

Rise in income tax evasion

†3595. SHRI SHREEGOPAL VYAS: Will the Minister of FINANCE be pleased to state:

- (a) whether there has been a rise in evasion of income tax over the previous years;
- (b) if so, the details for the last three years; and
- (c) the steps taken by Government to check it?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM):

(a) There is no evidence to suggest that there has been a rise in evasion of income tax over the previous years. The increase in direct tax collection of over 6 times in the last ten years, i.e. FY 2001-02 to FY 2010-11, and growth of nearly 2 times in the Direct Tax to GDP ratio in the same period, from 3.03% to 5.66%, indicates better tax administration and improved tax compliance.

(b) and (c) Do not arise in view of reply to part (a).

Frequent rate hike by RBI

3596. PROF. P.J. KURIEN: Will the Minister of FINANCE be pleased to state:

- (a) the number of times the Reserve Bank of India (RBI) has hiked interest rates of various loans in the last two years;
- (b) the rationale behind increasing the rates of various loans frequently and how does it help to control inflation;
- (c) whether such increase in the rates does not mean increase in the EMIs of loans in case of existing borrowers;
- (d) whether such frequent increases in interest rates on existing loans creates huge burden on the borrowers, while it allows the lending banks to make substantial profits; and
- (e) the action proposed by Government to give relief to those borrowers who are suffering due to repeated rate hikes by RBI?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA):

(a) The Reserve Bank of India (RBI) has raised the policy rate (the repo rate) eleven times by a cumulative 325 basis points (bps) since October, 2009.

†Original notice of the question was received in Hindi.

(b) RBI has been increasing policy rates to contain inflation and inflationary expectation to prevent the economy from getting overheated.

(c) The increase in the Base Rates/Benchmark Prime Lending Rates (BPLRs) of banks, consequent upon increase in policy rate by the RBI, may result in increase in EMIs particularly in respect of loans which are contracted at floating rates.

(d) Taking cues from the monetary tightening by the Reserve Bank, banks have been increasing both their deposit and lending rates. While the borrowers pay high interest rates when the lending rates go up consequent upon hike of policy rates by RBI, the Scheduled Commercial Banks (SCBs) also raise their deposit rates which have increased in the range of 25-500 basis points (bps) since March 2010 across all maturities. Therefore, higher lending rates do not necessarily mean higher profit for banks.

(e) On an ongoing basis, Government has been providing interest subvention to certain sectors of the economy and sections of the society.

Levy of penalty on foreclosure of home loans

3597. SHRI R.C. SINGH: Will the Minister of FINANCE be pleased to state:

(a) the number of Public Sector Banks (PSBs) following the directive of the Ministry to not to levy a penalty of 2 per cent for foreclosure of home loan account;

(b) the definition of 'own funds' as per the directive;

(c) whether the Ministry will be in its capacity to also advise private and foreign banks to follow suit; and

(d) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA):

(a) Government, in May 2010, advised Public Sector Banks, Indian Banks' Association and National Housing Bank that no pre-payment charges may be levied by the lending institutions when the loan amount is paid by the borrowers out of their own funds; and if any pre-payment charges are to be imposed on housing loans, the same need to be reasonable and transparent and not out of line with the average cost of providing these services.