. You can get rid of them and make a visible impression on the people. Make provision in the Five Year Plan so that the people can visibly see what is being done. Clear off all this dirt and stinks. That should be our first job. If you divide the cost between the three parties, 33 per cent. to be borne by the local authority, 33 per cent. by the State Government and 33 by the Centre and also see to it that the work is carried out, you will not only improve the living conditions of the people now living in those slums, and dungeons, but you will also make a good show of the Five Year Plan.

There is only one more point that I have to touch upon, the last one, and that is of a slightly parochial nature. That point relates to the very

neglected Himalayan region, extending from Kumaon to Kashmir, a very large area populated by nearly eight or nine millions, equal to the total population of Assam and many other States. But this large area has very bad communications. There can be no railway lines, there can be no air services. The only service that can be run in these regions is on good motor roads. I have suggested last year and the year before last also, that a national highway should be constructed so as to link the whole area from Kumaon to Kashmir, something like the Ganga flowing along, with her tributaries. I submit that at least the Government should bring this point to the notice of the Planning Commission so that they may include it in the next Five Year Plan. They may at least have a survey of this project made so that this large area may get out of its poverty which it now suffers on account of the lack of communications. Moreover, it is also a strategic area. On the other side of the Himalayas, the Chinese Government is building roads and aerodromes all along the line in Tibet and surely we should do the same thing on this side, at least for our own defence purposes. I hope this point will be brought to the notice of the Planning Commission.

Thank you.

SHRI B. C. GHOSE (West Bengal): Sir, I would like to begin with a request to the hon. Minister. I believe that the discussion on this subject in this House can be more informative and fruitful if a memorandum were prepared and circulated to hon. Members, explaining the implications of the financial proposals. I am aware that a small pamphlet was issued, but it was only about the income-tax proposals. Since then, many modifications have been introduced in the original proposals, and in the absence of full information, it is difficult for Members to make any really fruitful contribution.

[MR. DEPUTY CHAIRMAN in the Chair.]

Sir, a criticism levelled against the financial proposals is that as a result of the modifications now introduced, **they amount** to almost the presentation of a new Budget.

In view of the far-reaching character of some of these changes, the criticism is not quite unfounded and the strange part of it is that instead of admitting that that is unfortunate, Government appear to be making a virtue of its own failure by giving various explanations. The hon. Minister said that they have always an open and free mind. That is very good but the mind should be open and free before the proposals are formulated, as my hon. friend Mr. Govinda Reddy said yesterday. It, however, appears that before the proposals were formulated, sufficient care and attention were not bestowed on them. The hon. Minister for Commerce and Industry said in the other House, "We have the courage to come with revised proposals before the House". It is not a question of courage at all, but it is a question of lack of information and of not having adequate consultation before the proposals were formulated. That is really unfortunate because if the taxation proposals are formulated once, they should not, without very good reasons, be changed. I do not say that they should not be changed at all. I do not say that, but there should be sufficient and very good reasons when modifications are made.

SHRI JASPAT ROY KAPOOR (Uttar Pradesh): May I know whether the hon. Member suggests that the taxation proposals in view should be discussed in the House in advance?

SHRI B. C. GHOSE: I was not suggesting that. I was not suggesting that at all. What I said was that some of the modifications proposed are really good and some are not so good and it appears that in certain cases there were good reasons which were overlooked when the proposals were formulated and the modifications are satisfactory while in other cases, **the modifications** have been due to

apparent pulls and pressures exercised by different interests and the modifications so effected are not so satisfactory. Now, let me illustrate this by some references. If you take the excise duties, why is it that there have been modifications of the excise duty proposals? The hon. Minister for Revenue and Civil Expenditure stated yesterday that the experience of the operation of excise duties has clearly shown that *ad valorem* duties are not administratively suitable for these commodities. Was not this information available before the proposals were formed? If they were, why were they not made specific because the difficulties that he details later on were difficulties that were known to have existed even before.

With regard to the rates of the duties, they have been reduced to a certain extent but there is one point about these excise duties. What is the Government aiming at? If you look at the amount of revenue that the Government will be getting, it has been reduced from about Rs. 17·7 crores to Rs. 8·8 crores. Now, out of that, I believe sugar accounts for about Rs. 5 crores and cloth between Rs. 2 to Rs. 3 crores. So, all that you will be getting out of these new excises, according to Government's calculation, appear to be between one to two crores of rupees; probably, not even that. Was it worthwhile giving this sort of a jolt to certain industries which have not yet established themselves, because there is still a large unused capacity? Was it worthwhile to raise this amount of money, to impose these excise duties? In regard to strawboard, for example, one of the reasons for exempting it from the duty given by the hon. Minister yesterday was that there was a large unused capacity in that industry. Now, that applies to many other industries which have now been made subject to these excises. There is yet another point and that is, these excises which have been newly introduced, I believe, impinge more on the middle classes. That is a point and its implications are the consider-

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ations to which I want to revert soon. But I want to go on to the income-tax portion now because I feel that so far as excises are concerned, the changes are satisfactory but there was no necessity for introducing these changes later on because all the information should have been available to the Government before the duties were decided upon. Incidentally, Sir, may I mention that it appears that after excise duties are levied, the Finance Ministry sends its intelligence officers round to the various factories in order to collect information which are already in the possession of the Government? The Ministry of Commerce and Industry, I must say, is very vigilant nowadays. It is all the time after the factories trying to get all kinds of information and I can also say that the cost has increased as a result of this information that are being collected from time to time. I do not want to say unnecessarily, because they are necessary but the point is that they are available in the Commerce and Industry Ministry. Why is it then that after the duties are levied the Finance Ministry itself sends its officers round to collect the very same information?

Coming to the income-tax proposals, Sir, some are quite good, for example, the changes brought about in section 23A are better than the original proposals but it will all depend on what the Income-tax Commissioner will do. I believe there is a valid criticism that there should be an opportunity for appeal either to the Appellate Tribunal or to the High Court and not merely to the Assessors appointed by the Government.

I now come to certain features which I do not consider as very satisfactory, namely, the changes in clauses 4 and 5, particularly in regard to perquisites. I want to know the reason why that has been changed? What new information has been brought to light now that was not available with the Finance Ministry when it had formulated the propo-

sals? The hon. Minister stated yesterday, "We received certain representation on these points and certain difficulties were pointed out and we have amended these proposals in the light of those difficulties which were found to be genuine by the Government". Now, we are certainly entitled to know what the difficulties pointed out were which were not known to the Government when the proposals were made? I do not also understand, for example, the principle behind certain allowances now given and which will not be available in the future. The entertainment allowance is being given to the present employees but it will not be available, I believe, to future employees. Now, what is the difference? If it is not going to be given to the future employees, why should the present employees be given this concession? I should also like to know as to who are the people who are likely to benefit as a result of this concession? Primarily, which is the section of the people from where the representations came? Did they come from Ministers also or, was it from business people only? If it is from business people, was it from Indian business houses or, to what extent from Indian business houses and to what extent from non-Indian business houses? If Government do not give sufficient reason, then I think we shall be entitled to conclude that there have been pulls and pressures exercised upon Government to get this advantage.

These are the main criticisms that I wanted to make in regard to the proposals but I want to raise certain questions of policy in this regard. The first is in regard to the imposition of the excise duties. It appears that the Taxation Enquiry Commission came to the conclusion that the incidence of taxation generally, taking into account the excise duties also, was highest on the middle classes and fixed income earners and that the richer classes and also the labouring classes were, to a certain extent, better off. They recommended, in the

first place, that excise duties should be levied on luxury goods first and they felt, at the same time, that if the purpose was to raise revenue, then they should be levied on certain articles of general consumption also. Although at first sight that may appear to be not so good because it will have effect on the general mass of the people, now that we are having a plan which is designed to improve the condition of the general mass of people, it is but reasonable to expect that they should also make some contributions.

Now in the light of those recommendations of the Taxation Enquiry Commission, what have Government done? What are the new luxury articles on which they have imposed an excise duty? Or one may even go further and ask as to what measures Government are taking to place a ceiling on income, a proposal which appears also to be supported by the panel of economists set up by the Planning Commission. I must also say, Sir, that the suggestions and recommendations of the Taxation Enquiry Commission are also rather unsatisfying from this point of view that having come to the conclusion that certain sections of the people were being taxed more than others, they do not suggest, taking into question the equity of taxation, as to what articles should be first taxed with a view to secure equity of taxation and also raise larger revenues which is the Government's aim.

Now the second point is in regard to the sales tax to which a reference was made by my hon. friend Mr. Bisht. The position is very difficult and anomalous because of the attempt on the part of States to impose taxes on non-resident dealers. Now we all know that there is a case pending before the Supreme Court, but whatever the decision of the Supreme Court may be, it stands to reason that the Government will have to do something about this matter, and I find there is a recommendation also by

the Taxation Enquiry Commission that there should be a constitutional amendment by which inter-State transactions of sales should be taxed by the Central Government and that is to include also certain types of intra-State transactions, which have intra-State character, particularly in relation to certain raw materials which will be used in the manufacture of finished articles, which will again be sent out for sale to other States. Now I should like to know as to whether Government has come to any conclusion on this issue.

THE MINISTER FOR COMMERCE AND INDUSTRY (SHRI T. T. KRISHNAMACHARI): No.

SHRI B. C. GHOSE: Are they awaiting the decision of the Supreme Court?

SHRI M. C. SHAH: I will explain it while replying.

SHRI B. C. GHOSE: Because, that is a very important matter which is affecting trade and commerce of the different parts of the country and this matter has been before the Government for a very long time. There was a Ministers' Conference held. There were certain tentative proposals also made. We understood that it was to be converted into a purchase tax which I understand has fallen through. So what is the present position and what do the Government propose to do in the matter?

Finally, Sir, I should like to draw the attention of the Government to sources other than taxation and borrowing for raising revenues. Now as our plans grow larger in size and expenditure on the plan is to be larger and larger, it will be certainly difficult to find all the resources from taxation and even deficit financing will not be sufficient if we are to resort to it only to a reasonable extent, and therefore suggestions have been made that Government should explore other sources of raising revenues. The suggestion is that they should

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have income from their own undertakings. Rather oblique reference to that is made by the Taxation Enquiry Commission, but it appears that the panel of economists set up by the Planning Commission made certain definite proposals. They said firstly of course there should be further steepening of direct taxation and placing a ceiling on incomes, which is in common with the recommendation of the Taxation Enquiry Commission. Secondly they suggest also a revision of price policy of commodities manufactured by Government undertakings wherever that is possible, and finally they also propose a further extension of the public sector because of the need to raise more revenues. They suggest that Government may resort to State trading, particularly in jute. Now that was a proposal which was gone into by another committee which suggested the setting up of a public corporation for undertaking all trading in export and import business. The Taxation Enquiry Commission also makes a recommendation that fiscal monopolies may be set up instead of levying excise duties. But, whatever that may be, it would appear that it has become necessary for Government to increase its revenues by expanding its public sector and therefore certain types of businesses, such as jute trading—probably insurance also because the business of insurance is all standardised and carried on absolutely under Government's direction and there may be other businesses which Government should examine as to whether they may not take them over in order to expand their resources. I do not feel that the way the Government has been trying to increase its revenues by levying a few more additional excise duties here and there will give them very large amounts of money. I am sorry that the excise duties are levied on articles which primarily are consumed by the middle classes and also of course the lower classes and it impinges rather heavily on them the richer classes have not been

touched so much. There is a progression in taxation, but that progression, as everybody realises, is not sufficient and something further should be done and I should like therefore the hon. Minister to tell me as to what the Government intend to do in future in regard to all these matters.

PROF. A. R. WADIA (Nominated): Mr. Deputy Chairman, yesterday I listened to Mr. Govinda Reddy's very able speech with great pleasure, but I do feel that he was very harsh on the Finance Minister. I personally feel that Ministers as a rule are extremely adamant in not yielding to or accepting even reasonable amendments to the various Acts of legislation proposed by them. And therefore if the Finance Minister was good enough to yield to public criticism and reduce the burden of taxation, he would deserve our thanks rather than our criticism. But on one point I agree with Mr. Govinda Reddy and that is with reference to the burden that has been placed on unmarried persons. I think the arguments that he advanced are very reasonable. I am not sure if it is not a little too late this time for the Finance Minister to resile from the present position, but I do hope in the future years he will reconsider the position in view of the social conditions in India. I think it is generally true to say that there are comparatively very few unmarried persons in our country and it is equally true to say that in view of our general social structure, especially in the Hindu Joint Family, it is hardly possible even for an unmarried person to escape the responsibilities that devolve on his shoulders as a member of his family. As a matter of fact, even in so highly individualised a community as my own, I have come across many happy instances where persons have literally sacrificed their lives in order to maintain their mothers and unmarried sisters or even younger brothers and I think that aspect of the proposition should be borne in mind by the Finance Minister in future.

There is just one more point to which I should like to refer and that is with reference to clause 7. I find that notice of an amendment has already been sent by Mr. Gupte and I heartily support that amendment. I think it is merely a verbal amendment and I hope the Finance Minister will be able to accept it. The proposal as is put in the Bill says that "a member of a co-operative society to whom a building built by the society is allotted or leased under a house-building scheme of that society shall be deemed to be the owner of that building." The amendment proposes the addition of the words 'or a part of a building' in the second line as well as in the last line. Sir, I am quite sure that this omission is merely due to an oversight. If the principle is accepted that the members of a co-operative housing society are entitled to be regarded as owners of the buildings for which they have paid value in full, that principle should be equally extended to the very large structures which have come up in Bombay city recently where buildings worth several lakhs, may be anything from Rs. 10 to Rs. 20 lakhs, are owned by housing societies the members of which have purchased individual flats in those buildings. It is but reasonable that the ownership of those flats should be frankly recognised just as the ownership of a whole bungalow forming part of a housing society is recognised. In Bombay unfortunately we cannot expand on land because the scarcity of land is so very great. The only hope of expansion is by expanding towards the sky and therefore it becomes very reasonable for a number of people to combine together and build a large building each flat being paid for by a particular owner. I think the Government intends to include this sort of ownership also within the meaning of this clause. The amendment only seeks to clarify that, and if this harmless amendment is accepted, I think it will be conferring a great benefit on the housing societies in Bombay. I may say that the housing conditions in

Bombay are extremely bad; perhaps they are bad in several other cities as well. In Bombay they are particularly bad and it is not possible for an individual to build large houses in Bombay at the present moment and therefore these co-operative housing societies have come as a very great boon. It may be that they are not worked in as good a spirit as they ought to be worked but on the whole nobody can challenge the goodness of the principle involved.

SHRI K. S. HEGDE (Madras): I think it is covered by the clause as it is. The whole includes the part.

PROF. A. R. WADIA: I do not know; if that is so.....

SHRI K. S. HEGDE: Even without any amendment, it will cover them because it is an important dictum of the law that the whole includes the part.

PROF. A. R. WADIA: In that case the necessity for the amendment does not arise but I do feel, considering the ingenuity of the lawyers, that it would be safer to include them specifically by this amendment.

SHRI M. GOVINDA REDDY (Mysore): Sir, I rise on a point of personal explanation. Prof. Wadia observed that I was harsh on the Finance Minister for making such modifications in the taxation proposals. It was not so. In fact I said that it was gratifying to note that he had foregone a large part of the revenue, nearly Rs. 9 crores, but I made the same point which Mr. Ghose has made that this must have been well considered before.

DR. RADHA KUMUD MOOKERJI: Sir, it is a matter of great gratification that the Finance Minister in a truly democratic spirit, out of regard for the opinions expressed in both the Houses of Parliament and also outside Parliament, has seen his way to reduce to some extent the burden

[Dr. Radha Kumud Mookerji.] of taxation that was lying heavy on the middle classes and the poorer people. He has thus shown that he is always open to conviction though, as some of the speakers have already observed, perhaps it is rather rare in the annals of financial history that taxation proposals first submitted to the House have been changed in the light of views and opinions expressed in the general discussion. It augurs well for the working of democratic institutions, and my friends on the other side must be prepared to admit that the Finance Minister of this Government is perfectly pervious to good suggestions. But while I congratulate the Finance Minister on the extent of the concessions given in the light of expressed public opinion, I feel he might have gone a step further in one direction, that is, he should have treated paper as an essential commodity and should have absolutely exempted paper from all taxation. Now, the result of taxation that still remains on paper is really disastrous to the cause of education in the country. Pray, do not imagine that I am indulging in platitudes and generalizations. I have got facts and figures which tell their own tale. The history of taxation on paper is itself a very dismal history. It takes us back to the times of the last war when paper was strictly controlled in the interests of military propaganda. If I may be pardoned for a personal reference, I have myself suffered from the commandeering of the entire stock of paper kept reserved for printing one of my books in England. And the reason for this commandeering of the stock was that it was required in order that bulletins could be printed and showered upon the battlefields of North Africa. My printers, Stephen Austin & Sons, gave this explanation as to why I should suffer even though my stock of paper was already there. When the war-time control was removed and the trade in paper became normal the Government stepped in because the price of paper was going down and

therefore it was time to intervene with some kind of taxation on paper. At present, Sir, the price of common writing and printing paper in the Calcutta market has increased from 3½ annas to eleven annas and eight pies per pound. I hope my Communist friends will support me in this stand of mine for paper.

SHRI BHUPESH GUPTA (West Bengal): Yes; we also write things.

DR. RADHA KUMUD MOOKERJI: I want general support for a question of this kind. Of course, the supply of indigenous paper is not sufficient to meet the demand and therefore paper has to be imported out of necessity. The price of imported paper has also risen from twelve annas and eleven pies to more than a rupee per pound. I may also inform this House that as much as 70 per cent of the total paper, indigenous or imported, is used for purely educational purposes and therefore the axe of this tax will fall heavily on education. It is directly a tax on the spread of literacy in the country. The Finance Minister expected in levying this taxation that it will ultimately come out of the manufacturers' profits but the actual fact has falsified his expectations. The tax will not come out of the manufacturers' profits but will fall on the consumer. At the same time he must note that the *per capita* consumption of paper in India is tragically low. It is only about 25 to 50 pounds per head as against about 400 pounds in the U.S.A. The Finance Minister has been so generous as regards taxation of other commodities that I am sometimes inclined to think that the Finance Minister, with his Sanskrit learning and with his devotion to the spirit of Sanskrit culture, perhaps wants to take the country back to the good old days when the educational leaders of ancient India did not permit knowledge to be reduced to writing and conserved in the form of manuscripts. Even Kumarila Bhatta of the 8th century A.D. has described the consignment of vedic texts to

writing as an act of sacrilege. Why? Because in those days knowledge was regarded as something to be treasured in the heart and in memory. It was a system of oral transmission of knowledge from teacher to pupil and the teachers of those days were like walking libraries. But un-
1 P.M. fortunately we have travelled very far from these ancient ideals of education and now it will be impossible to store up knowledge except by taking recourse to the printing press and the publications. Therefore, I am rather surprised to find that while there is so much of provision made for reducing the burden of taxation in regard to other commodities, paper is deliberately left out. The Government must remember that man does not live by bread alone. There are other values of life, spiritual and cultural, and these values have to be maintained at all costs as the supreme objective of Government.

[THE VICE-CHAIRMAN (SHRI V. K. DHAGE) in the Chair.]

And, therefore, I should say that even at this last moment the Government must lift this embargo upon paper which is really a tax upon the spread of knowledge and expansion of literacy in the country. As I have been saying always in this House, what hope can you have to build up the country on proper lines on the basis of 13 to 14 per cent mass literacy and on the basis of the colossal deficiency in regard to other necessities of life? Therefore, I say that it is time that the Government must get over their inaction, their inability to understand the spirit of the times, by giving ample facilities for the spread of knowledge in this land of colossal ignorance and illiteracy.

Now, as regards the results of this taxation, I as a humble economist—though I do not claim the distinction of being on the panel of economists—but I still claim to be somewhat of an economist.....

SHRI H. P. SAKSENA: You are a historian.

DR. RADHA KUMUD MOOKERJI: I am afraid that the results of all this taxation which has been going on at so much strain of planning, the results of this taxation are not at all felt by the masses in accordance with the ideal that we have set before us, namely, the ideal of a socialistic pattern of society. Now, the masses in India are still living on starvation diet and we must be very careful about facts and figures. The standard of the average Indian diet is far below the limit of nutritional standards in terms of calories. It amounts only to about 1,600 as against about 3,000 in the United Kingdom and 3,218 in the U.S.A. What have the Indians done that they must be consigned for ever to this starvation level diet? Considered in terms of weight,—because food has to be valued both from the point of view of calorific value and also from the point of view of weight—in terms of weight, the daily diet of an Indian continues to be very low, amounting only to about 23 to 25 ozs. as against the standard of 46 to 48 ozs. required. Therefore, in the all-important sphere of national diet, all your revenue which is being expended on other objects, is not able to produce any appreciable effect upon the life of the masses. The standard of life in India continues to be very low. Not merely are we allowing the masses to go on starvation diet, but we are also allowing the people to go about practically naked, because the average quantity of clothing available per head in India is only about 12 yards per annum. I should like the Finance Minister to go about the country with this modest allowance of twelve yards of cloth per annum. The Minister whose presence is so inspiring in this House, I wish him to go about in this country making it a rule that he shall not be allowed to take more than twelve yards of cloth per annum.....

SHRI BHUPESH GUPTA: Sir, I draw your attention to have a look

[Shri Bhupesh Gupta.]
at these Benches; they are empty, at least the Minister should be present.....

SHRI M. C. SHAH: I am present here.

THE VICE-CHAIRMAN (SHRI V. K. DHAGE): Mr. Bhupesh Gupta, this is the time for lunch and those who are hungry have gone.

SHRI BHUPESH GUPTA: Sir, I do realise, but those gentlemen who occupy the Treasury Benches should occasionally forego lunch. They can have their lunch either before or after.

DR. RADHA KUMUD MOOKERJI: In view of this dire position, the necessity for clothing from the point of view of the masses is great. I am inclined to think that perhaps Mahatma Gandhi, the Father of the Nation, had a correct instinct and a sense of leadership when he resolved—unlike our Ministers—to go about the country with a piece of loin cloth as the symbol of the nation's poverty. That is why Mahatma Gandhi as a great devotee of truth thought that he had no right to have a larger quantity of the essential necessities of life than what could be afforded to the average poor man in the country.....

SHRI H. P. SAKSENA: But the country is now suffering from over-production, Sir.

DR. RADHA KUMUD MOOKERJI: I am not concerned with production, but with distribution. The distribution of the good things of earth per head of population is miserably low. On the one hand, you have this wonderful 13 per cent literacy; on the other hand, you have this wonderful national diet on the basis of which you are going to build up the national physique of the country. And to add to them you have this wonderfully large quantity of clothing available for the poor. So, it seems to me that perhaps the entire financial system of the country is going on wrong lines. And I believe that there is not enough production being promoted in the

country only for the fact that the structure of taxation acts is a powerful disincentive to the growth of capital and investment. In this connection, I should like to remind the Finance Ministry that it is time that they should not follow the beaten track of the financial system of olden times. They must modernise themselves in their views on taxation, according to the requirements of the modern age. Now, the latest trends in taxation policy are towards reduction of taxation to promote investment and savings. Pray, do not think I am indulging in mere general platitudes. My point is this. It is time that the financial experts of the Government should consider other ways and means by which to build up a proper system of taxation in the country; and they must first try to see whether better results in the shape of production of wealth cannot be obtained by going the other way, namely, trying to reduce taxation so as to promote saving and promote investment. Now, Sir, I am on very solid ground of scientific facts established in one of the most progressive countries of the world, namely, Western Germany. And I am quoting this for the edification of the Finance Ministry. The quotation is as follows:

"True to the principle underlying its social policy that taxation must be bearable from an economic as well as a social viewpoint and must not be allowed to stifle private initiative, the Federal Government strove to adapt all necessary changes in the rates of taxation to the prevailing economic conditions.

* * * * *

Considering the existing shortage of capital, a continuation of excessive taxation would have initiated a process of economic contraction resulting in growing social burdens to be met out of shrinking tax revenue and declining national products. The Federal Government took the only possible way 'by making tax reductions, the first step in its fiscal policy. This applied first and fore-

most to direct taxation in general and income-tax in particular.

In the first place, encouragement was given to the formulation of new capital in the shape of undistributed profits and to new investments by expanding tax exemptions for replacements and by increased allowances for deductible non-interest bearing loans for housing and other purposes.

The lowering of rates of all the income-tax benefited the small taxpayer as well as large enterprises. It also contributed to the successful struggle against unemployment....."

SHRI B. C. GHOSE: Has Western Germany accepted your policy of a socialistic pattern of society?

DR. RADHA KUMUD MOOKERJI: This is from their official report. I will come to the point raised by my friend over there. Please listen to one sentence only. It says:

"The rapid revival of the West German economy has fully vindicated this first phase of German fiscal policy."

That is to say, the wonderful rapid economic recovery of Germany which was devastated by your friends' bombing—the U.K. and the U.S.A.'s bombing.....

THE VICE-CHAIRMAN (SHRI V. K. DHAGE): It is time, Dr. Mookerji.

DR. RADHA KUMUD MOOKERJI: All right. Now this is the last quotation. It says:

"Reductions in tax led to increase of employment, increase of wages and increase of consumption, and generally of economic activity. All this increase was due to 'increase of net incomes as a result of tax reductions'."

I have quoted this from the Report of the *Bank Deutscher, Lander, 1953*, page 5. The other citation that I made was from the book called "Germany Reports", pages 163-164.

Now, Sir, my point is simply this that it is time that the Finance Minis-

try should explore more modern methods by which they can build up the structure of taxation in the country with a view to increase production in every sphere of economic activity, by the rapid formation in the country of the capital that is required for industrial expansion. And I am tempted to say this, because your financial system has been tried for long, and the result is this colossal ignorance and illiteracy of the people, this colossal poverty of the people. The first feature that attracted the attention of the Mission of the International Monetary Fund was this that India is the poorest country in the world in regard to food, clothing and shelter. So my humble suggestion is this. Please do not be over-conservative in your evolving the system of taxation. It is time that you take lessons from the economic recovery that has been achieved in countries which had to suffer the worst during the last World War, for example, a country like Western Germany. And we all know that the economic recovery of Western Germany is an example of what can be done in that field by scientific concepts and methods.

Now I am prepared to answer questions from Mr. Ghose. I think he is silenced.

SHRI S. MAHANTY (Orissa): Mr. Vice-Chairman, the vacant benches opposite would dampen even the most volatile spirit. However, I will venture to offer my suggestions and criticisms for what they are worth.

SHRI JASPAT ROY KAPOOR: These benches are more crowded than the Opposition benches.

SHRI S. MAHANTY: The benches opposite.

Sir, the Finance Bill has some features which have merited general approbation. At the same time, there are certain features which cannot escape the severest condemnation at the hands of the persons who claim themselves to be the representatives of the people. Sir, this Finance Bill introduces at least one feature which is not only galling to the national

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prestige of India, but which also is derogatory.

I would like to invite the attention of this House in this connection to clause 4, sub-clause (3), which gives exemption from income-tax to the foreign experts whom we are inviting to this country. Sir, exemption from income-tax is generally allowed to sovereigns. It is a part of the diplomatic immunity which is granted to all Ambassadors, High Commissioners and to all persons in the diplomatic service. It is a well-known concept that except to a sovereign, no exemption from taxation of any kind can be allowed by a sovereign country. But sub-clause (3) of clause 4 brings in here, in a most innocuous manner, the provision which will give exemption to foreign experts. Yesterday also, the same point was raised. The hon. Minister did not give us a convincing answer. He simply said that all possible steps are taken to screen the experts who are brought to this country. Well, I respectfully beg to differ from him. This House is well aware of the fact that various experts have come to this country under various agreements. I do not want to dispute the competence of these experts, but there are experts and experts. Experts come to this country to study "social tensions"; experts come to this country to simplify Hindi; experts come to this country to advise on the better preparation of text-books; experts come to this country to advise on concrete mixing; experts come to this country for planning our villages. Therefore, Sir, there are experts and experts. I will give further instances. We know there are a series of foreign concerns like Caltex, Standard Vacuum, Burmah Shell, Oerlikons Standard Telephone and Cable Co., etc. I am just quoting a few of them. These are the prominent ones. These concerns have set up their plants here and they bring in their personnel from foreign countries, and they come to this country under the guise of experts. Now, the important but simple question is this: What justification is

there to grant exemption from income-tax to these high salaried experts? If it is said that India does not possess the technical know-how and therefore willy nilly we have to depend upon these foreign experts and if they make a stipulation that unless they are given income-tax free salaries, they will not come to this country, well the position would be different. I would like to know from the hon. the Finance Minister if any expert had ever stipulated that he would not accept an assignment here unless he was guaranteed an income-tax free salary. So far as I am aware, Mr. Slocum, the high dam expert who is now in Bhakra, laid down a stipulation of that nature. I am told that Mr. Slocum is one of the few experts on high dam construction in the world. In those circumstances, I can understand. These are extenuating circumstances. I would like to know if all the various kinds of experts who are coming to this country on very high salaries will be granted this kind of exemption. As I said earlier, it is not only galling to the national prestige but it is also derogatory to the sovereignty of India.

Before I come to offer my remarks on the various proposals incorporated in the Finance Bill, I would like to make a few observations on the attitude of the Government, the Planning Commission and also the Taxation Enquiry Commission. They live in an ivory tower of their own dreams and phantasies. For example, the Planning Commission was of the opinion that since direct taxation in India only affected half per cent. of the working population—and to put it the other way—since direct taxes bring in only about 28 per cent. of the total tax revenue, there is enough scope for more direct taxation. Also the Planning Commission held—I am quoting it verbatim—that "there is scope for making an upward revision so far as land revenue is concerned." Therefore the Planning Commission recommended that there should be a further increase in the incidence of land revenue. The Taxation Enquiry Commission has only lent this its seal of imprimatur without examining these

assertions with any degree of objectivity. In this context I have lost all hope of ever convincing the Government that it is high time that some ways and means are evolved to give some relief to the people, to the consumers, who are, I think, the most hard hit consumers in any country in the world. Therefore, in this context, I was not surprised also, when the original Finance Bill was presented to Parliament, it was said that cloth, instead of superfine, fine, medium and coarse, would be divided into two categories only, viz., superfine and others, and while the excise duty on superfine cloth was kept at the level of 1954, the excise duty on coarse and medium and other kinds of cloth was increased. Sir, the story of the excise duty on cloth is the story of India's struggle for independence. The House is well aware that during the British regime excise duty on Indian manufactured cloth was levied in the interests of foreign imports. For the first time in the year 1949 excise duty on cloth was levied. Since then it has come to stay. Even in 1949 the excise duty was levied only on the superfine variety of cloth, but two months afterwards it was extended to even medium and coarse cloth. Well, I do not question it. A country which is expanding its industries, has to depend on its excise revenue instead of on import duty, but we have to examine what the incidence is. Now, I am putting a few relevant figures which will bring home the fact that even the present proposal in its attenuated form will mean great hardship to the consumers at large. On the 1st January 1949, a 25 per cent. excise duty was levied on superfine cloth. On the 1st March 1949, 6½ per cent. excise duty was imposed on fine cloth and on medium and coarse cloth at the rate of 3 pies per yard. On the 1st March 1954 it came to -/2/6 per yard on superfine cloth, -/1/6 on fine cloth and -/1/6 on medium and coarse cloth. This was in addition to the 3 pies excise duty per yard levied for the benefit of the handloom industry. If you care to analyse the excise duty imposed on superfine cloth in between

the 1st January 1949 and 1st March 1954, you will find that the restraint on superfine cloth has been considerably eased, while it has been emphasised in the case of coarse and medium cloth. There was a cent. per cent. increase in the case of medium and coarse cloth in 1954, as compared to the rate of 1949. This is of course indirect taxation, but while proposing this indirect taxation, is it not fair for the hon. the Finance Minister to examine what will be its effect? It has also to be borne in mind that the *per capita* yardage of cloth was 16 yards in the pre-war days, but now it has been reduced to 13 yards. The only reason is that people cannot afford to buy more cloth, even though they may go naked. In this context, is it fair for the Government to impose this? I come to another aspect of this excise duty on cloth. It should be admitted on all hands—and my thanks are also due to the Finance Minister—that he has now watered down his original proposal which he mooted at the time of the presentation of the Budget. But if you care to look into the original Finance Bill, you will find that excise duty was to be levied on linear yard. Now it is to be imposed on square yard of cloth. According to my calculation, if a peasant goes in for a piece of dhoti of 10 yards long and 44" breadth, instead of paying 10 annas, now he will have to pay at least 12 annas as excise. Therefore I consider it simply misleading the House by Members opposite when they say that this revised proposal has been a direct concession to the consumers at large. I don't think that there was any justification for levying this kind of excise duty on cloth. It has also to be further borne in mind that the whole burden of the Finance Minister's speech was that we want more money for our expanding economy. How else we can raise it if we don't take recourse to fresh taxation? I don't dispute that proposition but may I give an instance here of how the public money which is being raised by these—which I would call—'immoral' ways is spent? The Accountant General of Central Revenues has been repeatedly drawing the

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attention of the Ministry of Information and Broadcasting in regard to the purchase of a Ford Mercury Car at the cost of the Government Exchequer imported duty free which is now being used by a private individual. The A.G.C.R. has repeated their objections but the Government would not touch it. This is only an instance of how the public money which is being raised like this by making the people go naked, is being spent. Therefore this extra revenue which the hon. Finance Minister wants to raise by this indirect taxation could have been very well avoided if a certain amount of economy could have been effected in the various Departments of the Ministries concerned.

Then there is another feature, a novel feature, in this Finance Bill which has rightly not escaped the attention of the bachelor Members. It can be called the bachelor's tax. I feel the hon. Finance Minister is undoing all the good work which has been done so far by the hon. Health Minister, Rajkumari Amrit Kaur, so far as the control of population is concerned. Now by levying this bachelor's tax he is forcing everyone to get married and get the exemption. It has to be borne in mind what another bachelor Member—Mr. Govinda Reddy, who is not here now—said. His whole argument against the "bachelor's tax" was that the bachelor's commitments are much larger than the commitments of a married person. It is for the bachelors to say whether it is so but I don't think that this kind of invidious distinction is warranted. It may be that the commitments of the bachelors instead of being specific may be general but this exemption which is now going to be given for the married person will not result in any direct addition to the Central Revenues. Therefore the hon. Finance Minister will be well-advised to revise his proposals and restore the original exemption to the poor, poor bachelors.

SHRI P. S. RAJAGOPAL NAIDU
(Madras): Mr. Vice-Chairman, in view

of the time-limit imposed upon the Members, *viz.*, that we can take only ten minutes, I wish to speak only on one aspect in this Finance Bill, *viz.*, the incidence of Income-tax on Co-operatives. Co-operation, which is supposed to solve one of the economic problems in our country, much stress has been laid about that in the Five Year Plan. Co-operatives in our country have existed for more than 50 years. Co-operative movement which has been started as one to finance the agricultural credit, has remained static, I can say, all the time for all these fifty years ever since it has been started in our country. During the period of war no doubt the Co-operative movement developed its activities in various lines such as consumer activities and other non-credit activities about which I need not mention much. At the time when the movement was started with a view to give fillip to the movement it was said that no income-tax will be levied on profits derived by societies in their dealings with members. The position remained more or less the same till about 1934 when an amendment was brought in to the Income-tax Act by adding an Explanation and which according to me has created a certain amount of mischief. It excluded out of the term 'profits', income from interest on securities, income from property, income from dividends and income from other sources. The Taxation Enquiry Commission in its Report Volume II at page 124 comes out with certain recommendations. One of them is:

"(iii) tax concessions are one of the means, though undoubtedly a minor means, of helping to bring about such development."

After a careful and critical examination of the various recommendations made by the Commission I feel that in the guise of giving more relief to the co-operatives in the matter of income-tax, more income-tax has been levied from co-operatives. Why I say that is, there was no limit of Rs. 20,000 before and now I find that if a

society derives an income of more than Rs. 20,000 it is taxable in certain cases. The present concession according to me, on a careful reading, shows that income derived out of interest from securities which comes within the meaning of section 8 of the Income-tax Act and income derived out of property which comes within the purview of section 9 of the Income-tax Act are exempt but subject to the profits not exceeding Rs. 20,000. In the case of giving more relief to co-operatives why this tax limit of Rs. 20,000 should be imposed is the first point which I would ask the hon. Finance Minister. Interest on income out of investments made by one co-operative with another co-operative or dividends received out of such investments is not taxable. Of course, even if the income exceeds Rs. 20,000, it is not taxable. That is a welcome relief. Income derived out of godowns or warehouses were taxable before but now I find that income derived out of godowns or warehouses is exempted even if the profit exceeds Rs. 20,000. I find that in the Finance Bill in clause 10 it says:

"in respect of any interest on securities chargeable under section 8 or any income from property chargeable under section 9, where the total income of such society does not exceed twenty thousand rupees"

might get relief, under sections 8 and 9.

With regard to interest on securities and interest on property, certain types of societies are excluded, *viz.*, housing societies, urban consumer societies and societies carrying on transport business.

Then we find that one type of society, *viz.*, Insurance Society is completely excluded from the operation of tax relief and Co-operative Insurance societies are treated like any other insurance societies. Let me first deal with Co-operative Insurance Societies. It is wrong on the part of Government

to compare the Co-operative Insurance Societies with any other Insurance Societies registered under the Companies Act. The Co-operative Insurance Societies are meant primarily for the rural folk and also the labourers and others in the urban areas whereas the Insurance Societies registered under the Companies Act operate mostly in the urban areas catering to the needs of the people living in the towns. The Co-operative Insurance Societies mostly look to insurance business in the rural areas. I know of instances where a policy for even Rs. 100 is accepted by Co-operative Societies from persons who are living in the remotest villages and to collect the premia they have to spend a lot of money and as a result of it they have to incur a lot of overhead charges. That is not so with the Insurance Companies registered under the Companies Act. In this connection I would read one paragraph about the Co-operative Insurance Societies from the report of the Co-operative Planning Committee appointed by the Government of India on the recommendation of the Fourteenth Registrars' Conference. While dealing with the Co-operative Insurance Societies, one of the recommendations they made is that there is need for certain subsidy from Government with a view to see that they stand on their own legs. It says:

"In India, the operations of co-operative insurance societies have been so far on a very restricted scale. Although insurance companies registered under the Indian Companies Act have been able to extend their operations among rich and middle classes in urban areas and although provident companies issuing policies of Rs. 500 or less are growing in number, almost the entire population in the rural areas and the low income groups like factory workers and labourers in urban areas do not receive the benefit of insurance. What is required for serving the insurance needs of poor people is a co-operative society having contact with

[Shri P S Rajagopal Naidu]
the masses of people in rural as well as urban areas through various types of co-operative organisations and issuing policies for small sums even below the present limit of Rs 500 "

Then the Committee say

We are of the opinion that the State should pay a subsidy by way of contribution to the premiums on life assurance policies taken out in rural areas for Rs 500 and below. As the cost of issuing small policies is likely to be comparatively high, the co-operative insurance society should utilize the services of other co-operative organizations so as to keep down the expense ratio "

And finally they recommend

"the Government should subsidize the rural policy holder who takes out a policy of Rs 500 or less "

That was the recommendation and it is only a few years since this report was made. What has intervened between the date of this report and the date of the other report, the Report of the Taxation Enquiry Commission that the Co-operative Insurance Societies should not get the exemption which they have been enjoying all these days? I submit it is not too late to consider this problem and at least for some time, till the insurance on co-operative methods is developed in our country, there should be some sort of tax relief given to the Co-operative Insurance Societies.

There is some point in saying that when an insurance society invests its reserves in gilt edged securities those securities should be taxed. There is some point in saying that but to completely rule out Co-operative Insurance Societies from this tax relief is a question which the Government will have to consider *de novo* once again.

Are ten minutes over?

THE VICE-CHAIRMAN (SHRI V K DHAGE) Eleven minutes are over

SHRI P S RAJAGOPAL NAIDU. I may require five more minutes for I have not even touched the main points

THE VICE-CHAIRMAN (SHRI V K DHAGE) Try to finish soon

SHRI P S RAJAGOPAL NAIDU: Sir next I would deal with the question of consumer co-operative societies in urban areas. I do not know why the income derived by the consumer co-operative societies in urban areas is not exempted from the profits derived out of the securities held by such societies. No reasons have been given either by the Taxation Enquiry Commission or in the Finance Bill. I do not want to waste the time of the House but I shall read only the opinion of the report on "The Co-operative Movement in India" for the period 1950-52 published by the Agricultural Credit Department of the Reserve Bank while dealing with the consumer co-operative society. They say

"The review noted the following unsatisfactory features during this period (1) Consumers' stores which had developed considerably under controls received a set back in their distribution business in the wake of gradual de control "

When that is the case I do not know why the consumer co-operative societies in urban areas should be taxed and why no tax relief is given to them in the matter of income tax. It may be said that these consumer co-operative societies do not deal only with members, but also deal with non members. I can very well understand the Government coming forward with the suggestion that these consumer co-operative societies in the urban areas should maintain two accounts, one for the profit they derive from dealings with members and the other

for the profits derived by them from their dealings with non-members. And there is some meaning in saying that profits derived by the co-operative society from the dealings with non-members are taxable. But to say that the entire dealings both with the non-members and the members alike should not be exempt from tax, is something which does not stand to reason.

Then if the Chair would permit me, I would like to deal with the question of housing societies. But as that will take some time and as we are going to consider the State Bank Bill and also the Reserve Bank (Amendment) Bill soon, I shall reserve my observations on that subject for that occasion, hoping that the Chair will give me some time to speak then on this subject.

SHRI KISHEN CHAND (Hyderabad): Sir, before I discuss the various clauses in this Finance Bill, I beg to submit that the policy adopted by the hon. the Finance Minister, in first levying certain excise duties and then withdrawing them under pressure from certain quarters, not from hon. Members of this House or of the other House but from the industries concerned and from big industrialists and others, is a very wrong policy. This is creating a new precedent in the methods of discussion on the levying of new taxes, that if sufficient pressure is brought on the Finance Minister, he is agreeable to make changes. I entirely agree with the observations of certain hon. Members that there are no facts and figures now available which were not in the hands of the hon. Finance Minister when he formulated his scheme of taxes and he could not possibly have now come into possession of new facts which could have influenced him to alter his proposals. Sir during the preceding year, the hon. Finance Minister followed the trend of opinion in both the Houses and he should have been shrewd and clever enough to have gauged the feelings of Members and then formulated the scheme

of taxes on that basis. I do hope that this precedent will not be followed from year to year and that the Finance Minister will not levy certain taxes just to get a few lakhs of rupees of revenue and then under pressure withdraw them.

I may point out here another small pin-prick, which I feel is bad budgeting. I refer to the tax levied on bachelors being higher than on others.

The additional revenue recovered would be hardly commensurate with the hardship inflicted on the few people, possibly a few hundred people who will have to pay the extra tax. If the hon. Finance Minister was adopting this policy from a conviction of taxing people to their paying capacity, then he should have given certain allowances, for every child below the age of ten and thereby give certain relief and concessions to persons with large families. Then there would have been some justification that the hon. Finance Minister was acting on certain principles and not just levying taxes as pin-pricks.

Sir, coming to the Finance Bill, the main sources of income in our country are only three for the Centre: one is income-tax, the other is import and export duties and the third is excise duties. Of course, there are ten or twenty other items of revenue but they are more or less stationary and they actually do not affect the taxation policy of the country. I agree that income-tax in our country will have to be levied at a high rate and must form the principal source of revenue. However we must remember, Sir, that in our country the total number of assesseees is only six lakhs in a population of 36 crores while the number of assesseees in U.K. is about 8.8 million in a population of 45 million. That means 19 per cent while in our case it is less than 1/6th of a per cent. The per capita income in the U.K. is £400 when the tax exemption limit is £150 while in

[Shri Kishen Chand.]

our country the average *per capita* income is Rs. 265 when the exemption limit in the case of married persons is Rs. 2,000. This means that the *per capita* income is less than 1/7th of the exemption limit while in the case of the U. K., the *per capita* is $2\frac{1}{2}$ times the exemption limit. Therefore, if the hon. Finance Minister follows a taxation policy based on the experience of other countries, it is not applicable to our country. I think that all our ills arise from the fact that our taxation policy is a blind imitation of what prevails in other countries.

Sir, the hon. Finance Minister wants to bring in extremely poor people of our country in the taxation orbit by levying excise duties. I beg to submit that he is levying these duties on a section of the population which is unable to bear the burden. I submit, Sir, that the crying need of our country at present is greater consumption. Unless we can increase, by our taxation policy and by our Finance Bill, greater consumption and thereby greater production which will, in its turn, lead to greater employment, we cannot solve our problems. The total income possible from these excise duties which are levied on consumer goods is a few crores of rupees. When we are planning on the basis of deficit financing and when we are going to have deficit financing to the extent of about Rs. 1,200 crores, is it advisable that the hon. Finance Minister should levy these excise duties and recover about Rs. 17 crores—which are now reduced to about Rs. 9 crores—and thereby curb consumption? My contention is that he should so frame his policy that production goes up in our country and production cannot go up until and unless there is greater consumption. Other countries are really encouraging reduction in price by giving some sort of subsidies, by giving every help but in our country the hon. Finance Minister of the Centre and hon. Finance Ministers of the States are curb-

ing consumption and production by levying all sorts of taxes. In the Centre it is the excise duty and in the States it is sales tax and in the municipalities it is octroi duty. All in all, there is a series of duties and the result of all that is that prices go up. I pointed out to you that the purchasing power is very low and with this low purchasing power if we impose excise duties and sales tax, etc., the result is that the people cannot purchase. The hon. Member who preceded me pointed out that we have surplus food in our country but that surplus is due to the fact that there is no purchasing power with the people. It is not due to over-production. If every citizen of our country gets the full calories, I am sure, Sir, that the total food production in the country will not be sufficient but by artificially decreasing the purchasing power of the people and by artificially increasing the prices of articles by the levy of sales and other taxes, we are curbing consumption and thus depriving our people of their rights. I do not want to give examples of other countries because our economy is different from theirs but the example of Western Germany was quoted and in so far as Western Germany has encouraged its industries by giving some sort of relief to the industrial concerns, in the matter of ploughing back their profits, I think it is worth imitation in our country. If we encourage big industries and small industries to plough back their profits, it will lead to expansion of industries. If, in any particular case, the Finance Minister finds that under the garb of ploughing back profits, a particular industry is really keeping back the dividends and that the industry belongs to a few people—and it is more or less a private concern—and if he makes any changes for that concern, I do not mind, but the present changes in section 23A of the Income-tax Act will result in dissipation of profits by larger distribution of profits among the shareholders. In so far as that will reduce the reserve fund and discourage the expansion of

industry, I would certainly oppose it because my main idea is that industries must develop in our country.

With regard to the perquisites, it is quite right that the perquisites are going to be taxed but, as pointed out, there is no reason and no justification to make a distinction between those who are enjoying the perquisites at present and those who could have enjoyed it in future. They should be treated on par and in so far as these perquisites encourage consumption, I have no grudge against them if a ceiling limit is fixed up to 20 per cent. as done by the hon. Finance Minister. I think perquisites are good in a way if they will encourage consumption but what we must guard against is that there is no repatriation of excessive profits and excessive savings. (*Time Bell rings.*) You know, Sir, that Indians residing in other countries can only send a very small part of their savings to their mother land. Similarly, why should we permit any foreigner or any foreign concern carrying on business in our country to repatriate the entire profits or the entire savings out of the country? If the savings and profits are further utilised in our country, it will lead to greater production and greater consumption.

As you have rung the bell, I will not go on with my analysis of the third item, namely the taxation policy on the import and export trade. I will submit to the hon. Finance Minister that he should really cut the coat according to the cloth that is available, that the taxes of this country have reached the saturation point and that from year to year he should not try to raise a couple of crores or more by levying further excise duties but that he should reduce 2 P.M. expenses. If the expenditure is reduced, the present income can quite suffice for all the national development plans that may be in hand together with deficit financing which

the hon. Finance Minister has now accepted.

Thank you.

SHRI JASPAT ROY KAPOOR: Mr. Vice-Chairman, on an important occasion like this when we are discussing the Finance Bill, it is a matter of regret and disappointment to us to miss the genial presence of the amiable Finance Minister and we are told, Sir, that he is confined to bed.

SHRI M. C. SHAH: He is indisposed.

SHRI JASPAT ROY KAPOOR: I am very glad that he is not confined to bed; he is only slightly indisposed. All the same we send to him our good wishes and hope and trust he will recover very soon. While he is absent from the House because of reasons beyond his control, certainly we see no reason why many other Ministers should also be absent. It is our constant experience, Sir, that hon. Ministers do not attend this House on even important occasions like the discussion on the Finance Bill, and this is so even with those Ministers who are Members of this House. I believe, Sir, that I am voicing the feeling of almost every Member of this House when I say that we do not feel happy over it, more so because the non-official Members also almost imitate the Ministers and are very often absent from this House. Of course in imitating them they pay respect to them because it is said, Sir, imitation is the best form of flattery.

SHRIMATI PARVATHI KRISHNAN (Madras): But flattery is not the same as respect.

SHRI JASPAT ROY KAPOOR: While it is the best form of flattery, flattery by itself is bad enough.

Now so far as this Finance Bill is concerned, we are happy to find that the hon. the Finance Minister and his colleagues have agreed to many of the suggestions that were offered in this House as also in the other House. They deserve our congratulation and

[Shri Jaspat Roy Kapoor:] we appreciate this democratic way which they have adopted.

AN HON. MEMBER: The hon. Minister is going.

THE VICE-CHAIRMAN (SHRI V. K. DHAGE): There are some things beyond control in spite of what you speak.

SHRI JASPAT ROY KAPOOR: Exactly, Sir.

It is certainly a matter of satisfaction to find that in the Finance Bill we now find that duty on sewing machines has been dropped altogether. And similarly we find that duty on coarse cloth has now been reduced, but then I cannot understand the reason why the duty on superfine cloth has also been reduced. Not only that, Sir, I find that the duty on medium cloth has now been increased. Originally it was to be at the rate of one anna per square yard. Now it is to be at the rate of one anna three pies. The duty on coarse cloth has been rightly reduced but the duty on superfine cloth should not have been reduced. The duty on medium cloth has been increased from one anna to one anna three pies which is as it should not have been.

SHRI C. P. PARIKH (Bombay): It is fine, not medium.

SHRI JASPAT ROY KAPOOR: No, it is not fine. It is medium. You may call it 'fine' if you so like, but certainly it is 'medium' because this is a cloth composed of yarn between 35 counts and 48 counts. Originally, Sir, this kind of cloth was under the category of 'non-superfine' but now four categories have been introduced, superfine, fine, medium and then coarse, but, as a matter of fact, cloth composed of yarn between 35 and 48 counts should be considered not to be 'fine' but 'medium'. Therefore, Sir, my submission is that this kind of cloth which is used mostly by people with ordinary income, i.e., middle class people, should not have been

taxed so heavily. Then again, Sir.....

THE VICE-CHAIRMAN (SHRI V. K. DHAGE): They mean medium fine.

SHRI JASPAT ROY KAPOOR: Well, Sir, it is a different way of concealing the fact that medium cloth has been overtaxed.

Then, Sir, I am also opposed to the increase in the taxation on paper. I would not take much time of the House on this subject because I find there is almost unanimity so far as opposition to this tax is concerned. In this connection I would only point to article 45 of the Constitution which directs the State to introduce compulsory and free education up to the age of fourteen years in the case of every single individual. The State is expected to achieve this target within ten years of the introduction of the Constitution. Now, Sir, we are in the sixth year of independence and we find that we are very much behind this target. Rather than giving facility to the Education Minister, rather than giving more and more money to him so that he may be able to implement the provision of article 45 of the Constitution we find now the Finance Minister putting an impediment in his way. Therefore, I submit, Sir, that this taxation on paper is almost against the spirit—why almost—certainly and absolutely against the spirit of article 45 of the Constitution.

Then again, Sir, there is the question of unmarried people being subjected to higher rate of taxation.

THE VICE-CHAIRMAN (SHRI V. K. DHAGE): Not unmarried people. Bachelors.

SHRI JASPAT ROY KAPOOR: Is there any difference between the two?

SHRIMATI PARVATHI KRISHNAN: Women can also be unmarried.

SHRI JASPAT ROY KAPOOR: The word in the Finance Bill is 'unmarried' and not 'bachelor'. I do not

know what difference there is between 'unmarried' and 'bachelor' but whatever it be whether there is difference or not the word used in the Bill is 'unmarried' I see no justification, Sir, why unmarried persons should be subjected to a higher rate of taxation

On the other hand, Sir .

SHRI AKBAR ALI KHAN (Hyderabad) They have the less responsibility to bear

SHRI JASPAT ROY KAPOOR There is a great deal of misunderstanding about it My submission is that unmarried persons have in most cases greater responsibilities to bear than married persons

THE VICE-CHAIRMAN (SHRI V K DHAGE) Will not the unmarried people have children?

SHRI JASPAT ROY KAPOOR If that is so, that would add one more argument to my contention that unmarried people have greater responsibilities to bear Ordinarily we find these days when an earning person gets married, particularly if he is married to a modern educated girl, he breaks away from the joint family The modern educated girl immediately she gets married to an earning husband persuades him to break away from the joint family and live a separate life to have the benefit of all the income that the husband has

SHRIMATI PARVATHI KRISHNAN Sir, this is casting a reflection on women It is not correct to say that

SHRI JASPAT ROY KAPOOR My submission does not apply to every modern girl There are exceptions and honourable exceptions like my hon friend, but generally speaking that is the case

SHRIMATI PARVATHI KRISHNAN No woman is interested in breaking up family ties

SHRI JASPAT ROY KAPOOR But generally it is so. Thus very often a married person casts off his erstwhile

impossibilities On the other hand very often a person remains unmarried because he has a large number of dependants to look after Many persons when they find that there are many people in the family whom they have to look after do not want to add to their liability because if they get married they will have the wife also to support and the children that will be born of the marriage So many unmarried persons do not get married because they have heavy responsibilities on their shoulders And thirdly we must encourage (*Interruptions*) My time is so limited that I do not want to be interrupted

SHRI GULSHER AHMED (Vindhya Pradesh) What about those couples where both the husband and the wife are earning?

SHRI JASPAT ROY KAPOOR My next point is that the population in this country is increasing now at the rate of about 12 lakhs per year and our interest lies in seeing to it that the population does not increase rapidly We must therefore discourage marriages rather than encourage them by giving this sort of concession in income-tax For these reasons I would submit that it is a wrong policy to tax unmarried people at a higher rate than the married people

Now, I would pass on to the excise duty on sugar which has been increased by Rs 1/14 per cwt Now, the total excise duty comes to Rs 5/10 per cwt Formerly, about 20 years ago, sugar used to be sold at about Rs 6/- per maund but now the excise duty alone comes to Rs 5/10 The result of this will be that sugar consumption will go down It has already gone down and many sugar factories are experiencing difficulty in disposing of their sugar I am, therefore opposed to increased duty on sugar But the question might arise that if all these taxes are not imposed, where is the Government going to get the money from to carry on the administration? My submission is that, firstly, they should reduce administrative expenditure.

[Shri Jaspal Roy Kapoor.]

There is huge extravagance everywhere. We see it day and night under our very nose and eyes. There is no economy outlook, if I may say so, absolutely anywhere. If I were to take a homely example, I will show to hon. Members here this pad on our table. I do not see any reason why in this pad there should be attached this last sheet of brown paper. It is absolutely unnecessary. Nobody uses it. Just for the sake of giving protection to these four pieces of white paper this brown paper is attached. This is only one little illustration. Then if we go round Parliament House we see fans going on all the time and the lights are on even in places where lights are not required at all. These only show that nobody seems to care for economy. A great deal of extravagance is going on everywhere—whether it is administration or whether it is the big projects that are going on. The Government must therefore see to it that economy is observed everywhere. Secondly, I would suggest that additional sources of taxation might be looked into. They may increase the excise duty on liquor. They should increase the import duty on liquor and also the import duty on luxury goods and on films.

Lastly, I would suggest—it may appear to be a very novel suggestion—that they might also consider the advisability of imposing salt tax.

[MR. DEPUTY CHAIRMAN in the Chair.]

SHRI JASPAT ROY KAPOOR: Sir, the question of salt tax was a very sacred one with us and it was with the help of this question that we achieved our independence. My submission is that if with the use of this question of salt tax we could secure independence, we should utilise that salt tax in order to consolidate our independence. Sir, I may remind hon. Members here, and particularly those who were members of the Constituent Assembly, that at one stage

it was specifically suggested there and argued that we should have it as a fundamental right that salt tax shall not be imposed. This was one of the suggestions made there by some hon. Members. It was discussed at length and ultimately it was decided that we should not have that. Obviously our intention then—I happened to be a member of the Constituent Assembly and I remember very well that it was the view of the Constituent Assembly—was that our hands should not be tied down in this respect for all time to come.

The intention was that it should be open to us to levy the salt tax whenever it was necessary to do so in the interests of the country. The occasion has now arrived when we should impose salt tax and there is one particular reason why I suggest it should be imposed. Firstly, it can be very easily realised and secondly it will be imposed on every citizen of the country. Every citizen of the country must pay some little tax to the exchequer and he should feel that he has also made some contribution to the Central exchequer. If he has got a woe, he should also have the liability to pay a certain amount of tax and this tax would be very, very small, almost insignificant. The poor man will not feel it at all. Sir, if we resort to these taxes, then I am sure the Government can have enough money and it will not be necessary to impose these objectionable taxes which have been imposed in the present Finance Bill.

MR. DEPUTY CHAIRMAN: Your time is up. There are four more speakers.

SHRI JASPAT ROY KAPOOR: I am glad that my time is up immediately on your arrival and I would therefore resume my seat.

SHRIMATI PARVATHI KRISHNAN: Mr. Deputy Chairman, I wish in the very short time allotted to me to touch only on one particular aspect of

the activity of the government in our country and that aspect, I feel, has not been dealt with so far and for that reason I do not think time will be grudged to me. One aspect that has struck me throughout the discussions on the Budget and the discussions on the Appropriation Bill is the fact that in our country during these eight years of independence we have not come across a single case where the government has taken bold steps in order to recover taxes on profits that have been concealed by big business in this country. We all know that the art of concealing profits is not confined only to our country, it exists in the United Kingdom, it exists in the United States of America, in France, in Italy and in so many other countries. But in those countries we have got examples of Government taking bold steps in order to prevent tax evasion, in order to check it and in order to rouse public conscience against the crime that is being committed against the common people and the Government. In our country also the report of the Income Tax Investigation Commission gives us a vivid picture—even that limited Report that has been placed before the public gives us a vivid picture—of the manners and methods which are followed by big business for evading income tax and also how the Government moves and the elephantine pace that it assumes when it has to attack big business or check the crimes committed by big business. Here we see one factor that is given in this Report of 1951. It says that when a case was instituted “many of the relevant books and papers were not however produced, on the plea that they had been destroyed. But it was a surprise to find that even where books were in fact produced white ants had exercised a wonderful selectivity so as to attack only two particular pages in a big bound book, and by a curious coincidence it was just these pages which were vital for the determination of the issues before the Commission.” This is one of the ways and methods in which big business moves.

Secondly, “A leading business man and capitalist of influence and distinction in another part of the country had also earned a reputation for having cultivated tax evasion as a fine art. Even during the first World War he seems to have practised that art to some purpose but it was the second World War that provided him with the opportunity to bring it to perfection.” So, tax evasion is not only a disease in our country, it is something even more. Those who today control the purse strings of the party that is in power have actually developed it into a fine art. That is today an art that is destroying our nation, that is destroying the revenues of our country; and that is really working against the people at large and not for the people at large. So many are the ways of tax evasion that the Government has not come before Parliament, has not come before the people with any scheme or any plan for eradicating the methods that are followed.

I have before me another document, a document that Government in its misplaced wisdom, or may I say in the methods of diplomacy that it adopts with big business, has thought fit to withdraw from public circulation. It has come to my hand and is an extract from a report of the Income-tax Investigation Commission which today is not there for public use. In that we find that the Commission says—it is referring to the J.K. Group of industries. It says:

“It is in the circumstances difficult to resist the suspicion that the assessee were prepared to make disclosures only to the extent to which they found that the papers which had been seized during the search would reveal the extent of secret income made by this and other allied concerns.”

And then, Sir, further on in the report certain revealing facts are there. For instance:

“As to the method by which the secret profits came into his hands

[Shrimati Parvathi Krishnan.] and were dealt with by him, Shri Padampat admitted that it was the same as had been described in the case of the Cotton Spinning and Weaving Mills, viz, that they were paid over from time to time into his hands by the Director in-charge and that he pooled all these sums together and used them or invested them as he found convenient for the benefit of himself and his brothers "

"Asked under whose directions the various methods of concealment were adopted, Shri Padampat replied, 'We used to sit down and talk that such and such an amount of extra income should come from a particular concern and we used to discuss ways and means by which this could be done and Parshotamdas carried out the direction accordingly' "

So, you see, Sir, this question of income-tax arrears is on one side and evasion on the other. We have already had questions raised on the floor of both the Houses as to the arrears that are still outstanding. Government is following dilatory tactics in recovering the arrears that are known to be due. But what our party wishes to demand is that you go one step further, not only should you take bold steps in recovering those arrears that are known to be due, but also take bold steps in order to guarantee that this practice of tax evasion is eradicated once and for all from our country.

The Finance Minister, on one occasion, has himself admitted that the amount evaded is almost equal to the amount which has been recovered. But even that, in my opinion, is nothing short of an under-estimate. The reasons for the ineffectiveness of the Government in the recovery of income-tax are precisely four. Firstly, there is no backing up of the employees of the Income-tax Department when investigations are started. And when big business moves much faster in defending their profits, then Government moves in order

to tax those profits. Then we find that the various officers and employees are transferred at very crucial, very key moments. Secondly, there is no following up even when evidence is there before Government, even when evidence has been placed before Government by the various officers who carry out the investigation, by the various Commissions who carry out the investigation. Then, Sir, we find that all those who today control the business of our country are left untouched by the various investigations that are set afoot.

I have before me the example of the I.C.I. of India. Now, I.C.I. claims to be Commission Agents in this country and on this basis they take goods from the I.C.I. headquarters in London. They sell those goods in this country the sale proceeds go to London, and in this way they show profits and cheat the Indian Government and the Indian people, of money that should rightly come to us. Apart from that there is another example of the way in which I.C.I. attempt to evade taxation. The actual rent that is paid for their godown in Kanpur is Rs 18,000 per annum. The godown rent realised, over sixteen items, on the turnover is Rs. 3,20,000. Even though a part of this sum goes to meet godown rents at Bombay and Calcutta ports where the goods for the Kanpur division are stored, even then a very large sum of profit is really being concealed by this method.

Sir, the reason why this practice of tax evasion continues in our country is, as I said, earlier, that no effective action has been taken by the Government. The Prime Minister once announced that these tax evaders, these enemies of the people, these anti-social elements in our country would be hung from the highest lamp post in our country, but in seven and a half years of independence, there is not a single case even of criminal prosecution. At least one criminal prosecution could have been launched;

it would have had a salutary effect, it would have encouraged all those officers who carry out the investigations, who would then know that the Government and the people would be behind them when they carry out these investigations when they demand effective action against these evaders of income-tax (*Time bell rings*) Just one point I would like to bring before the House as an example of how in the United Kingdom the incidence of tax evasion is coming down. And for that I have before me the figures of criminal prosecutions launched against tax evaders in the United Kingdom. In 1948 there were 7 cases, in 1949, 4 cases, in 1950, 4 cases, in 1951, 3 cases, in 1952, 6 cases, in 1953, 10 cases. In three cases severe punishment was given. In one case the Mayor of a City and his auditor were sentenced to one year's rigorous imprisonment. In another case, the firm of Regina Messenger and Lewis, who had evaded tax to the extent of £67,000 was awarded one year's rigorous imprisonment, and so on. There are many other such examples. Ministries have risen and fallen in France and Italy on this very issue of the evaders of tax being brought to book. Therefore, I appeal to the Government, I appeal to the Finance Minister who is today representing the Government in piloting this Bill to be bold and here also use the weapons that you have in your legal armoury, use them against these evaders of income-tax. Do not use them against your political opponents, against the workers of Amritsar who today are on strike for a very legitimate cause, against the peasants in the various parts of the country, who, whenever they raise their voice demanding that the agricultural prices should be controlled, are faced with lathi charges. Why do you not touch those people who are really the anti-social elements in this country, who today are responsible for the burden of taxation being increased on those who have income-tax cut at source, on those who are today bearing the burden of taxation unnecessarily, because in a wanton manner

we are allowing those who are living off the flesh and blood of the people to go scot-free.

SHRI C P PARIKH Mr Deputy Chairman, in the limited time at my disposal I want to touch a few points on the Finance Bill. First of all, we must realise that in order that the development programmes can be carried out in a satisfactory manner, without any great risk of deficit financing, taxation has to be resorted to, both direct and indirect. With regard to indirect taxation, some remarks have been made by the Opposition, I think, not with a view to making any constructive suggestions, but with a view to destroying the proposals which are always made by government. If it is carefully examined, it will be found which are the items of indirect taxation. Items of indirect taxation are customs and Union excise duties. As regards customs, most of the things that are now imported are capital goods or raw materials required for the industry. The customs revenues are not also going to rise. Then, Sir, there are the imported semi-luxury goods and luxury goods which are taxed to the extent of 60 to 100 per cent and these goods are not usually used by the lower income groups. Therefore, there should be no complaint on that account at all.

Then, Sir, with regard to the second point about the Union excise duty, if my friend, Mr Bhupesh Gupta, refers to the Explanatory Memorandum, page 9, he will find the goods on which the excise duties are being levied. Sir, sugar, matches, cotton cloth, footwear and soap are the principal things, and the others are motor spirit, tobacco, etc. Now, motor spirit and tobacco are the big items. But with regard to the remaining goods, he has to understand why these excise duties are levied. Excise duties have been levied on these goods because they are manufactured by large-scale factories, and in order that small-scale factories and cottage industries may receive

[Shri C. P. Parikh.]

some protection, excise duties have got to be levied in order that there may be greater employment provided in the country. He is always arguing for creating more employment, but he is forgetting how that employment is to be created. Employment in the small and cottage industries can be ten times more than in the large-scale industries, and especially in the consumer's industries. Now, these excise duties have to be levied on the existing industries which are carried on on a large scale. Therefore, there should be no complaint on this account. (*Interruption.*) He has not understood the economic principles underlying these things, and he does not know how employment can be given. He is simply shouting in the House that more and more employment should be created. For creating more and more employment, you have naturally to devise some methods, and unless you levy excise duties on the consumer industries which are carried on on a large scale, you will not make any great progress.

Now, Sir, I will come to the other point with regard to the excise duties which have been levied. A new principle has been introduced in the levy of the excise duties. These duties are now levied on the volume of production in most of the cases, and the smaller producers are exempted. And, Sir, this is the first principle adopted on an intensive scale in the last two years, in order to exempt those people who are carrying on activities for a smaller scale of production. So, the excise duties are now being levied on the volume of production.

Now, Sir, with regard to the other item regarding cloth, which my friend, Mr. Kapoor mentioned, I have given notice of my amendment. But I think that because he has not been able to understand properly the distinction between 'fine' and 'super-fine', he has not touched the point in the way he should have. Now, cotton fabrics have been classified as fine

between 35 and 48 counts. The medium is less than 35 counts. I want to point out to Mr. Kapoor that in the medium cloth foreign cotton is used, and this higher duty of one anna and three pies on fine is thus avoided. In this connection, Sir, I had sent in my amendment also, but it was not accepted on the ground that the President's assent was necessary. I do not know, Sir, the legal aspect of the case, but I would like to submit that wherever medium cloth is manufactured with foreign cotton, it should be considered as fine cloth and should pay the duty prescribed for the fine cloth, because foreign cotton is usually suitable for 35 counts and over. The hon. Minister, in his reply to the Appropriation Bill, has said something. But in my opinion, Sir, he has missed the point.

SHRI JASPAT ROY KAPOOR: I would like the hon. Member to let us know whether it is not a fact that originally, the cloth manufactured out of yarn of 30 to 48 counts was to be taxed at the rate of one anna only, and now that cloth will be taxed at the rate of one anna and three pies.

SHRI C. P. PARIKH: My whole point is different. Mr. Kapoor has not understood it. Wherever foreign cotton is used and Indian cotton is used for the same kind of cloth, the duty should be higher, wherever foreign cotton is used, to the extent of nine pies per yard, and that will fetch a revenue to the extent of Rs. 1,50,00,000. The hon. Minister, in his reply on the Appropriation Bill, said that it would not fetch any revenue. I can tell him that he will be able to realise Rs. 1,50,00,000 more.

Then, Sir, one more argument was advanced by the hon. Minister that it was not administratively possible. I think, Sir, that the facts have not been gone into. Mills are submitting returns of every variety that is manufactured to the Textile Commissioner, and I think that his office, which is spending about Rs. 50 lakhs a year, is quite competent to admin-

ister these things in a proper way and to differentiate between cloth from foreign cotton and Indian cotton. I think if they put their mind into it, it is a very easy thing to do. Unfortunately, our country's interests are suffering on this account, and I think, we are encouraging the foreign cultivators in this matter, and we are penalising the Indian cultivators. It may be too late to accept this proposal now, but I am sure that this proposal will have to be accepted next year. I think it will be administratively possible also, and I hope the agricultural interests will be more and more vocal. I hope that the Government will look into this matter and do something.

Now, Sir, I will come to the next point with regard to direct taxation. I may say that the changes that have been made with regard to direct taxation by the various amendments in the Finance Bill are of a far-reaching nature. The companies in which six persons control 50 per cent of the shares will be considered as private companies and they will have to distribute 60 per cent of the dividends. All commercial companies will come under clause amending section 23A. This is not enough, Sir. All companies which are dealing in commerce and trade will have to distribute in my opinion 100 per cent of their dividends. I think that 90 per cent of the shareholders of the companies which are carrying on trade and commerce will be subject to super-tax, which they have escaped for so many years. I mean to say, further, Sir, that the accumulated profits which have accrued to these companies are now brought into taxation by the change in the definition of 'dividend'. And the change in the definition of 'dividend' is of a far-reaching character.

Then, Sir, the second thing is about the companies going into liquidation. The accumulated profits were allowed to be taxed only for the last six years in the case of the companies going

into liquidation. Now, Sir, for an indefinite period, those profits will be taxed.

Therefore all the accumulated profits made by industry, trade and commerce will now be subject to super-tax indirectly. I want to point out to one thing and that is that the Finance Minister has very wisely made a distinction between industrial concerns and non-industrial concerns, by giving the former an exemption limit of 60 per cent. I think the Finance Minister was very wise in saying that he wants to proceed in a gradual manner. For myself, even if he had kept it at 50 per cent, I would not have minded, because I do not want any industry to be built up by anybody by avoiding super-tax and the people who pay super-tax do not belong to the lower income groups or to middle income groups. I think the super-tax levied should not be evaded by anybody. Even though this concession is given up to 60 per cent, I think the industry should take note of the fact that there will be a gradual going down of the percentage in the course of the next year or the year after that. This is a very wise policy and I support it.

With regard to bonus preference shares, I think permission is not now given for the issue of bonus preference shares. When are bonus preference shares taxable? They are taxable when they are redeemed. What happens at present is that when the bonus preference shares are to be redeemed the man who holds these shares, sells them to somebody else who does not pay super-tax. They are only their nominees. They sell them also to insurance companies and banking companies. In this way, the payment of super-tax is evaded. I think that by agreeing to the issue of bonus preference shares, the Government will be losing a lot of super-tax, and it is not a wise policy. Why should companies issue bonus preference shares? Why should not they issue ordinary shares? They issue bonus preference shares only to avoid

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super-tax, and this should not be allowed.

Now, there is one very important point about direct taxation, i.e., with regard to relief mentioned on page 16 of the Bill. If the distribution of the dividend is 65 per cent. in any one year, the company will be allowed to carry the excess forward to a coming year. I say that the reverse also should be allowed. If a company distributes up to 50 per cent. in one year and, say, 70 per cent. in the third year, the penalty for non-distribution of 60 per cent. in the first year should be refunded to the company, when the company distributes 70 per cent. When you allow the carry forward for a period of three years, naturally we should also go the reverse way and provide that, if a company distributes 50 per cent. in one year, 60 per cent. in the second year and 70 per cent. in the third year, relief should be given to it by refunding the penalty for the first year when it distributed only 50 per cent. We must know how to tax in a judicious way, because we are endeavouring to expand our industries, and when we want to do this, we should not create unnecessary hardship. If it is not possible to do this by any amendment now, it should be done by administrative action, because government must encourage all industries as long as they are carried on in a *bona fide* manner and serve the best interests of the country.

I have one word to say about shipbuilding. The Industrial Policy Statement of 1948 mentions shipbuilding. Sir, shipbuilding is a long-term process. We are not able to build more than a few ships a year. Therefore the Industrial Policy Statement of 1948 should be amended to read 'shipping' and not "shipbuilding", because it is shipping that we require.

As regards minerals, they are in the private sector also according to the Industrial Policy Statement. Minerals will not be exploited to the

degree that we desire if they are left in the private sector. In the public sector we should exploit our mineral resources, since the private sector will not be able to exploit them to the extent that we desire.

Then, another word about direct taxation. We are exempting loans given by banking companies. This is quite right, but it is necessary that loans given by insurance companies also should be exempted. Insurance companies give loans to life policy-holders who have insured their lives with them. Such loans also should be exempted. If it cannot be amended here, then at least administrative instructions should be given for this purpose.

A word about the implementation of the Plan. Our second Five Year Plan is going to cost us over Rs. 5,000 crores, but is there any machinery to see that the Plan is fully implemented? The Members of the Planning Commission are all planning. I think one of the Members of the Planning Commission should exclusively devote himself to seeing that the Plan is properly implemented. Unless this is done, we will not be able to make much progress. On the expenditure side, the Governments, both at the Centre and in the States, are incurring a lot of expenditure. There must be a Minister to look after the expenditure incurred by all the Ministries and he must exclusively devote himself to seeing that the expenditure is incurred in a proper and economical manner. Unless this is done, we will not be making much progress.

Lastly, Sir, Government are giving loans to industrial concerns so that they may develop, and these loans are to the extent of five and ten crores. These loans are at a specially low rate of interest, and so I think that the Government should participate in equity capital and the managing agency profits to the extent that they have given loans. This point should be considered carefully by the Government. With these words, I support the Finance Bill.

SHRI M C SHAH Sir, I am grateful to the hon Members of this House for giving by and large support to the revised proposals of taxation as shown in the Finance Bill. I have tried to explain all these changes in detail and therefore I find that there has been a good deal of understanding among the Members and I find there is very little opposition to the changes made in the taxation proposals. There is one criticism made against these revised proposals from some quarters, particularly from those quarters opposite, but the Members having made that criticism have left the House not hearing the reply. It has been stated that these reductions in certain duties were made as a result of pressure brought from big business as well as from interested parties. I would only like to say that this insinuation of pressure being brought in order to reduce taxes is absolutely unfounded. The Finance Minister in this House, while replying to the debate when general discussion was taken up first in this House had said that his mind was open to all the arguments that would be made with regard to taxation proposals. So he was open to conviction and if it was shown to him that there was a necessity for certain reduction in certain cases, then certainly he would consider them very sympathetically. After the debate in this House he has seen a number of deputations from all the Industries which were affected by these excise duties and by various other proposals. If one carefully studies all these amended proposals, he will find that so far as proposals regarding direct taxation were concerned, there is very insignificant change and therefore it follows that the Government of India has not modified their proposals because of pressure from big business. Again with regard to other amendments that are proposed in excise duties, we have to take care of certain small-scale industries and at the same time we have to see how the administration of collection of excise duties is to be run smoothly. My friend Mr Bimal Ghose stated that the Finance

Minister ought to have considered all the aspects of the question beforehand before submitting the proposals. As a matter of fact Mr Ghose knows that whenever budget proposals are to be made, they are to be kept absolutely secret and therefore we have to depend on the information that may be available among the Ministries and at the same time to collect on a wider basis as much information as can be obtained and therefore though the information was available on certain industries and that was also collected, it was not possible to have a very detailed information on all those industries which will be affected by these excise duties. As I explained yesterday about certain things, about certain spare parts or components and small scale industries it is not possible to have fuller information and therefore in a democratic set up of the Government it is the duty of the Government to be responsive to public opinion to enquire into the hardships if there be any; if these proposals are implemented and then come to a decision as to what is justified and what is not. As a matter of fact the concession that has been given is to the common man. My friend Mr Bhupesh Gupta was very eloquent in his speech though he was not very vehement because after the Andhra elections, I find that the vehemence has gone but he was eloquent and he spoke about the common man. I can assure him that the Government are very much alive to the interests of the common man and he knows that this Government is elected by adult franchise comprising of about 17 crores of men and women of India and they will always take care to see that the common man's interests are not jeopardised. He must also remember that he is not the only person who is in touch with the common man, the masses, we also move among them, mix with them freely for

SHRI BHUPESH GUPTA Where?

SHRI M C SHAH we want to know the conditions under which

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the masses live and the only aim and objective of the Government of India is to raise the standard of living of the teeming millions of our land, and to have a socialistic pattern of society. And socialistic pattern of society, as we all know, means opportunities for all, that everybody must have square meals, that everybody must have a roof over his head, that everybody must have enough clothing, and everybody must have equal opportunities to come up, that these inequalities or disabilities in incomes should be eliminated as far as possible. And that can be done by raising the income of the lower groups and by bringing down the incomes of those who have got more.

SHRI B C GHOSE Sir, may I just ask one question? On the matter of excise duties, the hon Minister said that the Ministries were consulted. I would like to know whether it is his contention that before these *ad valorem* excise duties were levied on the commodities mentioned in the Financial proposals, the Commerce and Industry Ministry were consulted and that they agreed to the imposition of these *ad valorem* duties?

SHRI M C SHAH I would say that whenever excise duties are imposed there is consultation between the Finance Ministry and the Ministry of Commerce and Industry. As a matter of fact, as the hon Member knows, even today, so far as excise duties are concerned, there are certain items on which *ad valorem* excise duties are there. I do not mean to say that *ad valorem* excise duties are to be ruled out altogether. What I mean to say is that on some of those items on which we proposed *ad valorem* duty, we thought that that would be all right, but the experience of a month and a half showed us that administratively it would be better to have specific duties and therefore, we changed those *ad valorem* duties into specific duties.

Next, my hon friend Mr Bhupesh Gupta and an hon lady Member complained about arrears of income-taxes, allowing the richer people to go scot-free, about the weakness of the Income-Tax Department and such other things. I believe that the information supplied to or obtained by these hon Members is not correct. If they look into the figures they will find that there are no such arrears as are claimed by Shri Bhupesh Gupta, of about Rs 300 crores. As a matter of fact, there are only arrears to the extent of Rs 161 crores divided as follows. There are Rs 94.5 crores to be collected, but they are kept pending because there are certain appeals pending and therefore, whenever there are appeals pending, we cannot collect the money, until the appeals are disposed of. Then there is a sum of Rs 18 crores pending, because of the double-tax relief. And then there are Rs 23 crores which will have to be written down because those who owed this sum have already left the country or they had no assets.

SHRI BHUPESH GUPTA If they have gone, we are entitled to know who are those people who have gone away.

SHRI M C SHAH They have gone to Pakistan and if my hon friend could pursue them, Government would be grateful to him.

SHRI BHUPESH GUPTA It is your job and if they are rich people, you should get at their properties.

MR DEPUTY CHAIRMAN They have no property here. Yes, Mr. Shah.

SHRI M C SHAH The properties of all these people who have gone to Pakistan have been attached and they will be sold and the money will go to the pool. Therefore, it is a question whether this money should be taken into that pool or for income-tax purposes.

To come back to the point, Sir, as I said, out of this sum of Rs. 161 crores

of arrears, Rs. 94.5 crores were pending because of the pending appeals, and under the law we cannot recover the money when the appeal is pending. Then there is this sum of Rs. 18 crores being the double-tax relief. As the hon. House knows, there are certain provisions about double-taxation relief and as long as those cases are not decided, that sum also will remain there. Then there is this sum of Rs. 23 crores which, as I have already said, is due from those people who have left or who have no assets whatsoever. Then what remains over is only a sum of Rs. 25.5 crores to be collected. Therefore, the argument that has been advanced that there are huge arrears and that the Government's efforts at recovery are lax, does not stand for a moment.

It was also said that we do not take every step to collect the tax. We are taking every possible step to recover the tax. Already we have appointed officers in Calcutta, in Bombay, additional collectors, and they are recovering all those taxes which are due from the assesseees as dues of the land revenue and so they are doing all that is possible.

Then it was said that some information being supplied is not followed up. I am sure that criticism also is without foundation. Whenever we get any information about tax evasion, we take the strictest possible measures. And about corruption also we have the strictest possible measures.

SHRIMATI PARVATHI KRISHNAN: What are those strictest possible measures?

SHRI M. C. SHAH: About the strict measures, I may say that we have already got special officers, we have already got special circles in Bombay, Calcutta, Kanpur and other places whose business is to pursue those cases which are reported.

SHRI BHUPESH GUPTA: What about the Birla

MR. DEPUTY CHAIRMAN: Order order. * *SHRI*

SHRI BHUPESH GUPTA: Has the mystery of the Birla House been probed into?

MR. DEPUTY CHAIRMAN: Order, order.

SHRI M. C. SHAH: It is no use attacking and blaming those people who are not here to defend themselves.

SHRI BHUPESH GUPTA: But their friends, their political friends are there. It is no use trying to.....

MR. DEPUTY CHAIRMAN: Order, order, Mr. Gupta.

SHRI M. C. SHAH: I know your party and how they go to collect funds from those people whom your people accuse.

SHRI BHUPESH GUPTA: How do you say that?

MR. DEPUTY CHAIRMAN: Order, order, Mr. Gupta.

SHRI BHUPESH GUPTA: But, Sir, is it part of the Budget?

MR. DEPUTY CHAIRMAN: I can't allow these things to go on.

SHRI M. C. SHAH: Yes, Sir. Therefore, as I was saying, there are already special circles and special officers to investigate into all those cases wherever it has been reported to the Government that there is tax evasion. Also we are just going to have special survey circles. In Calcutta alone during these few months of about one and a half years, we have brought nearly 20,000 assesseees on the list. I may add that not only are we bringing into the net all those who are liable to pay the tax, but at the same time we are taking strict action against those officers who are found to be corrupt. My hon. friend Mr. Bisht, I think, referred to certain action being taken to get rid of corruption among judicial officers. I may tell the House that so far as corruption is concerned, we have taken

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action and we have during the last few months dismissed some officers—three officers and one member of the non-gazetted staff—and 2 officers and another of the non-gazetted staff have been prosecuted. Besides these, there are those who have been warned and four officers are at present under suspension and investigation of their cases is going on. So we are taking all possible precautions.

SHRIMATI PARVATHI KRISHNAN:
How many evaders have been proceeded against?

SHRI M. C. SHAH: As a matter of fact, we have already the Income-tax Investigation Commission and 1,060 cases have been disposed of. And even after the Income-tax Investigation Commission Act was held invalid...

SHRIMATI PARVATHI KRISHNAN:
Let us know the number.

SHRI M. C. SHAH: We have got a machinery to go into all these cases. At the same time we are bringing into the net all those who are evaders, those who are liable to pay the tax and still do not file their returns. Mr. Bhupesh Gupta also has been brought into the net as he gets now Rs. 400 a month.

SHRI BHUPESH GUPTA: I have paid. May I know who....

MR. DEPUTY CHAIRMAN: Order, order.

SHRI M. C. SHAH: That much about income-tax and the collection of income-tax.. As a matter of fact, though the incomes are falling, we are keeping up to the schedule of Rs. 165 crores. That shows that the Income-tax Department is working very vigilantly to bring in all the tax that is due. At the same time we have already asked our officers to see that not a pie more than is due to Government is collected from the assessee. And in all our circulars we have asked all our officers to be vigilant in

this matter also. We have told them that we do not want to get one pie more than is due. Mr. Italia spoke about harassment by the authorities, but what he said was rather vague and if specific instances were brought to our notice, instances of harassment, we would deal with them properly.

SHRI BHUPESH GUPTA: Do you know of the case where a big officer of ...

MR. DEPUTY CHAIRMAN: Order, order.

SHRI BHUPESH GUPTA: of the All-India Radio imported a private motor car of his own ...

SHRI M. C. SHAH: Have a little patience, I am coming to that.

MR. DEPUTY CHAIRMAN: Order, order.

SHRI M. C. SHAH: That was referred to by Mr. Mahanty. That matter is under investigation. I know all about that case. The Accountant General had written and the matter is being investigated. Therefore, my hon. friend need not worry about it. I know all about the case and I know about other cases also.

SHRI BHUPESH GUPTA: How long will the investigation be going on?

MR. DEPUTY CHAIRMAN: Have some patience.

SHRI M. C. SHAH: I am not prepared to yield ...

MR. DEPUTY CHAIRMAN: Do not be disturbed by what Mr. Gupta says.

SHRIMATI PARVATHI KRISHNAN:
But the point raised is a serious one.

SHRI M. C. SHAH: Now a few words about the common man. If my hon. friend had cared to hear my introductory remarks yesterday, on the Finance Bill, he would have found that we have given relief to the common man.

SHRI BHUPESH GUPTA: What are your introductory remarks and what are your obituary remarks, we do not know.

MR. DEPUTY CHAIRMAN: Order, order.

SHRI M. C. SHAH: Obituary remarks? It will take time, not yet. So what I would submit is this. All these are good for propaganda purposes; but my hon. friend must take note of the fact that the people cannot be fooled always and the result has been seen in the Andhra elections. So I say that there is not much in those criticisms and I would not pursue them.

SHRI BHUPESH GUPTA: Do pursue, please.

SHRI M. C. SHAH: Mr. Mahanty said something about the exemption given to experts in the matter of income-tax. But he knows that when we want rapid industrialisation it is absolutely necessary to have some "know-how" from foreign countries. Therefore whenever there are certain technicians who are absolutely necessary for the purpose of helping us to build up these industries and are brought here from foreign countries, we have said that for three years they may be exempted from income-tax, if the contract is that way.

Mr. Mahanty then spoke on the duty on superfine cloth. I explained to him the other day that that also was not because of pressure from interested parties coming that it has been reduced.

He must be knowing that in 1953, the rate of excise duty on superfine cloth was as. 3|3 and, thereafter, some months after the financial year opened, there was a crisis and the mills were to be closed resulting in the unemployment of labour because the mills considered that the excise duty of as. 3|3 was unbearable for them. There was no demand for those goods. We had to reduce it to as. 2

per linear yard that year and that is continuing now. This time we proposed a tax of as. 2|6 per square yard. If this had been accepted, it would have meant a duty of as. 3|4 per linear yard. The duties were, till now, on linear yards. As it was pointed out that this would be a burdensome duty, we thought it advisable to bring it down to as. 2 per square yard which will come to more or less as 2|6 per linear yard—perhaps something more. At the same time, there is a handloom cess of three pies which has now been converted from linear yard to square yard. There would be some increase on this score, and, therefore, there is no meaning in saying that we have reduced the excise duty on superfine cloth under pressure from the industry. It is not so; we have considered all these things and, in the interests of the country, we do not want to create again a situation which was created in the year 1953 when unemployment threatened thousands of labourers. We do not want to repeat that and, therefore, advisedly we have brought down that excise duty from as. 2|6 per square yard to as. 2 per square yard.

My hon. friend Mr. Govinda Reddy and others spoke about the harshness of the Finance Minister in reducing the exemption limit from Rs. 1,500 to Rs. 1,000 in the case of unmarried people and raising the limit from Rs. 1,500 to Rs. 2,000 in the case of married people. Perhaps my hon. friend may have forgotten that during the last two or three Budget discussions in this House, as well as in the other House, it was urged by the hon. Members that there must be some relief given to the married people; on account of the wife and children they have greater responsibilities and, therefore, they must be given some relief.

SHRI S. MAHANTY: Does it mean that the bachelors have no responsibilities?

SHRI M. C. SHAH: The presumption is that they have less responsibilities. There may be cases where there

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may be some other responsibilities, but the usual presumption will be that they have less responsibilities. In the case of raising the limit from Rs. 1,500 to Rs. 2,000 in the case of married people, Government will be losing about Rs. 90 lakhs.

SHRI B. C. GHOSE: Why should not the childless widowers be treated on the same footing as bachelors?

SHRI M. C. SHAH: No, they will not be treated as bachelors. Once a man has married, he is considered always a married person for purposes of these limitations. This has been made clear and, therefore, he should not grudge the few rupees, more or less. Perhaps my friend Mr. Govinda Reddy may have 25 dependents, as he stated, but it may be an exceptional case.

SHRI M. GOVINDA REDDY: I do not grudge them paying either for the lower limit for bachelors or the relief given to the upper limit for the married people, but the question is the basis, whether exemption is on the correct basis. That is the point.

SHRI M. C. SHAH: The basis accepted is that slowly and slowly more allowances for family should be given and the unit for income-tax purposes should be a family. That has been allowed in U.K. and we propose to follow that procedure. Let us see the working of this and if we find that there is hardship then there is time enough. Next time we may consider this.

DR. R. P. DUBE (Madhya Pradesh): Government is concerned over the increase in the population whereas you are helping the people to produce more by these allowances.

SHRI M. C. SHAH: There is one point about paper. The question was raised that by levying a specific duty of one anna on paper, the text-books will be very heavily taxed and that it would amount to a tax on educa-

tion. Dr. Mookerji also spoke about this and it was tried to be shown that we are taxing education very heavily. I find, Sir, that text-books ordinarily weigh about 2 oz. or 4 oz. and the tax on such books will be only 3 pies. The text-books are worth a rupee or so and a tax of 3 pies on a book costing a rupee or so will not be considered so unbearable a burden. (*Interruption.*) I am trying to explain the position.

SHRI M. GOVINDA REDDY: The publishers take advantage of this and tax the people much more than they should. You do not realise that.

SHRI M. C. SHAH: This matter was considered and it was thought that there is no such burden as has been tried to be shown here.

My friend Prof. Wadia spoke about co-operative housing societies. I should like to assure him that the intention, as was pointed out by Mr. Hegde, is the correct one; if there is necessity and if the interpretation is in doubt, we will issue administrative instructions. Our intention is to give relief to those flats in big buildings owned by members of the housing societies, two-roomed, three-roomed or whatever they may be and our intention is clear.

SHRI H. P. SAKSENA: That is a home affair.

SHRI S. MAHANTY: What about the car to which you referred? When was the enquiry initiated? How long has it been going on? When is it likely to end? We would like to know some details.

SHRI M. C. SHAH: I cannot give you the figures. I know that that matter is under investigation.

SHRI S. MAHANTY: Since when?

SHRI M. C. SHAH: I have informed the House accordingly. I have not got information as to when it was started

and I cannot also say definitely as to when it will be finished. It is a matter for the Information and Broadcasting Ministry and it will take note of the observations made here.

Then there was another point. My friend Mr. Reddy also made the point that sufficient attention must be paid to the reports of the Estimates Committee and the Public Accounts Committee. I can assure him that always respect is shown, always the recommendations are tried to be implemented and the reports of the Government on the Estimates Committee's reports are also placed on the Table of the House. Whenever their recommendations cannot be accepted, the Government of India always give reasons why they cannot be accepted and those reasons are also placed on the Table of the House. I may inform him that the total savings realised up to the end of 1953-54 consequent on the recommendations of this Committee are Rs. 49.74 lakhs recurring and Rs. 21.41 lakhs non-recurring.

Regarding the Public Accounts Committee also there were some four main recommendations. We have already instructed all the administrative Ministries to take note of this and to act accordingly. So I can assure him and the House that the Public Accounts Committee's reports and the Estimates Committee's reports are taken into consideration with the respect that it always requires and we are trying to implement the recommendations as far as possible.

Then, Sir, there were so many small points. My friend, Mr. B. C. Ghose, said: Why have the small sum of Rs. 1 crore or so; why go in for new excise duties for this small amount?

His calculation is not quite correct. Rs. 8.8 crores exclude the extra levy of Rs. 1.4 crores from the conversion to square yard basis of handloom cess which is credited to a separate account. The revenue that we now

expect to get from the new excises is of the order of Rs. 3.8 crores as follows:

	Rs. crores
Original expectation	17.7
Less on account of reduction in cloth (medium and coarse) and increase in fine (10-1'6)	8.4
	<hr/> 9.3
Less excise concessions	0.5
	<hr/> 8.8
Less sugar	5.0
	<hr/> 3.8
Estimated revenue from new excises	3.8

SHRI B. C. GHOSE: If you leave sugar and cotton aside, what is your yield from the other excises?

SHRI M. C. SHAH: Leaving out sugar, Rs. 5 crores, the estimated revenues from the new excises will be Rs. 3.8 crores.

SHRI B. C. GHOSE: If you leave also cloth out of it what does it come to?

SHRI M. C. SHAH: Leaving it, it is Rs. 8.4 crores. You mean we must leave out Rs. 1.6 crores also. Then also it is Rs. 2.2 crores.

SHRI B. C. GHOSE: That is what I said, viz., Rs. 1 to 2 crores.

SHRI M. C. SHAH: That is right, but I gave you the factual position as calculated and at the same time I know that he believes that, as far as possible, deficit in the revenue budgets must be met from taxation, but, as I said earlier, in response to public opinion we have brought it down and we have kept a big deficit and now this excise duty is not much when we consider.....

SHRI B. C. GHOSE: According to your estimate, what would the cost of collection against this revenue of Rs. 2 crores be?

SHRI M. C. SHAH: When did I say that? How can that be the cost of collection? This will be the excise duty available to the Government of India from the taxation. What I said is: Rs. 3·8 crores will be the estimated revenue from the new excises.

MR. DEPUTY CHAIRMAN: He wants to know what you will have to spend for collecting it.

SHRI M. C. SHAH: I think, very little compared to these collections. It will be hardly Rs. 5 to 10 lakhs. We have already got the excise personnel and it may be necessary to increase the staff to some extent. It cannot be much more. It cannot be very much.

Now, Sir, I think I have exceeded my time possibly. There are very many points, but because of the discussion between my friend Mr. Bhupesh Gupta and myself a good deal of time has been lost and there were so many other points to be replied to but I feel that I should not take more time and I hope that the House will take this Bill into consideration.

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill to give effect to the financial proposals of the Central Government for the financial year 1955-56, 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. Clause 2. There are no amendments.

Clause 2 was added to the Bill.

MR. DEPUTY CHAIRMAN: Clause 3. There are three amendments. Yes, Mr. Parikh.

SHRI C. P. PARIKH: I move:

3. "That at page 3, in sub-clause (2) of clause 3, for the existing para. (ii), the following be substituted, namely:—

"(ii) for sub-clause (c), the following shall be substituted, namely:—

'any distribution made to the shareholders of a company out of the accumulated profits of the company, whether such profits are capitalised or not, on the liquidation of the company';"

4. "That at page 4, at the end of line 5 after the words 'accumulated profits', the following be inserted, namely:—

'provided that such advance or loan is genuinely refunded to the company before the 30th June 1955'."

5. "That at page 4, after line 20, the following be added, namely:—

'(iv) any advance or loan made to a shareholder if he is also a servant of the company and the amount of such advance or loan does not exceed an aggregate sum of Rs. 25,000'."

MR. DEPUTY CHAIRMAN: The clause and the amendments are open for discussion.

SHRI C. P. PARIKH: Amendment No. 3 is intended to close a loophole which is existing at present in the Income-tax Act. Amendment No. 4 is for simplicity's sake because a cumbersome clause is inserted in the Finance Bill and, the amendment No. 5 is for equity.

With regard to amendment No. 3, in the Income-Tax Act, in sub-clause (c) of clause (6A), it is "any distribution made to the shareholders of a company out of the accumulated profits of the company on the liquidation of the company". With this there is a proviso No. 1. Now according to me and according to the legal opinion which is obtained and which I have

got verified by the biggest lawyers in Bombay, this clause is defective if the words 'capitalised profits' are not put in. Because this is a technical matter I will read out the legal opinion also. If the suggested amendment is not put in, the shareholders will continue to have the benefit under the Income-Tax Act and I think the loophole must be closed. When the bonus preference shares are issued, they are escaping taxation in so many ways. The Taxation Enquiry Commission has said that from the year 1947 to the year 1952 sanction was given to the extent of Rs. 77 crores for issue of bonus shares and I can say, Sir, 60 per cent. of them must have been preference shares. Now all this revenue by way of super-tax is gone when these shares are redeemed because they are passing on to those persons who do not pay the super-tax or pay only corporation tax. Now, Sir, whatever mischief has been done in the past, it cannot be remedied. When the company goes into liquidation not only all those bonus shares which were issued from 1947 to 1952 but also those issued from 1952 up to last year, all those shares will escape tax if the words "whether capitalised or not" are not put in. In sub-clauses (a) and (b) of clause (6A) those words are put. In this sub-clause they are not put and I will read, Sir, the opinion on that account.

MR. DEPUTY CHAIRMAN: You will have to disclose whose opinion it is.

SHRI C. P. PARIKH: It is the opinion of Shri Palkiwalla and it is also the opinion of the income-tax experts and the best lawyers of Bombay.

"Where accumulated profits are capitalised in the form of shares and when such shares are paid off on the liquidation of the company, the wording of clause (a) seems inappropriate to deal with such a case which must be considered with reference to clause (c), for that clause specifically deals with distribution out of the accumulated profits on liquidation of the company. Clause (c) unlike the

other clauses in this sub-section, simply refers to accumulated profits without the additional words "whether capitalised or not". In the absence of the last mentioned words—"whether capitalised or not"—profits which have been capitalised cannot be regarded as profits at all, because they shed their character of income and become capital. The shareholders on liquidation—"of the company"—will be merely realising their capital and payment made on liquidation in respect of such shares would not therefore be dividend. The first proviso, which enacts that dividend does not include a distribution on liquidation in respect of any share which is issued for full consideration, might seem to suggest that a payment made on liquidation in respect of a bonus share issued 'free' would be 'dividend', but the proviso cannot control the substantive part of the enactment."

The words "whether capitalised or not" have therefore to be added after the word "profit" in sub-clause (c) and that is my amendment, Sir. I know many changes have been made in the Finance Bill and the Government have taken pains to incorporate the changes recommended. I can quite understand that this Bill has to be passed by the 28th and it will be too late for the amendments to be accepted but I want to bring to the notice of the Government these points so that they may examine them, so that next year or even perhaps at an earlier stage this loophole may be closed in order that those bonus preference shares may be taxable on liquidation whether the profits are capitalised or not. With regard to the bonus shares I made a remark that from now onwards bonus preference shares out of profits should not be allowed to be issued because they escape taxation when they are redeemed by passing on to some person who is not liable to super tax or to banks and insurance companies who are only paying corporation tax. Therefore I do not understand what is the harm to the companies in having the reserves converted into ordinary shares. I quite

[Shri C. P. Parikh.]

understand the company's position when they capitalise the resources and issue bonus preference shares. It is only done with a view to avoid super-tax and this loophole should be closed.

Now, I come to amendment No. 4. I want to add these words at the end—"provided that such advance or loan is genuinely refunded to the company before the 30th June 1955." The hon. Finance Minister has given an assurance that administrative instructions will be issued that such loans which are outstanding at present if they are repaid genuinely without being paid to other borrowers, they will not be liable to income-tax or super-tax, provided it is done before 30th June 1955. That was a concession that was very necessary and I do not understand why it was not put in there before. When the Finance proposals were being argued I made that point. It is very clear that loans which were allowed in the past should be allowed to be repaid because the loans were given under the Companies Act and if loans were allowed by law there is no meaning in saying that they should be taxed with retrospective effect. Anyway, that concession is good and I think the Finance Minister considered this point only at the last moment, because his amendment was something different. In the beginning i(c) and i(b) were there; i(c) was deleted but he forgot that i(b) was still there in the same form and he now says that he will give administrative instructions that genuine repayments will not be taxed. But if this provision that such advance or loan is genuinely refunded to the company before the 30th June 1955, was there, his purpose would have been served. I think the wording as it appears now seems to be more or less ridiculous because when we put the words 'this year' we do not mean what we are saying. It is mentioned 'in any previous year', that means, prior to the assessment year. The assessment year in respect of 1955-56

will be the previous year, that is, the income-tax year that is 1954-55.

At the end of i(b) it says 'if such loans are outstanding on the first day of the previous year', but it should have been something different, because 1st day of the previous year means 1st April 1954. Now, if loans are repaid during the same year, I think he does not want to touch them. So all these clauses which are worded in this way and which were meant for a different purpose are now retained. I think it is too late now but I feel all this is because of the Bills being rushed through without the necessary discussion on them and without the views of the Members being ascertained in a proper way. We all know that this Bill must receive the assent of the President by the 28th and therefore we should not press these amendments. Such important Bills are kept for the last few days and Members are not allowed sufficient time. Otherwise such things would not have happened. The officers are also made to work from nine in the morning to seven at night and I think we are taxing them also. No doubt we must see that justice is done but we must see that everything is properly done. It is no use rushing things through. If my amendments were incorporated the object of the Finance Minister could have been made more clear instead of having to rely on assurances. Anyhow, I think it will be necessary, when I withdraw this amendment, that the Finance Minister should give an unequivocal assurance as he has done in the other House.

As for amendment No. 5, I want the following to be added—"any advance or loan made to a shareholder if he is also a servant of the company and the amount of such advance or loan does not exceed an aggregate sum of Rs. 25,000." I know why this question of loans was brought in, because many companies were private-owned and persons used to draw funds from them and utilise them for other purposes and avoid

super-tax. But suppose a member of the staff is there and he is given a loan of Rs. 5,000 or Rs. 10,000, he cannot now be a shareholder. Among members of the staff many of them are holding one or two shares. Naturally, they may have one or two shares when they are drawing Rs. 1,000 or Rs. 500 but we cannot now give them loan. If a member of the staff wants to send his son to a foreign country for studies, he may want to get a loan of Rs. 20,000 for that. Under the Bill as it is drafted now, I think we will not be able to do that. Therefore I think administrative instructions should be issued that such cases should also be exempted, because we want only to tax those people who really evade taxation. We do not want, because of this phraseology, to penalise each and every shareholder in the company. In an insurance company a policy-holder may require a loan—it is usual—but you cannot say that for that he should sell off his shares. It is absurd to say that. All this arises because of the fact that we have not applied our minds in the way in which we should; we have had no time to do it. If nothing could be done now, at least administrative instructions should be issued in fairness to those persons who are honest and who are of small means so that they may not be penalised. With these words I commend my amendments to the House and I would like to hear what the hon. Minister has to say in reply.

SHRI M. C. SHAH: Sir, I have not much to say in this matter. I do not propose to accept any of the amendments. I do not also propose to issue any administrative instructions except that which I have already referred to about the repayment of loans before 30th June, 1955. Except this, I do not propose to go any further in this matter. Naturally there may be many matters of minor details and while administering the law if there are any difficulties, certainly they will be taken care of and later on, if necessary, action may even be taken for amending the provisions.

About amendment No. 3 the difficulty which Mr. Parikh intends to remove is known to us. We have, however, not yet accepted the Bombay High Court judgment that accumulated profits do not include profits capitalised in the form of bonus shares and we are considering the question of taking up the matter in the Supreme Court. The matter has other implications also and when all these matters have been considered, Government will take up the necessary legislation. Therefore, as I said, it is not possible for us to accept his amendment.

The effect of amendment No. 4 will be that only those advances and loans which are genuinely refunded to the company before the 30th June, 1955, would be treated as dividends. Under the new definition obviously this is not the intention. We have considered all the matters because it was represented that those loans which were given by Section 23-A companies to their shareholders should not be taxed.

We considered that matter and we have gone to the length that it was possible for us to go. And then we have already assured that effect will be given to that by administrative instructions. I think we cannot go any further than that and we say that all this was done not in a haste. There was enough time. And he says that all these things should not be rushed through. I do not know what is the meaning of "rushing through". Proper consideration was given to all the points of view that were placed before us; and after considering all the pros and cons we have come to the conclusion that the amendments we had proposed were absolutely correct. And, therefore, it is no use charging us that this legislation is being rushed through. There is no question of rushing through. All the points of view have been considered and whenever we are in a position to concede something we concede. Instead of just amending, certain Members wanted that this ought to be in the legisla-

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tion. We did not accept because we do not want those people, those shareholders of section 23A Company to be given this advantage, if they were not yet fair enough. If they were honest, and they wanted to give back the loans in order to get relief from taxation, we allowed them an opportunity. If any trick is still played, we are not going to allow to be intrigued in that way. We will examine all those cases and whenever there are genuine cases—and as I have already stated in the Lok Sabha—if these loans are being repaid genuinely, and also without lending those moneys to other borrowers and thus not bringing into the reserves, then certainly the law will take its own course. Therefore, Sir, I cannot accept this amendment No. 4.

About amendment No. 5, these provisions are applicable only to companies in which the public are not substantially interested, in other words, to section 23A companies; as such, no exception can be made in favour of small loans or in favour of directors or other shareholders who are also employees of the company. There is no reason why a company whose main business is not banking should give such frequent loans to shareholders. This happens mostly, if not only, in section 23A companies and is one of the abuses which I am determined to stop. I think I need not dilate on these points and I submit. Sir, that whatever we have proposed, we have proposed after very careful consideration of the matter. Therefore, I cannot accept this amendment.

MR. DEPUTY CHAIRMAN: What about your amendments, Mr. Parikh?

SHRI C. P. PARIKH: My reply is that I refute the explanation of the Finance Minister.

SHRI M. C. SHAH: Sir, is it a reply against a reply?

MR. DEPUTY CHAIRMAN: What are you going to do with your amendments.

SHRI C. P. PARIKH: Sir, I am withdrawing them.

*Amendments Nos. 3, 4 and 5 were, by leave, withdrawn.

MR. DEPUTY CHAIRMAN: The question is:

“That clause 3 do stand part of the Bill.”

The motion was adopted.

Clause 3 was added to the Bill.

MR. DEPUTY CHAIRMAN: Now, clauses 4 to 6. There are no amendments.

SHRI B. C. GHOSE: Sir, although there are no amendments, I should like to have some information from the hon. Minister, because he did not reply to the points we raised in the general discussion.

MR. DEPUTY CHAIRMAN: What is the information required? Please put him a straight question.

SHRI B. C. GHOSE: In respect of clauses 4 and 5; the reasons for inclusion in the amended Bill of sub-clause (via) in clause 4; and of sub-clause (2) in clause 5. The difficulty is that no explanations are given and although—I may draw your attention to this fact—the Statement of Objects and Reasons in the new Bill says that the notes on clauses explain the various provisions contained therein, there are no notes on clauses given as appendix.

SHRI M. C. SHAH: About what?

MR. DEPUTY CHAIRMAN: What is the information that you want, Mr. Ghose?

SHRI B. C. GHOSE: Sir, I want to know what were the difficulties that were explained to the Government which induced them to make these concessions?

SHRI M. C. SHAH: Perquisites?

MR. DEPUTY CHAIRMAN: One is sub-clause (via) of clause 4(2), which says: “Subject to such conditions as

* For text of amendments, see col. 6102 *supra*.

the Central Government may prescribe, passage moneys or the value of any free or concessional passage received by or due to any person, not being a citizen of India, from his employer for himself, his wife and children in connection with his proceeding on home leave out of India".

SHRI B. C. GHOSE: Sir, we know it is no good our objecting to passing anything which the government wants to bring forward, but we are at least entitled to know the reasons why they propose certain measures.

MR. DEPUTY CHAIRMAN: What is the other thing?

SHRI B. C. GHOSE: The other is sub-clause (2) of clause 5.

MR. DEPUTY CHAIRMAN: What is in sub-clause (2) of clause 5—perquisites?

SHRI M. C. SHAH: About perquisites, shall I explain, Sir? The position is this. When the financial proposals were made, we said that no perquisites, nor the entertainment allowance will be non-taxable. Thereafter there were certain representations made that in business at times it is important to spend something, to develop business, on entertainment. Therefore, certain employees of business houses have to spend something on entertainment; and also it was said that certain perquisites—as I have stated in my introductory remarks—about these medical facilities and similar minor amenities also should be allowed. We came to the conclusion that whenever there was a contractual obligation and a certain sum by way of entertainment allowance, in order to develop business, was granted to the employees, then a certain part of it should be allowed as non-taxable entertainment allowance. We came to the conclusion after a good deal of discussion that those employees who used to get on 31st March 1955 entertainment allowance, then only to the extent of twenty per cent. of their pay or Rs. 7,500 maxi-

mum, should be allowed tax-free. It is possible that in many businesses, it is necessary, for encouraging trade to entertain certain persons....

SHRI B. C. GHOSE: In the future, what happens?

SHRI M. C. SHAH: In regard to entertainment by those employees at their home, no accounts can be kept. If it were possible to have those accounts, then we would have mentioned that accounts for entertainments outside may be kept, and that may have been allowed. Today also under the Income-tax Act certain allowances are admissible expenditure, certain *bona fide* expenditure incurred on entertainment is allowed..

MR. DEPUTY CHAIRMAN: That will do, Mr. Shah.

SHRI M. C. SHAH: In the future only those employees who used to get on 31st March 1955 will continue to get to that extent free of taxation.

SHRI B. C. GHOSE: Why?

SHRI M. C. SHAH: But all those who get henceforward will be liable to pay tax, because we want to do away with this, we want first to restrict the abuse. And we do not propose to allow this concession in future. If the employees who are employed henceforward are to be paid entertainment allowance, they will have to pay tax. Either they may raise their salary or if they want to give in the form of entertainment allowance, we have no objection, but they will be taxable. Slowly and slowly we want to eliminate this non-taxable allowance business and that is the only reason. If we do away with this just now, then we might be disturbing certain contractual obligations and perhaps there might be some disturbance. Therefore, we have given them a warning, rather to those who give entertainment allowance that henceforward for other employees there will be no tax-free entertainment allowance. They can give entertain-

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ment allowance if they like, but then they will have to pay tax as others pay tax on income.

MR. DEPUTY CHAIRMAN: Yes, that will do. Mr. Shah. Clauses 4 to 6. There are no amendments.

Clauses 4 to 6 were added to the Bill.

MR. DEPUTY CHAIRMAN: Clause 7. There is one amendment.

SHRI B. M. GUPTE: Sir, I beg to move:

1. "That at page 9, in clause 7, in the proposed sub-section (4) of section 9 of the Income-tax Act, 1922 (Act XI of 1922), for clause (b), the following be substituted, namely:

'(b) a member of a co-operative society to whom a building or a part of a building built by the society is allotted or leased under a house-building scheme of the society shall be deemed to be the owner of that building, or that part of the building, as the case may be'."

MR. DEPUTY CHAIRMAN: The clause and the amendment are open for discussion.

SHRI B. M. GUPTE: Sir, there is a Central Institute of non-official Co-operative Workers at Bombay, which has sent me this suggestion, because there is an apprehension that the intentions of the government may not be realised according to the wording, as it stands today. According to the present wording, this clause applies only in a case where a co-operative society transfers the entire building to a member. Then only this clause applies. But there are many co-operative societies which transfer only flats or blocks to their members, and not the entire buildings.

MR. DEPUTY CHAIRMAN: He has explained the intentions of the Government, and they will issue administrative instructions.

SHRI M. C. SHAH: Not only that, Sir, but when this matter was referred to us by some society, we had referred that matter to the Law Ministry, and the Law Ministry had advised that it was not necessary to amend the measure in the way in which my friend, Mr. Gupte, wants to do. Our intention is very clear. And as I have already stated, if there is any doubt, we will issue administrative instructions. When we promise some relief, there is no intention to take away that relief. Therefore, Sir, the amendment moved by my friend is not acceptable to me.

SHRI B. M. GUPTE: Sir, I beg leave to withdraw my amendment.

The *amendment was, by leave, withdrawn.

MR. DEPUTY CHAIRMAN: The question is:

"That clause 7 stand part of the Bill."

The motion was adopted.

Clause 7 was added to the Bill.

Clause 8 was added to the Bill.

MR. DEPUTY CHAIRMAN: Clause 9. Mr. Doshi is not here, Mr. Hegde?

SHRI K. S. HEGDE: In view of the assurances given, I do not want to move my amendment.

Clause 9 was added to the Bill.

MR. DEPUTY CHAIRMAN: Clause 10. There are two amendments.

SHRI B. M. GUPTE: Sir, I beg to move:

2. "That at page 12, in clause 10, in the proposed sub-section (3) of section 14 of the Income-tax Act, 1922 (Act XI of 1922), in clause (iv), for the words "the total income of such society" the words "the income of such society from these two sources" be substituted."

* For text of amendment see col. 6113 *supra*.

SHRI P. S. RAJAGOPAL NAIDU:
Sir, I beg to move:

7. "That at page 12, in clause 10, in clause (iv) of the proposed sub-section (3) of section 14 of the Income-tax Act, 1922 (Act XI of 1922), the words 'and the society is not a housing society or an urban consumers' society or a society carrying on transport business' be deleted."

MR. DEPUTY CHAIRMAN: The clause and the amendments are open for discussion.

SHRI P. S. RAJAGOPAL NAIDU: Sir, certain concessions are being granted with respect to the interest on securities chargeable under section 8 of the Income-tax Act, and also income from property chargeable under section 9 of the Income-tax Act. But those concessions are granted to almost all the societies excepting these three types of societies, namely, housing societies or urban consumers' societies or societies carrying on transport business. First of all, I would like to know, Sir, why this distinction is being made between a society and a society, and why any distinction should be made between a rural consumers' society and an urban consumers' society. I am at a loss to know, Sir, why these three types of societies are excluded from the purview of section 8 and section 9 of the Income-tax Act. If the hon. Minister can give us any reasons, I will be satisfied. Even the Taxation Enquiry Commission does not say anything as to why these three types of societies are excluded. I would therefore like to know the position from the hon. Minister.

SHRI B. M. GUPTE: Sir, if the total income is taken into consideration, then I am told that very few societies would be eligible. I therefore want that the limit of Rs. 20,000 should be confined only to interest on securities and the income from property. Unless that is done, we shall not be able to encourage the societies

to put their savings in securities. When we are raising National Plan Loans, it is desirable that we should encourage this habit. And therefore, Sir, it is necessary that the limit of Rs. 20,000 should be confined to these two sources only.

SHRI M. C. SHAH: Sir, I cannot accept the amendments suggested. The effect of the change now will merely be this. Up till now, the income of co-operative societies derived not from business, but from interest on securities and house properties, has not been exempt from tax. But in order to give encouragement to small societies, it has now been decided that other societies with an income of less than Rs. 20,000 will be exempt from tax, not only in respect of their own business income, but also in respect of the income derived from such interest and properties. Now, the housing societies, the urban consumers' societies and the societies carrying on transport business, will not be entitled to the benefit of this concession. In other words, Sir, these societies are not being put to any extra tax, but only they are not being given the new concession proposed for small rural societies. That is the only reason why we propose to go so far. And we do not want to go further than that.

SHRI P. S. RAJAGOPAL NAIDU: Sir, although I am not satisfied with his reply, I beg to withdraw my amendment.

The *amendment was, by leave, withdrawn.

SHRI B. M. GUPTE: Sir, I also beg to withdraw my amendment.

The *amendment was, by leave, withdrawn.

MR. DEPUTY CHAIRMAN: The question is:

That clause 10 stand part of the Bill.

The motion was adopted.

Clause 10 was added to the Bill.

*For texts of amendments see cols. 6115 and 6114 *supra* respectively.

Clauses 11 to 15 were added to the Bill.

MR. DEPUTY CHAIRMAN: Clause 16. There is one amendment.

SHRI C. P. PARIKH: Sir, I beg to move:

8. "That at pages 17-18, in sub-clause (1) of clause 16, in para. (ii), the words 'provided that the business, profession or vocation in which the loss was originally sustained continued to be carried on by him in that year' be deleted."

MR. DEPUTY CHAIRMAN: The clause and the amendment are now open for discussion.

SHRI C. P. PARIKH: Sir, the purport of my amendment is that the business loss should be allowed to be carried over, if the business was not existing in a particular year. That is the main thing. I think the last words in this sub-clause "provided that the business, profession or vocation in which the loss was originally sustained continued to be carried on by him in that year" should be dropped. It is no use taxing the losses and asking the companies or the individuals to pay income-tax and super-tax. That is my suggestion, Sir.

SHRI M. C. SHAH: Sir, we have gone far enough. And we cannot do anything more. Our provision is that the loss sustained by an assessee in a particular business can be carried forward and set off against the profits from any business in later years, only if the business in which the loss was sustained is continued by him in that year. It is a very clear provision. And, Sir, when we give concessions, they want still more concessions. How can we do that? I do not think there is any equity in asking for these concessions. There is no inequity in our provision. Generally speaking, the Income-tax Act is concerned only with the state of affairs of the assesseees in

the previous year. Our intention is to give this concession only in cases where losses arise in a business on account of market fluctuations. It is certainly not our intention to give this concession to an assessee to enable him to give up the old business and explore new channels of business. Therefore, Sir, the amendment moved is not acceptable to me.

SHRI C. P. PARIKH: Sir, I want to withdraw my amendment.

The *amendment was, by leave, withdrawn.

MR. DEPUTY CHAIRMAN: The question is:

"That clause 16 stand part of the Bill."

The motion was adopted.

Clause 16 was added to the Bill.

Clauses 17 to 30 were added to the Bill.

The first, second, third and fourth Schedules 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: Motion moved:

"That the Bill be returned."

4 P.M.

श्री कन्हैयालाल डी० वेंग (मध्य भारत) :
उपसभापति महोदय, मैं इस बिल का जहाँ समर्थन करता हूँ वहाँ इस तीसरी स्टैंज पर कुछ ऐसी बातें भी कहना चाहता हूँ जिन पर माननीय अर्थ मंत्री जी और हमारी सरकार का ध्यान देना चाहिये। इस वर्ष जिन बजट प्रस्तावों पर हमने इस सदन में चर्चा की थीं उनमें बहुत सी बातें उल्लेखनीय हैं जिनका

*For text of amendment see col. 6117 *supra*.

सम्बन्ध जनता से रहा है और जिनसे व्यापक रूप में मध्यम वर्ग और गरीब वर्ग के आदिमियों को बड़ा असंतोष भी पैदा हुआ है। हमारे दश में जनतंत्र की स्थापना के बाद दश की जनता हमारी सरकार से उस जन कल्याणकारी राज्य की स्थापना की अपेक्षा करती है जिसकी संविधान के अन्तर्गत व्यवस्था है। जिस प्रकार की नई नीति के अनुसार हम एक सोशलिस्टिक स्टेट की कल्पना करते हैं उसके अन्दर यह आवश्यक है कि हमारे दश की जनता का जीवन स्तर समान रूप से ऊंचा हो, उनका जीवन की आवश्यक वस्तुएं सस्ती और आसानी के साथ सुलभ हों और शिक्षण तथा जीवन की दूसरी सुविधाओं से सम्बन्ध रखने वाली चीजें उनको प्राप्त हों। किन्तु सरकार की टैक्सेशन पालिसी इस प्रकार की है जिस के अन्तर्गत जनता को जीवन की आवश्यक वस्तुएं आसानी के साथ सुलभ नहीं हो सकती हैं। आज हम देखते हैं कि कागज पर भी टैक्स लगाया गया है। गत वर्ष साबुन पर और जूते पर टैक्स लगाया गया था। इस प्रकार की स्थिति दश के अन्दर निर्माण की गई है जिस के द्वारा प्रत्येक व्यक्ति यह अनुभव करता है कि हम दिनों दिन टैक्सों के बोझ से दबे जा रहे हैं। टैक्सों की व्यवस्था के अन्तर्गत इस प्रकार की अर्थ नीति हमारे दश में चलती रही है जिसके कारण बड़े आदमी, पूंजीपति लोगों को इस प्रकार के साधन मिले हुए हैं जिनसे वे दश की गरीब जनता का शोषण आसानी के साथ कर सकते हैं और जिससे गरीब लोग और मध्यम वर्ग के लोग भुखमरी की अवस्था में पहुँच रहे हैं। हमारी गरीब जनता जो दहातों में रहती है, जिनका जीवन निर्वाह केवल कृषि के उत्पादन पर ही निर्भर रहता है, उनके द्वारा उत्पादित वस्तुओं के भाव इतने नीचे गिरते जा रहे हैं कि उनके लिए अपना जीवन निर्वाह करना बड़ा मुश्किल होता जा रहा है। सरकार की टैक्सेशन पालिसी के परिणामस्वरूप दहाती जनता की जो भी आवश्यक वस्तुएं हैं उनके भाव निरंतर बढ़ते ही चले जा रहे हैं। इसके परिणामस्वरूप दश के अन्दर एक विषम

स्थिति पैदा होती जा रही है। दश में इस प्रकार की स्थिति का निर्माण हो रहा है जो उसे असंतुलित और डीफिसिट फाइनेंसिंग पालिसी की ओर ले जा रहा है। इस बात को हमारे अर्थ मंत्री जी ने स्वयं ही इस बजट के अन्दर स्वीकार किया है। उन्होंने कुछ ऐसी बातें निर्धारित की थीं कि उन्हें अगर स्वीकार कर लिया जाता तो दश के काफी उद्योगधन्धे, छोटे छोटे उद्योगधन्धे जो हमारे दश के अन्दर चल रहे हैं, उन्हें विनाश की स्थिति का सामना करना पड़ता। जब उन का सामूहिक विरोध हुआ तब सरकार की ओर से बहुत से संशोधन किये गये। यह बात ठीक है कि उन्होंने कुछ ध्यान तो दिया और इसके लिए सरकार बधाई की पात्र है। किन्तु इस प्रस्ताव में कर की व्यवस्था द्वारा बजट के अंदर जिस प्रकार की स्थिति का निर्माण किया गया है और इनकम टैक्स की जो नई पद्धति रखी गई है वह एक प्रकार से विद्वशी पद्धति है जो इस दश में लागू की जा रही है। मैरीड और अनमैरीड के बीच जो भेदभाव रखा गया है वह वास्तव में विद्वशी प्रकार की हमारी नीति है, और उसके समर्थन में हम वहां की स्थिति का अपने दश की स्थिति से मुकाबला करते हैं। मैं माननीय मंत्री जी से निवेदन करूंगा कि वहां जिस नीति का अनुसरण होता है उसके कारण कोई आदमी नंगा, भूखा नहीं रहता, वहां यदि कोई आदमी भूखा या नंगा दृष्टि में आता है तो उसकी रोटी और कपड़े की व्यवस्था की जाती है। अगर वहां का प्राइम मिनिस्टर मक्खन और रोटी खा सकता है तो वह अपनी साधारण जनता के लिए भी उन वस्तुओं की व्यवस्था करता है और जनता को भी शाम को जाकर अपने रोटी और मक्खन की व्यवस्था प्राप्त करने का अधिकार है। हमारे यहां के जेलों के दरवाजे भूखे और बेकारों के लिए भी बंद रहते हैं। किन्तु हमारे यहां हजारों और लाखों आदमी बगैर कपड़े के नंगे और भूखे पटरियों पर पड़े रहते हैं क्योंकि उनके लिए रहने की व्यवस्था नहीं है। इस प्रकार की टैक्सेशन पालिसी निर्धारित करके आप उनके जीवन को

[श्री कन्हैयालाल डी० वेंच ।]

ऊँचा नहीं कर सकते हैं, और आपको इस बात को बड़ी गम्भीरतापूर्वक सोचना पड़ेगा कि आप जिस समाजवादी ढंग के स्टैंड की रचना करना चाहते हैं, वह कहां तक आपकी उस पालिसी से सफल हो सकती है। हमारी सरकार दश की पंचवर्षीय योजना पर लाखों करोड़ों रुपया खर्च कर रही है, किन्तु लालफीताशाही हमारे दहात के लोगों को और गरीब जनता को उपेक्षा के दरवाजे की ओर ले जा रही है। मैं कल ५० पी० के एक स्थान से हो कर आ रहा हूँ। वहां पिछड़े वर्ग के लोगों के लिए सरकार ने लाखों रुपये खर्च किये हैं और कर रही है। वहां के अधिकारियों के बंगलों को मैंने वहां देखा। सरकारी अधिकारियों के मकानों के अंदर मैंने यह देखा कि बैकवर्ड ट्राइब के लोगों के उपयोग के लिए जो साधन और रीडियो सेट आदि दिये गये हैं वे उनके घरों की शोभा बढ़ा रहे हैं और उनके बंगलों में मौजूद हैं। मेरे पूछने पर अधिकारियों ने कहा कि इन पिछड़े हुए लोगों को रीडियो और अन्य वस्तुओं से क्या लाभ हो सकता है। तो यह जो सरकार की नीति है, और यह जो लालफीताशाही मशीनरी है उसके द्वारा जो हम बड़ी बड़ी योजनाओं के लिए लाखों, करोड़ों रुपया यहां मंजूर करते हैं उनका एक प्रकार से बहुत दुरुपयोग होता है। इन कागजी योजनाओं के द्वारा हमको चाहे कितना ही बताया जाय कि हम ये ये करने जा रहे हैं लेकिन जब तक हम सारी स्थिति में परिवर्तन नहीं लाते तब तक न दश की स्थिति सुधर सकती है न जनता की हालत सुधर सकती है। इसलिए जहां मैं इन बजट के प्रस्तावों का समर्थन करता हूँ वहां मैं यह भी निवेदन करता हूँ कि सरकार अपनी अर्थ नीति में ऐसा परिवर्तन करे जिससे हम सच्चे अर्थों में कल्याणकारी राज्य की स्थापना कर सकें।

श्रीमती चन्द्रावती लखनपाल (उत्तर प्रदेश): माननीय उपसभापति महोदय, मुझे वास्तव में इस बात का खेद है कि जब इस सदन के अंदर बोलने के लिए मेरा नाम पुकारा गया उस समय

मैं यहां उपस्थित नहीं थी। इस असावगानी के होते हुए भी आपने इस समय मुझे फिर भी जो अवसर दिया है उसके लिए मैं आपका धन्यवाद देती हूँ।

श्रीमन्, अपने दश के अंदर आज अनेकों योजनाएं बनाई जा रही हैं, हर मंत्रालय में हर विभाग के अंदर नित्य नई योजनाएं बन रही हैं और उन योजनाओं के ऊपर करोड़ों रुपया स्वीकृत किया जा रहा है। दश को आगे बढ़ाने वाली इन योजनाओं पर जितना भी रुपया वित्त मंत्रालय द्वारा दिया जाय उतना ही थोड़ा है, लेकिन फिर भी हमें यह देखना है कि योजनाओं के जोश में हम कोई ऐसी योजना तो खड़ी नहीं कर रहे जिससे दश का कोई लाभ न हो और जिसके ऊपर करोड़ों रुपया खर्च हो जाने की सम्भावना हो। आज एक ऐसी ही योजना की ओर मैं आपका ध्यान आकर्षित करना चाहती हूँ जिसका दश के लिए तो कोई लाभ नहीं होगा, लेकिन जिसके ऊपर करोड़ों रुपये खर्च हो जाने की सम्भावना है। वह योजना शिक्षा मंत्रालय की योजना है, जिसको 'सेकेंडरी एजुकेशन रीआर्गनाइजेशन' की स्कीम के नाम से कहा जाता है। श्रीमन्, वैसे तो शिक्षा मंत्रालय अपने क्षेत्र में कई योजनाएं चला रहा है जिनमें से कई बड़ी सुंदर हैं जैसे कि बुनियादी शिक्षा की योजना है, मल्टी परपज स्कूल्स खोलने की योजना है, प्रारम्भिक शिक्षा के विषय की योजना है, ये योजनाएं प्रशंसनीय हैं, लेकिन शिक्षा के क्षेत्र में यह जो 'सेकेंडरी एजुकेशन रीआर्गनाइजेशन' की स्कीम चलाने का विचार है यह बिलकुल अनावश्यक, अनुपयोगी और बेकार सी योजना है। श्रीमन्, यह क्या योजना है? इसके माने यह है कि जो आज इंटरमीडिएट की श्रेणी है कक्षा ११ और १२, इसको तोड़ दिया जायगा और तोड़ने के बाद ११वीं श्रेणी को हाई स्कूल श्रेणी के साथ जोड़ दिया जायगा और १२वीं श्रेणी को बी० ए० के साथ जोड़ दिया जायगा। तो मेरी समझ में—और मेरी ही समझ में नहीं, कितने ही शिक्षाविदों की सम्मति में—यह स्कीम बिलकुल निकम्मी और अनुपयोगी है, दश की वर्तमान परिस्थितियों

में। श्रीमन्, मैं दो क्षणों के लिए आपका ध्यान 'सेकेंडरी एजुकेशन' का जो इतिहास है उसकी ओर आकर्षित करना चाहती हूँ। अब २५-३० साल पहले शिक्षा के क्षेत्र में यहाँ केवल दो यूनिट थे, एक हाई स्कूल का और दूसरा युनिवर्सिटी का। युनिवर्सिटी के अन्दर ही एफ० ए०, बी० ए० और एम० ए० थे, और इससे नीचे सब हाई स्कूल में थे। उस समय सेडलर कमीशन की नियुक्ति हुई और सेडलर कमीशन ने सिफारिश की कि इंटरमीडिएट क्लासेज का एक अलग यूनिट बनाया जाय। और इस सिफारिश को सार्व दश ने, दो या तीन प्रान्तों को छोड़ कर, मंजूर कर लिया और उसका नतीजा यह हुआ कि दश के अन्दर इंटरमीडिएट की एक अलग यूनिट बन गई। किन्तु, वह परीक्षण हाँ ही रहा था कि उत्तर प्रदेश में इंटरमीडियेट को हाई स्कूल के साथ मिला दिया गया और हायर सेकेंडरी स्कूल बनाये गये। ताँ, श्रीमन्, अभी वह परीक्षण पूरा भी नहीं हो पाया था कि अब हम सेकेंडरी एजुकेशन के रिआर्गनाइजेशन का प्रस्ताव फिर रख रहे हैं। मैं आज यह पूछना चाहती हूँ कि इस रद्दोबदल और उखाड़ पुखाड़ का क्या मतलब है और इस रद्दोबदल पर, इस परीक्षण पर, इस परिवर्तन पर जो सार्द सात करोड़ रुपया खर्च किया जा रहा है उससे क्या लाभ होगा? श्रीमन्, आप देखें कि इस परिवर्तन का क्या परिणाम होने वाला है। इसका मतलब यह होगा कि दश के अन्दर इस समय जितने भी इंटरमीडियेट कालेजेज हैं उन सब को या तो अपने यहाँ बी० ए० क्लास खोलना पड़ेगा या अपने यहाँ के बारहवीं क्लास को तोड़ना पड़ेगा। यही दो रास्ते उनके सामने होंगे। कोई भी इंटरमीडिएट कालेज आज इस अवस्था में नहीं है कि अपने यहाँ बी० ए० क्लासेज खोल सके क्योंकि बी० ए० क्लासेज के खोलने के लिये बड़ी कड़ी शर्तें हैं। उनके पास इतने लाख रुपये होने चाहियें, इतना एकोमोडेशन होना चाहिये और इतने साधन और मामूगियाँ होनी चाहियें। दश की एंसी बबस्था नहीं है कि हमारा इंटरमीडियेट

कालेजेज इस दशा में हों, अतः उनके सामने एक ही मार्ग होगा कि वे अपने यहाँ की बारहवीं श्रेणी को तोड़ दें। बारहवीं श्रेणी को तोड़ने के माने यह होंगे कि उनके जो टीचर्स हैं वे बिल्कुल बेकार हो जायेंगे और उनके पास इस समय जो एकोमोडेशन है वह भी बिल्कुल बेकार हो जायेगा। तो आप देखेंगे कि इस प्रकार से उनके एकोमोडेशन, उनके साधन और उनकी सामग्री का कितना अपव्यय होगा और वहाँ से जो टीचर्स हटेंगे वे बिल्कुल बेकार हो जायेंगे और दर दर ठोकरें खाते फिरेंगे। इस प्रकार से आप देखेंगे कि इस स्कीम के द्वारा सेकेंडरी एजुकेशन के क्षेत्र में आर्गेनाइजेशन के बजाय डिसआर्गेनाइजेशन हो जायेगा। कहा जाता है कि इसके कई फायदे हैं और एक फायदा यह बतलाया जाता है कि इससे समय बचेगा। मेरी समझ में यह नहीं आता है कि समय किस प्रकार से बचेगा। जो आर्ट स्टुडेंट्स हैं उनके लिये तो एक ही बात है कि ग्यारहवीं श्रेणी पास करने के बाद बी० ए० करें या इंटरमीडियेट पास करने के बाद बी० ए० करें, क्योंकि अब उन्हें दो साल के बजाय तीन साल लगेंगे। तो उसमें समय की कोई बचत नहीं होगी। अब रही टैक्निकल साइड में जाने वाले लड़के या लड़कियों की बात, सो उनके लिये भी समय की कोई बचत नहीं होगी। यदि ग्यारहवीं श्रेणी पास करने के बाद वे मेडिकल कालेज या इंजीनियरिंग कालेज में जायेंगे तो उन कालेजों में वे चल नहीं सकेंगे। आज ही यह हालत है कि बारहवीं श्रेणी पास करने के बाद जो इंजीनियरिंग कालेजेज में जाते हैं वे भी ठीक तरह से चल नहीं पाते हैं तो फिर जो विद्यार्थी ग्यारहवीं पास कर के जायेंगे उनके लिये तो टैक्निकल कालेजेज में चलना बिल्कुल असम्भव हो जायेगा। दूसरी बात यह कही जाती है कि परीक्षाएँ कम हो जायेंगी। परीक्षा सम्बन्ध में मैं यह कहना चाहती हूँ कि इसमें कोई संदेह नहीं है कि परीक्षा का जो सिस्टम है वह बिल्कुल बदलने के लायक है लेकिन हमारी समस्या यह नहीं है कि परीक्षाएँ हटें या बढ़ें, बल्कि समस्या यह है कि परीक्षा की

[श्रीमती चन्द्रावती लखनपाल ।]

प्रणाली को हम किस प्रकार से बदलें। दूसरी दृशों में 'क्रेडिट सिस्टम' 'इंटीलिजेंस टैस्ट' की बेसिस पर परीक्षाएँ होती हैं। तो हमें भी कुछ उसी तरीके से इस समस्या को हल करना पड़ेगा। (समय की घंटी)

मैं बहुत थोड़ा सा समय लूंगी। मैं केवल यही निवेदन करना चाहती हूँ कि आज जो यह परिवर्तन लाने की कोशिश की जा रही है उसके माने यह होगा कि सारी शिक्षा के क्षेत्र में एक उथल-पुथल मच जायेगी और आर्गेनाइजेशन के बजाय एक डिस्आर्गेनाइजेशन होगा। हमारी जो शक्तियाँ हैं उनका अपव्यय होगा, समय का अपव्यय होगा और बेकारी बढ़ेगी और शिक्षा का जो स्तर है, जो स्टैंडर्ड है वह भी बिल्कुल नीचा हो जायेगा। अभी ही हम अनुभव करते हैं कि शिक्षा का स्तर नीचे जा रहा है और जब हम १२ से ११ कर देंगे तो उसके और भी नीचे जाने की संभावना है।

तो, श्रीमन्, मैं यह कहना चाहती हूँ कि ऐसे परिदृष्टि पर, जिसकी उपयोगिता में शतप्रतिशत संदेह है, जो कि देखने में बिल्कुल बेकार सा लगता है उसके ऊपर आज शिक्षा मंत्रालय साढ़े सात करोड़ रुपया खर्च करने जा रहा है।

MR. DEPUTY CHAIRMAN: It is time.

श्रीमती चन्द्रावती लखनपाल : तो, श्रीमन्, मेरा यह कहना है कि इस प्रयोग को कार्य रूप में परिणत करने से पहले शिक्षा मंत्रालय को और वित्त मंत्रालय को इस पर फिर से गम्भीरतापूर्वक विचार करना चाहिये। इन शब्दों के साथ मैं इस बिल का समर्थन करती हूँ।

MR. DEPUTY CHAIRMAN: Have you any reply, Mr. Shah?

SHRI M. C. SHAH: No. I will only say that my friend Mr. Vaidya, while supporting the Finance Bill, complained about the taxation proposals and he said that there has been harassment. That is his usual complaint but

as a matter of fact we want to develop the country and if we want to develop we must spend crores of money. In the first Five Year Plan we wanted to spend more than Rs. 2,200 crores, in the next Plan we propose to spend about Rs. 5,500 crores. We want to raise the per capita income, we want to double it soon. We want to raise the standard of living. Naturally there should be some taxation. Without taxation all these things cannot be done. At the same time, my friend must have seen as to what are the taxations. As a matter of fact we have given so much concessions and really speaking we are just having more and more deficit financing. Therefore if you ask at one time for the condition of the masses to be improved, that the living standards must be improved and all these must be done and at the same time complain about the taxes, I don't think it will ever be possible to achieve our objectives. Therefore I would appeal to the hon. Members to realize this aspect of the question.

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill be returned."

The motion was adopted.

THE COMMANDERS-IN-CHIEF (CHANGE IN DESIGNATION) BILL, 1955

THE MINISTER FOR DEFENCE
(DR. K. N. KATJU): Mr. Deputy Chairman, I beg to move:

"That the Bill to amend certain enactments for the purpose of changing the designation of the Commanders-in-Chief of the Armed Forces, as passed by the Lok Sabha, be taken into consideration."

Sir, this is a purely formal measure. As the House knows, under the British administration, there used to be just one Commander-in-Chief and he was Commander-in-Chief for all sorts of