

- For providing exchange/deposit/withdrawal facility to people residing in remote/unbanked areas, banks have been advised to consider using mobile vans.
- Banks were advised to open accounts (in a camp mode) for Tea/coffee and other plantation workers, employees of Sugar cooperatives, dairy farms and such other worker groups with concentrated payment locations so that they may be better served in terms of deposit into accounts and withdrawal therefrom. In order to cope with the increased work load banks may consider hiring retired employees for a short period.
- Banks were advised to ensure that adequate allocation of banknotes are made for the rural branches, post offices and DCCBs, the banks are advised to involve the district co-ordinators (Lead District Managers) functioning under the aegis of the State Level Bankers' Committee (SLBC) in facilitating/planning distribution of currency from the currency chests.
- In order to minimize the inconvenience to the members of public transactions in Specified Bank Notes (SBNs) for certain purposes as mentioned in various GoI's notifications was permitted. Telephone Helpline was set up by Reserve Bank and Frequently Asked Questions (FAQs) were uploaded on RBI website for addressing queries and providing guidance to banks and members of public. Email ids and telephone numbers of the control room were published in media. The Government also set set up Telephone helpline for addressing queries and providing guidance to banks and members of public.

Committee on demonetisation

592. SHRI KAPIL SIBAL:

SHRI DEREK O'BRIEN:

Will the Minister of FINANCE be pleased to state:

- (a) whether it is a fact that Government ordered the Reserve Bank of India on November 7th, 2016 for demonetisation, if so, the details thereof;
- (b) whether Government constituted a committee which recommended demonetisation, if so, the details thereof and if not, the reasons therefor;
- (c) the details of rationale of Government to recommend demonetisation;
- (d) the details of eminent people/economists/officials the Government consulted before announcing demonetisation and details of the consultation process, if not, the reasons therefor; and
- (e) whether it is also a fact that demonetisation was decided by the Prime Minister, if so, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ARJUN RAM MEGHWAL): (a) and (b) No, Sir.

The matter was under discussion and consultation with RBI for several months preceding 8th November, 2016. The Government in a letter dated 7th November, 2016 requested RBI to consider cancellation of legal tender character of ₹ 500 and ₹ 1000 denomination with the objective to eliminate black money and to curb the infusion and circulation of Fake Indian Currency Notes (FICN). The Central Board of the Reserve Bank in its meeting held on November 8, 2016 deliberated in detail a proposal for withdrawal of legal tender status of banknotes in the denomination of ₹ 500 and ₹ 1000 of existing and any older series in circulation and after due examination, recommended withdrawal of legal tender status of such notes. The legal tender character of banknotes of the Specified Bank Notes in the denominations of ₹ 500 and ₹ 1000 in circulation as on the 8th November, 2016 was cancelled by the Central Government, on recommendation of the Central Board of RBI, with effect from the expiry of the 8th November, 2016 in exercise of the powers conferred by sub-section (2) of section 26 of the Reserve Bank of India Act, 1934 (2 of 1934), with the objective to eliminate black money and to curb the infusion and circulation of Fake Indian Currency Notes (FICN).

(c) and (d) A recent study by the Indian Statistical Institute in 2016, commissioned by Ministry of Home Affairs (MHA), has estimated a steady infusion of FICN into the economy. Reports have stated that the objective of infusing FICN into India is a combination of various factors that include destabilizing the Indian economy, funding terrorists with the proceeds of FICN trade and using existing FICN network for subversive activities such as espionage, smuggling of arms and other contrabands into India. These activities pose threat to the territorial integrity and financial stability of the country. The Special Investigation Team (SIT)'s fifth report mentions that large amount of unaccounted wealth is stored and used in form of cash and also there have been huge cash recoveries by law-enforcement agencies, from time to time.

The White Paper on Black Money by the Department of Revenue in 2012 mentions that cash has always been a facilitator of black money since transactions made in cash do not leave any audit trail. It also quotes the estimates made by the World Bank in July, 2010 wherein the size of the shadow economy for India has been estimated at 20.7% of GDP in 1999 and rising to 23.2% in 2007.

A parallel shadow economy corrodes and eats into the vitals of the country's economy. It generates inflation which adversely affects the poor and the middle classes more than others. It deprives Government of its legitimate revenues which could have been otherwise used for welfare and development activities. Black Money funds terror, terrorists and terrorist operations from within and across border of the country.

(e) The Central Board of the Reserve Bank in its meeting held on November 8, 2016 deliberated in detail a proposal for withdrawal of legal tender status of banknotes in the denomination of ₹ 500 and ₹ 1000 of existing and any older series in circulation and after due examination, recommended withdrawal of legal tender status of such notes. Based on the recommendations of the Central Board of Reserve Bank of India, the Central Government decided to cancel the legal tender character of ₹ 500 and ₹ 1000 note with effect from the expiry of 8th November, 2016.

Tax relaxation to the maturity value of NPS

593. SHRI T. G. VENKATESH:

SHRI DHARMAPURI SRINIVAS:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Government is contemplating on giving a tax relaxation to the maturity value of the amount deposited under National Pension System like PPF, if so, the details thereof;

(b) whether the SEBI has also recommended to this tax relaxation in the recently held FSDC meeting, the details thereof; and

(c) the stand of Government in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SANTOSH KUMAR GANGWAR): (a) The Finance Act, 2016 amended the Income-Tax Act, 1961 (the Act) to provide that 40% of the amount payable to the employee subscriber of NPS on his closure of account or his opting out of the scheme, shall be exempt from tax.

Further, Finance Bill, 2017 has proposed to amend the Act to provide exemption from tax at the time of partial withdrawal by an employee from National Pension System Trust in accordance with conditions specified under Pension Fund Regulatory and Development Authority Act, 2013 and regulations made there under, to the extent it does not exceed twenty five per cent of the contributions made by him.

(b) and (c) There was no such proposal from Securities and Exchange Board of India in the agenda of 16th Financial Stability Development Council meeting held on 5th January, 2017.

Containment of price-rise

594. SHRI DARSHAN SINGH YADAV: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the unbearable price-rise can be checked by curtailing taxes in the country;