

grievances and make them to carry on weaving as a dependable occupation for their livelihood.

(v) Need to computerise Employment Exchanges in the Country

SHRI PRITHVIRAJ D. CHAVAN (Karad) : Unemployment of the educated youth is the biggest challenge facing the country. While full employment is not possible without rapid industrialisation of the country, whatever few jobs that become available, the present state of Employment Exchanges, with their lack of transparency and delay causes great frustration along the youth. There is a need for urgent modernisation of these offices and opening of more offices, even in large tehsil headquarters. These offices must be completely computerised and all of them must be interconnected on the national informatics network. The staff must be increased and trained with career counselling skills.

I request the Union Government to look into the matter.

(vi) Need to sanction adequate funds for providing financial assistance to the drought affected people in Western Orissa

SHRI BHAKTA CHARAN DAS (Kalahandi) : Mr. Chairman, Sir, Kalahandi, Nuapara, Bolangir, Sonopore and Boudh districts of Western Orissa are facing continuous drought. As a result, farmers are migrating, selling their households and cattle lots for survival. Farmers have lost their capacity to go for the next kharif crop. Banks are not giving loans for seeds, fertilizers etc. The entire population of these drought-affected districts are suffering a lot without any means of survival. Government of India has seriously taken up the crop loss of Andhra Pradesh when the chronic cyclone damaged the coconut crop and adequate compensation was given to them. But the poor farmers of Orissa have not been given any assistance. Unless the farmers are given sufficient compensation for their crop loss and financial assistance for the next kharif crops, the lives of thousands of farmers and their families cannot be saved.

I request the Government to take up the matter of the hapless farmers of chronically drought affected districts of Western Orissa and direct the authorities to sanction sufficient funds for the purchase of seeds fertilizer and compensation for crop loss, etc., to the farmers.

(vii) Need to provide necessary assistance to West Bengal Government for conducting a fresh census of the Tigers in the Sunderbans Area

SHRI SANAT KUMAR MANDAL (Joynagar) : Mr. Chairman, Sir, Sunderbans in West Bengal is the abode of the legendary Royal Bengal Tiger. The West Bengal Government has expressed doubt about the latest tiger census in the Sunderbans and suggested introduction of 'more scientific methods' to derive the exact figures of the big cats in the Sunderban delta areas with the help of experts. The reconstituted Wildlife Advisory Board had observed that

even though the rate of poaching had dropped sharply in the State, vigil had to be maintained just as earlier. It had also called for conducting fresh tiger census in the Sunderbans, as also the elephant census, from this year. The Board also suggested that pragmatic steps be taken to check elephant depredations in North and South Bengal Corridors to save the paddy fields, houses and tea gardens from attacks of the pachyderms.

While fully supporting the observations of the Wildlife Advisory Board, I request the Central Government to provide some expertise and render necessary assistance, financial and technical, to the State Board to conduct a fresh census of the tigers in the Sunderbans area and check the elephant depredations.

15.24 hrs.

FINANCE BILL, 1997

[English]

MR. CHAIRMAN : The House shall now take up Finance Bill, 1997, Eight hours have been allotted for all the three stages of this Bill. If the House agrees, we may have five hours for general discussion, two hours for clause-by-clause consideration, and one hour for third reading. Do the Members agree with this?

SEVERAL HON. MEMBERS : Yes.

MR. CHAIRMAN : Shri Chidambaram.

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): I beg to move :

"That the Bill to give effect to the financial proposals of the Central Government for the financial year 1997-98, be taken into consideration."

Mr. Chairman Sir, a great deal has happened since the Budget for 1997-98 was presented in this House on February 28, 1997. The past is past. The economy beckons.

I appeal to the hon. members to look to the future with renewed vigour, confidence and hope.

The foundation of this Budget remains the Common Minimum Programme of the United Front Government and the broad objectives of this Budget are the same as for the United Front's first Budget presented in July, 1996. Among these are to accord priority to fiscal prudence, inflation control and macroeconomic stability, to ensure rapid growth of employment through broad-based expansion of agriculture, industry and services, to focus on the needs of the poor and ensure provision of basic minimum services under a time-bound programme, to promote higher savings and investment, especially, in infrastructure sectors, to devote special efforts towards promoting human development.

When this Budget was presented in Parliament 69 days ago, it gave a strong boost to confidence in the Indian economy both in India and abroad. In spite of a

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period of political uncertainty, there have been noteworthy economic gains over the past two months. Let me highlight some of these gains.

Foreign currency reserves have risen from US \$ 19.7 billion on February 28, 1997 to US \$ 22.7 billion on May 6, 1997, that is at the rate of over \$ 300 million per week.

The annual rate of inflation has declined from 7.78 per cent in the last week of February, 1997, prior to the Budget to 6.54 per cent in the week ending 19 April, 1997. Inflation has remained in single digit throughout the period of United Front Government and this week is the 106th week has remained so. The average inflation of 1996-97 was 6.3 per cent well below the average inflation of 7.6 per cent in the previous year.

The rupee has remained remarkably stable against the dollar, during the last nine months, the value has hovered around Rs. 35.80 to the dollar.

Open market prices to wheat were ruling at unusually high levels at an average of Rs. 730 per quintal (for dara) in the Delhi markets in February, 1997 have since come down to the range of Rs. 510-Rs. 525 per quintal in the first few days of May. Wheat procurement has also picked up and the Ministry of Food expects procurement to exceed last year's level of 8 million tonnes.

The news on food production is good and output in 1996-97 is estimated at a record 192 million tonnes.

On April 15, 1997, the Reserve Bank of India announced a path-breaking credit policy aimed at sweeping away bureaucratic bottlenecks to the growth of credit, reducing the segmentation between domestic credit and foreign exchange markets, reviving the bank rate as an instrument of policy and catalysing a reduction in interest rates something which is already happening.

Stock market prices, as reflected in the Sensex of Mumbai Stock Exchange remained at an average level of about 3450 in February, 1997. After the Budget was presented, the Sensex rose sharply, and despite political vicissitudes has remained at a fairly high level of 3700-3800 in the last two months.

In one area, industrial production, the date that has become available since the presentation of the Budget shows a sluggishness in industrial growth in the months of November and December, 1996. Overall industrial growth in the period April-December, 1996 was 8.3 per cent and the manufacturing sector grew at 10.1 per cent. Even so, our sights must be set higher. Industry can and should be growing at a rate of at least 12 per cent. The current slow down has sharpened the urgency to have the kind of pro-growth, pro-investment Budget that was presented on February 28, 1997. I am confident that this Budget, combined with the new Credit Policy, will provide the necessary stimulus and be just the right tonic to restore the momentum of industrial growth and expansion. I would urge industry to invest. This is the time to raise funds in the capital market, borrow banks and financial institutions to invest.

I assure this House that I shall keep investment trends in industry under constant review and would be prepared to take further steps if they are needed to boost investment.

The real constraints to the rapid growth of output and employment in our economy, today, are in key, highly regulated and underfunded infrastructure sectors of power, petroleum, telecommunications, roads and ports. I shall not recount a large number of initiatives taken by the UF Government in these sectors both before the Budget and in the budget itself. Suffice to us say, our Government is steadily but surely removing bottlenecks that have held back the inflow of investment and technology into sectors like oil, telecom, roads and ports. I do, however, wish to make special reference to the power sector.

The power sector fared poorly in the Eighth Plan period of 1992-97. Against a target of 30,538 M.W., the actual capacity addition was around 18,000 M.W. The Ninth Plan target for capacity addition is 38,000 M.W. Resource to meet this target have to be mobilised.

The Revised Estimate for Plan investment in the nine central public enterprises in the power sector in 1996-97 was Rs. 5,508 crore of which Rs. 2,068 crore was budgetary support. The 1997-98 plan outlay for these nine enterprises has been fixed at Rs. 6818 crore for which I had originally provided Budgetary support amounting to Rs. 2,320 crore.

After the presentation of Budget in February, I have had extensive discussions with Ministry of Power with a view to increase public investment in power. Based on these discussions, I am happy to announce two new initiatives that will increase the budgetary support for power in the 1997-98 central plan by about Rs. 900 crore.

First, an additional Rs. 700 crore will be provided during the course of the year as budgetary support for the central plan to quicken the pace of implementation of selected projects of the National Hydro Electric Corporation, The North East Power Corporation, The Tehri Power Corporation and the Damodar Valley Corporation.

Second, an additional, Rs. 200 crore will be provided as budgetary support in 1997-98 to the Power Finance Corporation for funding renovation and modernisation schemes of existing power plants run by State Electricity Boards.

These two initiatives that I am announcing today will expedite the Commissioning of about 6,000 M.W. of power generating capacity over the next two to three years.

Mr. Chairman, let me, now, say a word about the tax strategy of this Budget. The experience of the 1990s has clearly demonstrated that a strategy which combines lower tax rates with a wider tax base and more effective tax administration leads to good results in respect of both economic productivity any revenue collections. This Budget takes on more bold step in this direction. Our tax proposals

are also consciously aimed at making us competitive with the high performing Asian Economies.

But there is another side to a lower tax strategy that is often overlooked. It leaves more income in the hands of the people who have clearly demonstrated their capacity for high savings and wise investment decisions. I wish to remind the hon. Members that households in India are the best savers and their savings rate has averaged about 19 per cent of GDP in the Eighth Plan period.

Direct tax collections are only projected to increase in 1997-98 by about 15 per cent in line with anticipated growth of nominal GDP. Annual growth in each of the past three years has been higher. Nevertheless, I intend to pay close attention to revenue performance throughout the year and shall take all necessary measures to ensure that the Budget targets are met.

As the hon. Members are aware that over the years, the Budget Speech has become a vehicle for Government to announce certain policy initiatives; my Budget Speech was not an exception. Leaders of all political parties who met me have articulated their views on a number of policy questions, particularly, Budget Support for new investments in public sector enterprises, disinvestment as an instrument of public sector reforms, revival of sick industries, dereservation of the small scale sector and restructuring of the insurance sector.

These are matters on which I, as well as my colleagues – the Ministers concerned—will have an opportunity to state the Government's point of view during the debate as well as on other occasions. So far as new investments in the public sector enterprises are concerned, I may point out that in 1997-98, the Plan investment in public sector enterprises is estimated to be Rs. 63,309.52 crore. Out of this, Rs. 4,829.94 crore will be budget support as equity and Rs. 2,771.21 crore will be budget support as loans. These investments are large and we owe it to the people of India, whose money we either tax or borrow, that public sector enterprises show better returns on these investments.

As regards revival of sick industries, I have already assured the House that funds will be provided to revive all revivable sick industries where revival plans are approved by the BIFR and accepted by the Government. On disinvestment, the Government is carrying out the policy outlined in the Common Minimum Programme. On the insurance sector, a Bill to establish the Insurance Regulatory Authority as a statutory body will come up before the House and that will provide an occasion for a debate on the subject.

A coherent strategy has been evolved to widen the tax net. For this purpose, on the direct tax side I have already proposed amendment of Section 139 of the Income Tax Act so as to cast an obligation on those residents of large metropolitan cities who satisfy any two of the four specified economic criteria to file their income tax return.

The new Estimated Income Scheme for retail traders has also been proposed with the same objective in view.

The Voluntary Disclosure Scheme announced by me in my Budget speech is expected to bring in a number of new tax payers. I also intend to accelerate computerisation in the Income Tax Department and also tighten the enforcement of legal provisions.

On the indirect tax side, in my Budget proposals I had outlined a number of measures to widen the tax base and improve tax collections, which include legislative measures to charge excise duty on the basis of capacity of production in respect of goods prone to evasion of excise duty; provision for charging excise duty on the basis of retail sale price on select commodities which are subject to MRP; withdrawal of full exemption and imposition of nominal excise duty on a number of commodities; widening of the service tax levy by bringing in number of services under the tax net; and lowering of customs and excise duties on a number of commodities.

I am confident that the measures outlined above will result in growth of industry, improved tax compliance and increased revenues.

I also wish to assure the House of my resolve to see that nobody who should be inside the tax net would remain out of it.

In the last few days Sir, I had an extensive consultation and useful discussions with the major political parties. I am told that this is an innovation and it is my hope that post-budget consultation will not only become an accepted convention but will promote greater consensus in the budget-making process. The Congress-I, the parties of the Left Front and the BJP have, during the consultations supported many of my proposals. At any rate they did not oppose many proposals. They also made many valid suggestions. Many hon. Members have also met me and made useful suggestions. I am deeply grateful to all of them for fully involving themselves in the process of making a budget.

It is not surprising that some of the suggestions are common to all political parties. Naturally, I am more easily persuaded to accept such suggestions. I also acknowledge that each of the three Groups made some exclusive points. I am happy to state that I have been able to accept some of these suggestions as well. I wish I could have done more but I have to keep in mind the important interest of the revenue.

Sir, I now turn to the changes I propose in the clauses pertaining to direct taxes.

Clause 3 of the Bill, *inter alia*, proposes to withdraw the tax exemption on Income by way of lease rent paid by an operator of aircraft to a foreign enterprise. It is being represented that this will hit the airlines company badly including Indian Airlines and Air India particularly because the existing agreements between them and the foreign lessors have been made taking into account the said income tax exemption. I find merit in the grievance and, therefore, propose to withdraw the exemption only in respect of agreements entered into on or after 1.4.1997. As a measure of rationalisation, I also propose that there will not be a gross-

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ing up of income, that is, the tax paid on the lease money under agreements entered into on or after 1-4-1997 will be exempt from tax.

Clause 5 of the Bill proposes to allow weighted deduction on expenditure of capital nature incurred by a company on in-house scientific research. The intention was to allow such weighted deduction on capital as well as revenue expenditure. However, this was not correctly reflected in the Finance Bill. I, therefore, propose to rectify this and some other drafting errors.

Clause 6 of the Bill proposes to allow amortisation of expenditure incurred as fee for obtaining licences to operate telecommunication services. This benefit is allowed prospectively with effect from 1st April, 1998. However, representations have been received that the said benefit should be allowed with effect from 1st April, 1996 which is the beginning of the fiscal year when the first telecom licence was issued. There is merit in these representations. Hence I propose to change the date to 1st April, 1996

Clause 14 of the Bill proposes to introduce special provisions for computing profits and gains of a retail business on presumptive basis. It has been represented that profits of a firm should be computed after excluding salary and interest paid to partners in accordance with the limits laid down in Section 40(b) of the Income-tax Act. It has also been represented that the requirement of maintenance of accounts and audits thereof in the case of an assessee who does not offer income on presumptive basis is sufficient and there is no need for compulsory scrutiny by the Assessing Officer. After careful consideration, I accept both these demands and, accordingly, propose suitable amendments.

Clause 25 of the Bill which proposes amendments to Section 80-IA of the Income-tax Act requires a few further changes. I propose to give effect to the decision to allow tax holiday to production of mineral oil in North-Eastern States. For the purposes of tax holiday to hotels located in a hilly area or a rural area or a place of pilgrimage, I propose to change the date of commencement of business from 1st April 1998 to 1st April 1997.

Clause 30 of the bill proposes to amend Section 88(2) (xvi) of the Income-tax Act with a view to extending the benefit of additional tax rebate to investment in telecom sector as is available to other infrastructure sectors. It was represented that bonds and shares issued by public financial institutions should also be eligible for this benefit. The omission was unintentional and is being corrected now.

Clause 37 proposes to amend Section 115JA of Income-tax Act regarding Minimum Alternate Tax so as to exclude the profits derived from the export of goods or merchandise to which Section 80HHC applies from the purview of MAT. I propose to extend the exclusion to profits derived from export of software which are exempt under Section 80HHC of the Income-tax Act.

Clause 38 of the Bill which proposes to provide a mechanism for carry forward of MAT also requires certain clarificatory amendments which are proposed to be made.

Clause 40 of the Bill provides for levy of additional tax on distributed profits of domestic companies. Certain clarificatory amendments which are necessary are proposed to be made including an amendment to Section 32 of the Unit Trust of India Act, 1963 to omit Sub-Section (3) thereof.

Chapter IV of the Bill introduced the Voluntary Disclosure of Income and Wealth Scheme 1997. None of the political parties which met me opposed the scheme. The provisions of this scheme were considered in the light of suggestions received from various quarters and it has been decided that disclosure may be allowed only under the Income-tax Act 1961. It is, therefore, proposed to rename the scheme as 'Voluntary Disclosure of Income Scheme, 1997'

There will, however, be no liability for payment of wealth tax, if any, arising out of such disclosed income for the past period and any liability to wealth tax will be only prospective.

It is also proposed that in a case of disclosure of investment in jewellery made in a year earlier than the Assessment Year 1987-88, the market value of the jewellery may be taken as its value on 1st April, 1987 for the purpose of computation of the amount disclosed.

There are some other minor or consequential amendments which are self-explanatory and I shall not elaborate them.

In my budget proposals presented on 28th February, I had proposed reduction in the peak rate of customs duty from 50 per cent to 40 per cent. I had also proposed reduction in customs duty on chemicals and capital goods. In addition to these I had proposed some reduction in customs duty on coal and coke and on some other goods.

On the excise side, I had made several proposals to further rationalise the duty rates and widen the tax base. I had also proposed to introduce some new services into the tax net.

Many hon. Members have made very useful suggestions. I express my gratitude on this account. In deference to their wishes, I am inclined to make certain changes in my budget proposals relating to customs and excise.

Some representations have been received on the reduction of customs duty on capital goods. Capital goods attract the same rate of customs duty as project imports at the rate of 20 per cent plus two per cent. There will also be an additional duty of customs (popularly known as CVD) which will be equivalent to the excise duty on domestically produced capital goods. The only exceptions that have been made are in the following four sectors.

Firstly, fertiliser industry has been exempted from both customs duty and CVD since many years. I have not proposed any change in this regime in my budget proposals.

Secondly, the power generation sector will continue to attract 20 per cent duty in additions to the special customs duty of two per cent without the burden of CVD. I have made no change in this behalf also.

Thirdly, in my budget speech, I had proposed that refineries will be allowed to import capital goods during the 9th Plan period at a concessional duty on par with the fertiliser sector. In fact, what I have done is to allow zero per cent customs duty only in respect of those capital goods for refineries which are not generally produced within the country. Further, this benefit will be confined only to the 9th Plan period. As regards domestic producers supplying capital goods for refinery projects, they will have the benefit of deemed export status.

Fourthly, in the telecom sector, in respect of capital goods not produced within the country, there will be customs duty of 20 per cent plus two per cent special customs duty, but they will be exempted from CVD for a period of two years. It will thus be seen that no major change has been made in the taxation on the capital goods sector.

On the demand of domestic manufacturers of machine tools I propose to reduce the customs duty on CNC systems from 30 per cent to 20 per cent.

Catalytic converters and their parts are charged to a nominal duty of five per cent on their import, I propose to extend this concessional rate to specified raw materials required for manufacture of catalytic converters or their parts in India.

I propose to reduce the customs duty on ferro nickel from 20 per cent in order to provide further relief to the steel industry.

I also propose to reduce the customs duty in a few more cases in response to the demands of user industries. I propose to reduce the duty on litharge, a material used for producing glass shells and parts for Colour Picture Tubes, from 20 per cent to 10 per cent.

I propose to reduce the basic customs duty on Epichlorohydrin from 30 per cent to 20 per cent, on carbon black feed stock from 30 per cent to 20 per cent and on specified raw materials for the manufacture of medical syringes and needles to 10 per cent.

I propose to withdraw the exemption from additional duty of customs on plastic bags used for preserving blood and its components in order to provide a level playing field for the domestic producers. I also propose to exclude sewing needles from the list of goods entitled to be imported at concessional duty by the leather industry because of the indigenous angle.

In my Budget proposals I had proposed to charge customs duty on almonds on *ad-valorem* basis. I am informed that this may lead to problems of valuation and avoidance of tax. I propose to revert to specific duty on almonds. Almonds in shell would be subjected to customs duty at the rate of Rs. 55 per kg and shelled almonds will be subject to customs duty at Rs. 100 per kg.

Hon. Members will be happy to know that I am persuaded to withdraw the excise duty on umbrellas.

SHRI A.C. JOS : That is for Kerala.

SHRI P. CHIDAMBARAM : And Bengal also.

I also propose to exempt roofing tiles from excise duty.

SHRI A.C. JOS : It is also correct.

SHRI P. CHIDAMBARAM : I propose to reduce the excise duty on silicon from 13 per cent to 8 per cent and also to withdraw the exemption from additional duty of customs on import of this item.

I propose to reduce the excise duty on fruit juice based non-alcoholic beverages from 18 per cent to 8 per cent. However, with a view to rationalise the duty I propose to charge fruit pulp based non-alcoholic beverages also to duty at the rate of 8 per cent. Both will have the same rate of duty.

There is some apprehension arising out of levy of 8 per cent excise duty on preparations of vegetables, fruits, nuts etc. The general SSI exemption upto Rs. 30 lakh will take care of small manufacturers. Modvat facility will also be available. Hence, the net incidence to duty will be extremely small. Besides, by notification, made some time ago, soya products, *papad*, *namkeen* such as *bhujia* and *chabena* and a variety of mixes like *idli*, *vada*, *dosa*, *jalebi* and *gulab jamun* mixes as well as all sweetmeats and snacks are already exempt. Hence, there need be no apprehension on this account.

Aluminium circles meant for producing utensils have for many years been charged to excise duty. In the current Budget, I raised it to Rs. 2,500 per metric tonne. Aluminium circles for other purposes have also been charged to excise duty for some year at an *ad-valorem* rate of 15 per cent. I have received many representations that this dual structure creates practical problems for small producers of aluminium circles. Hence I propose to charge all aluminium circles to a uniform rate of Rs. 2,500 per metric tonne. I also propose to introduce a scheme of compounded levy for producers of aluminium circles. The details are being worked out.

In my Budget proposals I had withdrawn the benefit of small scale exemption for producers of pile fabrics. I propose to restore the benefit of this exemption to unprocessed corduroy cotton fabrics. This would benefit a large number of small scale loom owners producing such fabrics.

I propose to further reduce the excise duty on synthetic sewing thread from 18 per cent to 15 per cent.

I also propose to reduce the excise duty on switches, plugs etc. from 18 per cent if they are made by hand-operated moulded machines.

In my Budget proposals I had reduced the excise duty on sanitary towels, napkins for babies and similar sanitary articles to 13 per cent. I propose to further reduce the duty on these goods to 8 per cent.

[Shri P. Chidambaram]

I propose to reduce the duty on matches produced in the mechanised sector from Rs. 3 to Rs. 2.70 per hundred boxes of fifty matches each, responding to respected Shri Jyoti Basu.

Many hon. Members have represented to me about increased effect in the excise duty on tread rubber. I propose to restore the excise duty on tread rubber produced by small producers to the pre-Budget level of 15 per cent. The special scheme applicable to them since 1995 will continue to be in force.

PROF. P.J. KURIEN (Mavelikara) : What about reduction of excise duty on foams made of natural rubber?(Interruptions)

SHRI P. CHIDAMBARAM : There is a special scheme of 150 thousand. That scheme continues.....(Interruptions) I am coming to it.

Some hon. Members have suggested that more fiscal incentive be provided for the use of non-conventional raw materials in the manufacture of paper and paperboard. I propose to allow the benefit of the concessional rate of five per cent duty on the use of non-conventional raw materials upto 15,000 metric tonnes in a financial year as against the existing limit of 10,000 metric tonnes.....(Interruptions) All small and medium paper mills will be covered under this limit.

I also propose to exempt cruise ships, boats, cargo ships, etc. from excise duty. This will include wooden vessels, fishing boats etc.

Some hon. Members have expressed apprehensions about the simplified scheme of excise duty for the SSI units which I had announced in the budget. Just to put things in perspective, I wish to say that out of more than 27 lakh registered SSI units, only about 47,000 are under the excise net. I believe that the scheme announced by me is simple and relieves the SSI units of cumbersome excise procedures and formalities. However, it has been represented to me that the pre-budget facility of availing Modvat and paying concessional excise duty should also be available to the SSI units as an option. I may point out that, hitherto, there were two schemes and I am told that more than 25000 units availed one of the schemes and the remaining availed of the other scheme. It is, therefore, not possible at this stage to announce a scheme which would be the sole alternative scheme to the one announced by me in the budget speech. However, after consultation with the SSI sector, I shall, in due course, notify an alternative scheme for the SSI sector under which the SSI units will be eligible to avail of Modvat even while paying concessional excise duty. For the present, the scheme announced by me and which came into force from 1st April, 1997 will continue to operate.

The House may recall that I had made some modifications in the customs and excise duty structure on petroleum products in my last budget. This included increase

in excise duty from 10 per cent to 15 per cent on some petroleum products which are subjected to administered price regime and which are included in the Modvat scheme. At the same time, I had announced that there will be no change in the prices of administered petroleum products as a result of these modifications. In order to achieve this objective, the increased amount of duty is being borne by the oil pool account. However, I am informed that some users of Modvatable petroleum products are taking Modvat credit at the rate of 15 per cent though the incidence of excise duty passed on to them was not increased. Logically the users should be allowed credit only to the extent of 10 per cent *advalorem* duty. I have accordingly amended the Modvat Rules by a notification No. GSR 240 (E) issued on 3rd May, 1997. I propose to move an official amendment in the Finance Bill to give retrospective effect to this notification from the 23rd July, 1996.

Many hon. Members and industry associations have expressed some apprehensions about the service tax. It is true that a number of new services have been brought under the service tax net. This is, as it ought to be, given the fact that 42 per cent of our GDP is from the services sector. However, it is not my intention to levy the tax immediately upon the Finance Bill becoming law. In each case, an opportunity will be given to the industry concerned to make their representation about the manner in which the tax will be collected and exemptions, if any, which deserve to be granted. Thereafter, rules will be made. Upon the rules being made, the tax will be levied from a prospective date. Hence there need not be any undue apprehension at this stage.

The changes proposed above in respect of customs and excise duties involve a net loss of revenue to about Rs. 55 crore on the customs side and Rs. 56 crore on the excise side in a full year.

Copies of the notifications relating to excise and customs duty changes will be laid on the Table of the House in due course.

PROF. P.J. KURIEN : There is no buyer for the rubber milk which we produce and the latex which we produce...(Interruptions).

MR. CHAIRMAN : Debate will take place. Please take your seat. Let him complete his speech. You can raise all these issues during the debate. How can you force him?

.....(Interruptions)

SHRI P. CHIDAMBARAM : You participate in the debate.

MR. CHAIRMAN : You make all these points during the debate. Please take your seat.

.....(Interruptions)

PROF. P.J. KURIEN : At least he should say that he will consider it sympathetically.

SHRI P. CHIDAMBARAM : Sir, I am happy to make two announcements at the instance of the hon. Prime Minister.

The upkeep of the National Memorial at Jalianwala Bagh and its further development and maintenance require funds. The hon. Prime Minister has announced a grant of Rs. 2.50 crore to the Jalianwala Bagh National Memorial Trust Amritsar.

Secondly, beginning August 15, 1997, we will celebrate the 50th anniversary of Independence. Khadi enjoys a normal rebate and a special rebate during certain short periods in a year. However, to commemorate the 50th anniversary, Khadi will enjoy a special rebate of 15 per cent during the whole year from 15th August, 1997 to 14th August, 1998.

16.00 hrs.

With these words, I commend the Finance Bill, 1997 to the House and I request the hon. Member to give their whole-hearted support to it.

MR. CHAIRMAN : Motion moved :

"That the Bill to give effect to the financial proposal of the Central Government for the financial year 1997-98 be taken into consideration."

MR. CHAIRMAN : Dr. Murli Manohar Joshi.

PROF. P.J. KURIEN : Mr. Chairman, Sir, it is the demand of 10 lakhs of rubber growers in Kerala, all of whom are marginal farmers, that the excise duty on foams made of natural rubber should be reduced.

[Translation]

MR. CHAIRMAN : You raise your point during debate.

[English]

SHRI K.P. SINGH DEO (Dhenkanal) : Mr. Chairman, Sir, the Finance Minister has not mentioned anything about the Ex-Servicemen and the Gallantry Award winners who fought in the Kashmir War of 1947. He had made a categorical assurance.

PROF. P.J. KURIEN : Sir, he should please listen to us and do something for us.

SHRI K.P. SINGH DEO : Sir, this is the 50th year of Independence and we do not want to honour our Ex-Servicemen and the Gallantry Award winners who perished for this country. The Finance Minister had made a categorical assurance.

[Translation]

MR. CHAIRMAN : Now only Shri Joshi's speech will go on record. You can make all these points during the debate. This is not the way. The debate has started. This is not one-to-one discussion where you will ask something and he will reply to it. This is not Question Hour.

PROF. P.J. KURIEN : Sir, where do I go? I have met the Finance Minister umpteen times. I have met him at least

four or five times and I have explained to him. It is the demand of 10 lakhs of rubber growers. The import duty on artificially made foams is reduced every year and when the foams are made of natural rubber by our farmers there is no excise duty reduction for that. Therefore, we cannot compete with them. There is no buyer for the rubber milk which we produce and there is no buyer for the latex which we produce.

SHRI P. CHIDAMBARAM : Sir, is this the way the debate will take place? Thousands of representations come.

PROF. P.J. KURIEN : Where do I say all this? I met him three or four times.

MR. CHAIRMAN : Anyway, please take your seat now.

PROF. P.J. KURIEN : Sir, I cannot go to my constituency. There are more than a lakh of rubber growers in my constituency and there are 10 lakhs of them in Kerala.

MR. CHAIRMAN : You have some complaints against the Finance Minister and you are obstructing Dr. Joshi.

PROF. P.J. KURIEN : Sir, I protest against this attitude. By this way he is helping big industrialists. He is helping Reliance Industries because they are importing polyurethane which is competing with natural rubber. I charge this Finance Minister. I have met him three or four times. I explained everything to him. Why has he made so much announcement? I charge him. He is siding with big industrialists. He has no consideration for rubber growers.

MR. CHAIRMAN : You cannot go on like this.

PROF. P.J. KURIEN : I walk out in protest.

16.02 hrs.

[Prof. P.J. Kurien then left the House]

[Translation]

MR. CHAIRMAN : Please take your seat. You can raise these points during your speech.

SHRI K.P. SINGH DEO : I would not get chance for speech because there are 14 speakers from my party. Therefore I won't speak. Sir he had made a categorical assurance.

[English]

SHRI P. CHIDAMBARAM : You speak in the debate.

SHRI K.P. SINGH DEO : I hope you will reply.

SHRI P. CHIDAMBARAM : You are different from Prof. Kurien.

[Translation]

DR. MURLI MANOHAR JOSHI (Allahabad) : Mr. Chairman, I listened to Finance Minister's speech very carefully.

16.03 hrs.

[Col. Rao Ram Singh in the Chair]

I also listened to the announcements which he made about his Budget provisions and after that I also listened to

[Dr. Murlī Monahar Joshi]

some amendments in finance bill and some relaxations but 6, 7 points which he mentioned in beginning, surprised me that this finance bill supports basic concept of the Common Minimum Programme of the United Front. The full consideration has been given in it to fiscal prudence inflation control, employment, generation, improvement in agriculture, poverty alleviation savings, human development etc. But after going through the whole finance bill and provisions of the budget, I feel that nothing is going to be implemented in this finance bill. Any Finance Bill realizes the provisions of the budget and decides the economy and economic management and tells how we use national resources and revenue of the country. Main thing is in whose interest we will use all these. We should come to know by this Finance Bill that from whom we will collect revenue and for which areas of the society and nations we will use it.

But I feel very sorry to know that it is very clear by this finance bill that it is not in favour of Indian industries. Instead of giving encouragement to small industries it exploits them and hurts them seriously. We have observed just now that how workers working in rubber industry under small scale industries of Kerala are facing difficulties. This is the proof of it that this Finance bill is not only discouraging the small and cottage industries but also hunting their interests

[English]

SHRI P. CHIDAMBARAM : Please do not adopt Prof. Kurien's argument without knowing the facts. I could have answered him. But out of politeness I did not answer him.

DR. MURLI MONOHAR JOSHI : I am not adopting his arguments. I am just referring to what he was saying.

SHRI P. CHIDAMBARAM : It is not as though I do not have an answer to what he says. I have answered him personally. I have invited him to meet with the Member (Customs) and Member (Budget). The file is being shown to him contrary to normal rules of the Government. Yet if Prof. Kurien does not understand the basic facts, there is nothing I can do to help him. He will call me at midnight, he will call me at 5.00 in the morning for pressing a case. I could easily charge him with being a lobbyist for an industry, but I do not want to charge him for that.

MR. CHAIRMAN : So, in all fairness, I think, you should have said that when he was present.

SHRI P. CHIDAMBARAM : I did not want to say but Shri Joshi is adopting his argument and saying that we have done something to hurt him.

DR. MURLI MANOHAR JOSHI : I am not saying that.

SHRI P. CHIDAMBARAM : I do not want to charge him with anything. The point I am trying to make is, let him participate in the debate and I will answer the debate. What is the point in using abusive language at me.

(Translation)

DR. MURLI MANOHAR JOSHI : But I will give you some more examples which will prove that this Finance Bill

is not in favour of small and cottage industries. Indian Industries and entrepreneurs. The provisions of this Finance Bill neither increase the job opportunities nor they help in generating employment. It also does not give any encouragement to agriculture and the most important thing is that this Finance Bill and budget do not have any practical and beneficial provision for 36 percent people living below the poverty line. This Finance Bill does not contain any concrete measures about downtrodden, exploited, unemployed persons and villages where there is no development, where faces of the people are covered with wrinkles and there is no hope in their eyes. In a manner, this finance bill is import friendly it encourages the imports and it may be beneficial for some of the major industries and their products but it seems that it is providing a Divine opportunity for the foreign producers and further it is the golden opportunity because when our minister of Finance invites the foreign investors then he generally tells them "You come to India, here is the profit, here is the market, you are welcome here and do your business here". This finance bill does not represent India as a human society, a cultural society, an ancient nation but it represents it as a market for modern foreign producers. This country has to think over it. This country seriously as to how far this philosophy and attitude of a Finance Bill by basic Character of a country into a market unit instead of converting it into a nation or a cultural unit is correct. I think that finance bill and budget should be prepared in accordance with the original ideology of a nation I have to say with regret and disappointment that it is not in accordance with the main stream national character national expectations and original philosophy of India and the point which is of great importance is that it is not in consonance with the common minimum programme also.

You had stated in your speech that you have been successful in containing the budget deficit last time upto 4.5 percent. But tis is an illusion the original deficit is much Rajhen that that of 4.5 per cent. You might remember that in the last budget you had allocated Rs. 5,000 crores to meet the increase in salaries made as per recommendation of the pay commission. It is approximately 0.5 percent of G.D.P. You have saved Rs. 9,500 crores in respect of expenditure in this way, approximately Rs. 10,000 crores have been saved. I myself and my friend Shri Nirmal Kanti Chatterjee is sitting here, in conversation with several ministers on these issues we have asked that what is the meaning of these savings. In C.A.G's report there are several paragraphs indicating that there has been savings in the several ministries. Now when I look at these things seriously then I find that you have not spent funds or spent less funds as per the budget estimates of 1996-97 in respect of fertilizers, education, petroleum, rural development, rural employment and water resources and atomic energy, Rs. 2171 crores are spent on fertilizers instead of Rs. 2610 crores Rs. 2574 crores are spent on education insped of Rs. 3888 crores. Rs. 11403 crores are spent on petroleum instead of Rs. 13526 crores, There was an estimate of Rs. 6790 crores for power and Rs.. 1798 crores are spent. There was a provision of Rs. 6437 Crores for rural employment but only Rs. 5977 are spent. There was a provision of Rs. 1267 crores for water resources but only Rs. 831 crores

are spent. There was a provision of Rs.1130 crores for atomic energy; you have spent Rs. 1064 crores. In this way you can see that you have saved approximately Rs. 10,000 crore in total. From your estimated expenditure of rupees 87 thousand crore you have saved 10 thousand crore rupees and you can see that it is 0.9 per cent of the GDP. If we add the 0.9 percent and 0.5 percent then deficit of 1.4 percent was not shown at that time. There was five percent deficit last year, if you add this then there was a budgetary deficit of 6.4 percent not 4.5 percent.

You should put forth the budgetary figures properly and explain the country as to why the budget estimate, the provisions made in the budget, are not spent. Many a times it appears to me that you deliberately show higher allocation in the budget and then you spent less and you tell the world that we have made savings, we have reduced the budgetary deficit. Your method of controlling budgetary deficit and reducing budgetary losses is not in accordance with any financial principles. You can show the world bank or I.M.F with the help of heavy network of figures that you have reduced the deficit. But the reality is that if you spent less on rural employment, if you spent less in power sector, if you spent less than one third on education then you tell me as to how you are helping the nation's development and how you are correcting the losses. It is very disgraceful that government is spending less on all those programmes which are meant for poverty alleviation, national development, power generation making the people literate, which provide employment to the rural people and then you people say that we have reduced the budget deficit. I think that this type of approach is a mockery with the people. This is mockery with the normal development of the country. This is mockery with the aim and philosophy of the country. An improbable thing is being explained and it is being explained to the whole country that our budget deficit is less because we have reduced the expenditure on certain items

You have talked inflation. I am unable to understand that how you are going to contain the inflation. You have kept Rs. 16,000 crore for monetarisation in this year's budget. It means that you are going to print currency notes of Rs. 16,000 crore. Now a days you are talking about oil pool deficit, it is also of the size of Rs. 20,000 crore. When ever these prices will be hiked, what may be it's magnitude this is an issue of concern for every citizen of this country. Will the economy of this country be able to endure an inflation of the order of Rs. 36,00 or 40,000. We are repeatedly being informed that our inflation rate is reduced. How do you determine this inflation rate? When we go to the market to purchase anything then we find costlier. On the basis of certain items for which you have liked the weightage for the purpose of calculating wholesale price index, you claim that index of inflation has come down but when the prices of wheat increases, when the price of sugar increases, when the price of cloth increases, when the charges for electricity increases, and the budget of the common man is disturbed, when the government itself provide it's employees every year, after certain months and increase in the dearness allowance then I am unable to understand that where you are checking the inflation. For correcting the

index of inflation primarily it's weightage should be corrected. It should be known to all that how you are going to determine the inflation, what are the norms, the items and the rate of their consumption taken into consideration while determine inflation. What would be the part of food products in that, what would be the part of manufactured goods. Every Indian do not purchase motor cars, scooters and such other things on the basis of which wholesale price index is determined.

Inflation has no meaning. Unless you determine the rate of inflation with the common needs of poor people which are required for the sustenance of their life. I understand that the rate of inflation is not around 7 to 8 percent, as you quote, but in practice it is not less than 10 to 12 percent.

Now you have provided facility for the import of large amount of foreign exchange in the country. Further you have provided facilities for the port folio investment upto 30 percent instead of 24 percent. And as I remember you have allowed foreign investment in the instruments of government debt, now they can trade in this sector also. In the foreign operators that they can occupy the major important sectors of country's economy. Before, that I would like to ask you that you have estimated that approximately 19 billion dollars of foreign exchange is to be invested in the country. External commercial borrowings are of approximately six billion dollars, foreign direct investment is of approximately four billion dollars, in voluntary disclosure scheme you have estimated that approximately two billion dollars of money is likely to be collected and approximately seven billion dollars are likely to be collected in portfolio investment. If this much of money, 19-20 billion dollar would come to India then is it possible for the Indian economy to absorb this in a normal way and operate.

At present in this situation I can see that foreigners are occupying major important sectors of industrial and financial activities. The whole automobile industry now exist in their possession and till now the spare parts, which were manufactured by the workers of our country, the way in which you have reduced the custom duties, now the complete range of spare parts will be imported because it will be cheaper than the indigenous ones. Nobody will manufacture them in India. All types of motor cars are being manufactured by the foreign companies. Major manufacturing is being carried out with the foreign spare parts and the only small amount of spare parts which used to be manufactured here, you have stopped that also and the entire automobile industry is now in the hands of foreign companies. Information sector is also going into their hands and on the total network of cellular Phones and telephones, they are strengthening their hold and if these instruments of foreign debts, the instruments of government debts once gone into their hands then it seems that you have made every arrangements, with these finance bill and with this budget, to hand over economy if this country into the hands of foreigners. I am unable to understand that whether you are handling the finance ministry as the representatives of indians or as the representatives of foreign producers.

[Dr. Murl Manohar Joshi]

I am unable to understand that whether our friend Nirmal Chatterjee is supporting it or opposing it? Whether he is supporting the supremacy of foreign capitalists on the Indian economy? Whether he is supporting these budgetary provisions? I would like to ask the every supporting party, I would like to ask my friends in Janata Dal, they were my good friends in the Rajya Sabha, they used to protest these provisions and at present such people are sitting in the Cabinet, who were used to oppose these provisions till the last year. I do not know that how they have become helpless. Would you prefer to invite the foreign capitalists in the country to keep the Bhartiya Janata Party out of power, whether this is your approach? Whether the Janata Dal's approach is that the complete economy of the country may go into the hand of foreigners but the Bhartiya Janata Party should be kept out of power whether you think in this way.....(interruption) Ram Kripal ji, these are very serious issues, so you please do not interrupt(Interruptions) These are not the issues relating to providing duplicate licence or helping in getting duplicate licences in the villages of Patna. These are very serious issues, so please listen and understand.

SHRI RAM KRIPAL YADAV (Patna) : Whether duplicate licenses are issued in Patna? Why are you giving wrong information, why are you misleading the House?

SHRI RAM NAIK (Mumbai-North) : But not importing fodder.....(Interruptions)

DR. MURLI MANOHAR JOSHI : Please sit down. Hon. Finance Minister, you have said so many things regarding the alleviation of poverty. The provisions for the alleviation of poverty in the budget are of Rs. 9096 crores.

There are 36 crore poor people in the country so in this way Rs. 253 per person per year is spent on the alleviation of poverty. It means that provision of 10 paise per day per person is made in this budget for the alleviation of poverty. You have provided not even a rupee. How can you alleviate a person's poverty with 70 paise?

I have very keenly studied the poverty alleviation projects. It's report will come before the Parliament very soon. Therefore I will not discuss that in detail. But if you study the paragraphs of Comptroller and Auditor General's report then you will find that these poverty alleviation projects are going into the hands of some special officers, some special contractors and in the hands of some special public representatives, these projects are not benefitting the poor.....(Interruptions) 60 paise may go or even 65 paise may go.

I have seen in many States that there is no muster role for poverty alleviation plans, there is no specification, there is no identification, that who is poor person and who should be benefitted with that. There are such states where we have asked the officers as to whether this muster role as correct then they had replied that that was not correct. You will be surprised to know this, they have provided us the figures that if the minimum wage is Rs. 25 and Rs. 500

lacs were allocated simply by dividing Rs. 5.00 lacs by 25 they declare the number of man days created. When the Comptroller and Auditor General inspected, then it was found that even one third of that result was not achieved. False figures are given.

[English]

The figures have been fudged.

[Translation]

In this way national figures are shown. We have inspected several places and found that not even a single man day has been created there. The persons shown in the muster roll were not present there. Therefore, the way in which you are implementing this and what you have stated in your common minimum programme about the alleviation of poverty, on the basis of that we can say that you should review all those projects. It should be ensured that these projects be conducted in a right manner, they reach the common man, the common man gets benefit therefrom. What is going on in Nirmal DG's State in regard to these projects, it must be reviewed. except one or two States there is no such state where proper attention is given toward these aspects. Therefore the targets are not achieved, to which you have given main importance in your common minimum programme.

You say that attention is being given on agriculture. Agricultural production is declining. Your Agriculture Minister says that he will import foodgrains. The production of foodgrains has not increased. You must be aware of the fact that 200 kg per capita total food is being supplied annually in this country. In 1860, the Britishers had stated :

[English]

'It is just necessary to meet the famine conditions'.

[Translation]

If the production of foodgrains in this country is 200 Kg per capita every year, it will only save them from starvation during famine. At present, the production of foodgrains is about 192 million tonnes and our population is 96 crores. Thus, the per capita availability of foodgrains is still 200kg every year.

[English]

You are just on the verge of famine conditions.

[Translation]

You know the conditions prevailing in Orissa. Food riots have taken place in Madhya Pradesh. Power riots are taking place in Andhra Pradesh. Which is that agriculture and who are those India's farmers you are talking about.

Today, foodgrain is being imported in India and the quantity of import is increasing every year. Last year you talked of 2 million tons. Now we are listening about 5-6 million tons. I am afraid that with the passage of years, you will importing 10-15 million tons of foodgrains. In the opinion of some experts, you are heading to import 25 million tons of

foodgrains. It is for what? What have you done for the Indian farmers? Have you paid any attention towards their condition? I am unable to find anything about farmers in this bill after going through this budget. I have not seen anything about farmers and agriculture in the taxation system too. In the country you have tried to obstruct the marketing of the products of the farmers by imposing taxes and excise duty on food processing industries. I don't think that any appropriate provision has been made for the farmers in this budget or in the Financial Bill.

Today, even after 50 years of our Independence, people of India don't get sufficient food to eat. In 1991, 511 gms. per capita foodgrains was available. Today, 450 gms is available. In these six years the availability of foodgrains has declined by 66 gms. This is below nutrition. If you make a study of the nutritive diets additives of the world you will see that India is at the bottom. Pakistan, Nepal and Sri Lanka are ahead of us. This is the position of agriculture that you have made. What more I can say about it? But I want to give you a general warning that if you will not pay attention towards agriculture and power generation, there will be a crisis of food-grains and power and riots and troubles are apprehended

I was greatly surprised to know that we are lagging behind the target of 18,000 M.W. power generation during the Eighth Five Year Plan, what will be done for that? How will you achieve that target of Ninth Five Year Plan about which you have mentioned in your speech? I could not understand that. You have stated that you have fixed the target of 38000 M.W. power generation, then what will happen to the backlog of 18,000 M.W. power generation of Eighth Five Year Plan? If we include that also then total power generation should be 56,000 M.W. You are fixing the target of 38,000 M.W. for Ninth Five Year Plan and include that 18,000 M.W. therein, then the target of Ninth Five Year Plan will be only 20,000 M.W. But if 38,000 M.W. are not included in it, then we will have a total shortage of 56,000 M.W. How will you meet it? Which foreigner will give funds for it? Can you collect funds from abroad also. What is your strategy for it? For how long you will keep this country in power crisis? Your taxation, your taxation system and your budget management are very despairing and I do not think that you are doing anything for the economic progress, and for the industrial and agricultural progress of this country.

Now, I would like to give some suggestions regarding the provisions made by you in respect of customs, excise duty and Income tax. First of all I would like to say that you have accepted some of the suggestions which we and other members have made. But except two or three suggestions none is much result oriented. I will talk later on. But you have shown some sympathy and sensitivity. You are not so heartless like our Home Minister. You too have some feelings in your heart for it. I want that it should increase further. You should feel the nerve of the poor and the common people. You should have a place for them in your heart. But this should not be so that after accepting only some small suggestions, you try to prove that you have

accepted all the major suggestions. You have certainly accepted some suggestions at the appropriate time and I will tell about the points where I agree. But I would like to say that you should not show your sympathetic attitude towards officers only. Professor Kurien might have told this in a specific reference. The building of this country is not in the hands of a few big industrialists or high mill owners or foreign capital but this country is built by 96 crores people. This country is built by the resources available here by the youths, workers and farmers of this country. In our budget and in the whole system attention should be given towards it also. I am very much disappointed to see this budget. Now, you have reduced the custom duty. You have reduced the import duty from 50% to 40% and on several items you have reduced it from 40% to 30%. You are determined to reduce the tariff because you are associated with World Trade Organisation. So in order to become the most favoured nation, you are doing all these things to abolish the tariff. You are going far ahead than the kind of speed needed. Please do not go so fast. It is better to be in the race but after the year 2004 we have to decrease tariff in a lot of things. In some areas, we have to make zero percent tariff. But why don't you use the time and opportunity available for that.

If we expect 40 percent tariff, then you reduce it to 30 per cent. From whom do you want to get praise? Who will say that you are doing a good job. I feel that our Finance Minister is running fast in that direction for getting appreciation from somewhere and wants to say that look I should have reached here. I have got double promotion. I have been promoted from seventh class to tenth class direct and not to eighth class because I have reduced the tariff which was not expected from any other person and I have done it. Now, the former Finance Minister is also apprehensive about it. He is also speaking the truth. He is a such type of man who used to say something else earlier and when he became Finance Minister then he started saying something else and now when he is not a Minister, he is saying something else but even then he is the financial head of your party. Your several policies are the same. But I have read in the newspaper that he is not satisfied with most of your policies. He has also started speaking gradually against your policies....(Interruptions)

[English]

SHRI NIRMAL KANTI CHATTERJEE : Perceptions change while in the Government and while outside the Government.

DR. MURLI MANOHAR JOSHI : This is what is happening with you also. You are supporting certain things when you are supporting them.

SHRI NIRMAL KANTI CHATTERJEE : I remember your Finance Minister speaking and I now hear you. So, I know that within the Government and outside the Government which kind of changes come.

DR. MURLI MANOHAR JOSHI : The Finance Minister of BJP had no opportunity to present a Budget. He would

[Dr. Murli Manohar Joshi]

have presented a Budget which would have been a pro-poor and pro-common man and pro-Indian Budget. Once the opportunity will come again we will see that we will produce a Budget which will fulfil the aspirations of this country. Very soon the opportunity is coming when we will be presenting the Budget and that Budget would be the real Indian Budget....(Interruptions) Anyway, whatever it is.

[Translation]

You have reduced the custom duty to the large extent but you have shown the increase of eight thousand crore income in excise duty. In my opinion, excise duty should also be reduced in proportionate to custom duty otherwise Indian industry will face difficulties in competing with others. Today there are several industries which are facing many difficulties. One of my friends told me that several industries in Mumbai are being closed and they are facing a lot of problems. I not know to what extent it is correct. But they say that the goods of Baroda Rayon are not getting customers. They are not able to sell the PVC manufactured by Nosil. PIL, which makes polio offence, is almost closed. Grasim has not got money from market and Jai Corporation is on the verge of closure....(Interruptions).

SHRI ANIL BASU (Arambagh) : These are the four companies only....(Interruptions)

MR. MURLI MANOHAR JOSHI : They are feeling difficulty. Their inventory has increased, they could not sell the goods....(Interruptions) They are worried for the last few days that their inventory is increasing, there is no market before them. Foreign goods have pushed them back....(Interruptions) They are not able to compete. They say that if the situation continues it will create problems for us. If it is true, I will urge upon the Finance Minister to conduct an inquiry into it to see as to which are the industries of India, which are facing difficulties. They talk of reviving the sick industries but why he is making the running industries sick? If you let the industry operate, if you let the Indian industries operate if you let them operate with the Indian resources and Indian system, then they will not become sick and you will close down B.I.F.R. Then there is no need of it. The Indian industries should be allowed to run and you should not create problems for them by dumping foreign products.

[English]

SHRI NIRMAL KANTI CHATTERJEE (Dumdum) : May I just inform Dr. Muli Manohar Joshi that it is one of the facts that the investment rate can grow by just accumulating inventory and not capital formation, It is really an indicator of sickness and not of growth.

[Translation]

AN HON'BLE MEMBER : Industries never become sick.

DR. MURLI MANOHAR JOSHI : Bureaucrats and industries never become sick. This is absolutely correct.

The problem is that you support all such types of financial management. The Major ill effects of reducing the tariff can be seen in the sector of pharmaceuticals. The people of pharmaceutical industry have told us that you have reduced the tariff on many bulk drugs. Therefore, the capacity of bulk drug manufacturers is not being utilised fully in India and if it will not be utilised fully, those industries will be closed down. Today, Chinese bulk drugs have entered in the Indian market and due to which problems have been created for our manufacturers. You are requested to keep it in mind that due to reduction in tariff on foreign goods, the goods manufactured by Indian industrialists do not become non-viable and non-competitive. If it happens so the only consequence of reducing tariff will be arrival of foreign goods. Then Business Houses in place of Industrial Houses will come up in India and only commission agents will remain here. This country will not remain the country of entrepreneurs and industrialists. Therefore, there must be a difference of duty between finished goods, raw material and mediatory components. Minimum tariff should be imposed on raw material and on components, it should be more than that and on finished goods, highest tariff should be imposed. This is a general rule. If you want to protect Indian industrialists, You will have to take care of it. Besides, if you reduce tariff, then please reduce excise duty in that proportion too. So that Indian entrepreneurs could get an equal ground and they can compete. But this is not happening.

Regarding the problem of Balance of Payment, world Bank and I.M.F have received the information by your ministry that there is no B.O.P. crisis now in the country. The commerce ministry of this country says that we are still suffering from B.O.P crisis but Finance Ministry of our country says that there is no B.O.P crisis. Now, if it is not the crisis of Balance of Payments, then you will not get the protective provisions which you were getting so far. Therefore, now there is a pressure upon you to remove the quantitative restriction on all consumer's durables. The quota will remain in textiles. But you will not able to stop arrival of foreign readymade garments. You will have to remove the restrictions. On the one hand, you have removed the tariff barriers and on the other non tariff barriers too are being removed just to benefit the foreigners. If you had removed the tariff barriers, then you should have not removed the non-tariff barriers. You could keep that alternative in your hand. We have not done this. We have not to destroy our industries. If quantitative restrictions are removed from textile industry a large number of people will become unemployed in our country. Therefore I will request you to reconsider this policy. This is not a good policy.

You have talked about excise and have made enabling provision into effect under section 4(A). You want to impose excise duty on the maximum retail price which in unconstitutional to impose tax over price is a sales tax this. If you are selling a certain things imposing any certain tax, then it is a sales tax. The state govts. are also eligible to impose that tax they have right to impose sales tax on many more things. You are doing two things when you impose excise on M.R.P and excise on sale price. At the one hand you are charging the definition of excise and on the other, the tax

which you should have imposed on the production of producer, you are imposing on sales.

You are also accepting sales as a deemed manufacture. If you have any doubt regarding M.R.P then you can find out a way to remove the wide gap existing between the rules of Production and sale. Nobody would like that any product should reach the consumers on 10 to 20 times more prices than ex-factory price I will never support it you must determine a fixed price by saying that at any cost these can't be more than one to one and half percent or one to two percent or one to three percent difference between manufacture price and sale price. A line has to be drawn somewhere. You want to bring excise at par with the sales tax. This attitude and philosophy is not good. This is also philosophically and constitutionally wrong let the excise be an excise. Logic is given that it is a global phenomenon. A lot of things are happening in the world but nowhere in the world 36 crore of its people are poor. There are a few countries in the world whose population is 96 crores hardly any country in the world has a Finance Minister like Sh. Chidambaram. It's true that we do not wish to lag behind in the world. We want to walk step by step with the world. I am of the opinion that we must go a head of the world but never lag behind I do not agree to the theory that since something is happening around in the world. So we must do it you must follow the taxation policy keeping in view your country population, requirements of its people and entrepreneurs as well as its constitution. If you link the excise duty with the M.R.P. then I fear, it may be challenged in the court of and this will be unconstitutional and will be pending before the court.

You should enhance the sources of tax. We will not have any objection to it. The B.J.P. is agreed to this fact that the number of tax payers be increased in this country. I have also studied this aspect. You can make this work done through the employers of Directorate of Enforcement and income tax department. Today the officers of income tax Department do not have any facility. You want to keep them involved in looking into the income tax forms of salaried sections. They do not have anything to do apart from it. Today 1.25 crores people are income tax payees in the country and out of them 80-85 lakh people belong to salaried class. If your officers are heavy in handling this much of people, then the tax base can never be widened. You must streamline the systems of income tax department and excise department. I am sorry to say that today there are arrears of crores of rupees of excise duty crores of rupees were given in arrears in the name of provisional assessment of tax.

[English]

There is a connivance, there is a financial accommodation by the Excise Department and the Customs Department.

[Translation]

We have proof regarding frauds of 500 crores of rupees committed in custom house. Orders were issued to take disciplinary action against those officers but even after the lapse of two years, no disciplinary action were taken against

them. I do not know who are protecting them? Today you want to impose tax on small businessmen, howkers, small tent owners and taxi operators but first of all you must discipline those officers who are involved in the scams of rupees thousands of crores, make public all those accounts which are in call books and which are kept hidden multinational Companies and big entrepreneurs. If, you go through the CAG Report, you will find that thousands crores of rupees are pending in arrears in excise department, customs department and Income Tax department why do not you recover them if you recover them, then the people will have faith in your honesty about the recovery of tax. Let this tax go to the government exchequer. This is our experience that the excise department itself promotes corruption very much. Corruption increases wherever it reaches. Please ask our inspectors not to harass the people. You can not increase the tax base till corruption is not rooted out from the income tax Department, excise Department and customs department they are the main constraints in improving the tax base which I will tell at the right time. I cannot tell those things right now. I will explain how the orders of ministers issued against the officers involved in corruptions were not implemented for two years.

The people at high places and officers have given protection to the corrupt officers. I cannot say with certainty that inspite of today's outbursts action will be initiated against the corrupt officials or not. If you root out the corruptions prevailing in customs and excise then you will be able to collect large amount and will be benefited. But I want to know from you that whether you are serious to maintain the sanctity of Finance Bill? Do you mean to say that tax be imposed as per the provisions made in Finance Bill? I wanted to know whether it is correct? I want to know from this House whether it is appropriate for the Govt. to issue a notification to bring amendment in tax structures after voting out the Govt. on 11th April? Is it possible?

[English]

A copy of Central Excise Notification No. 19/97 dated 11th April 1997.

[Translation]

Can we maintain honour and sanctity of the House this way? Is it not an insult to the House? Do you have constitutional Legislative propriety for such change?

[English]

In the table for Serial Nos. 115 and 116 and entries thereto the following shall be substituted, namely.....

[Translation]

I do not want to go into the details but you must see why it was changed? It could be announced in the House and you could move amendments as you have done today. I want to know if it was issued by some one's order on 11th April? Have the officers done it themselves and if they have done so then there must have been connivance in it. This has been done in order to provide financial benefits to someone and it is signed by Rajiv Talwar, Under Secretary to Govt. of India.

[Dr. Murli Manohar Joshi]

Mr. Chairman Sir, you should direct the Finance Minister to lay all the files and documents related to this case before the House so that we can come to know that how and on what condition the officers did so. Will you maintain the honour and sanctity of the Finance Bill in this manner? Are the officers free to do what they liked? A number of notifications were issued the day when the Govt. was voted out of power. Such a notification is here in my hand. I want to request through you, Sir, that an investigation should be conducted to know whether any such circular in regard to financial accommodation was issued or not. This is a serious matter. Mr. Chairman Sir, by seeking protection from you I want an explanation from the Finance Minister. At least those amendments be withdrawn which were done on the basis of this document. The House must also know that what action will be taken against those officers who have done so. If it has happened by your orders, then the matter is even more serious. Then who did it and how it happened on 11th of April?

Mr. Chairman, Sir, you have talked about the small scale industries. I am sorry to say that you have done a great injustice with small scale industries. You have dereserved fourteen items on the basis of Hussain Committee report but what happened to other things? As per the Report of this committee. You had to provide relaxation to the time of Rs. 500 crores as a waiver of interest to those small scale industries whose reservation was withdrawn. But you have not given that. You had to provide loan at concessional rates for the improvement in technology but you did not do so. You had to provide financial assistance to the Technology Development Institutions but you did not do so. You should have opened training schools for small scale industries on the line of East Asian countries but you did not do so. A national small Research centre was required to be opened but it did not take place. A fund was required to be established in order to extend help to small investors, that did not take place the Govt. was to provide fund to the small industries for infrastructural facilities but that also did not happen. Those industries should have been kept out of the purview of labour laws where fifty labourers work but that did not take place. Consequently as per the Economic survey and Reserve Bank's Report, the production of small scale industries was Rs. 2 lakhs 41 thousands and 648 crores in 1993-94.

out of that they were provided loan of Rs. 22,617 crores only which was approximately 9 percent their total production was of Rs. 3,56,213 crores in 1995-96 but the loan was only 8.9 percent. They are being given only 9 percent loan whereas the Abid Hussain Committee's Report recommended for 20 percent loan. They are not getting any facilities. He said that these items can be dereserved provided certain things are done. You have dereserved them because it helps the multinationals, big industrial houses. Due to this, any Indian Ice Cream manufactures will not manufacture ice creams they will not manufacture biscuits you have mentioned 14 items— biscuits, ice cream, pulse mill, rice mill etc— which you have dereserved. If multinationals and big houses enter in this area then what will happen to the small

industrialists? You have done dereservation but there is no mention about those eight facilities in the Budget and Finance Bill which have been recommended in the Report. The way you are imposing excise on small industrialists is enough to wipe them out what is your view regarding these small industries? You are against the interest of small industries. You do not want it to flourish whereas these institutions provide largest number of jobs and export earning to the country.

The Hon. Minister has imposed a number of taxes. I have discussed about service tax and M.R.P. So far as excise is concerned, I must say that I do not agree with you. The limit of Rs. 30 lakhs for clearance which you have fixed, was made in 1986. From 1986 to 1997, 11 Years have passed. This limit of Rs. 30 lakh is a very small one my suggestion is that you should raise it to Rs. 1 crore and bring further amendment. You have said that many units will go out of tax net but you will see that with the increase in production of items the Govt. revenues from sales tax and from other thing will also increase. You should make arrangement to check their account streamline the income tax people so that they take care of their work carefully and I will not have any objection if you do so but if you take any such step which affects the production it will ultimately severely affect the country. We have suggested that 0% duty be imposed upto clearance of rupees one crore. 3 percent duty from Rs. 1 crore to 2 crore industries, 5 percent duty from Rs 2 crores to 3 crores and full rate modvat facility be imposed over Rs. 3 crores.

Please save the small scale industries. This sector co-ordinates employment, production and labour in the country and requires less capital. Very few people can establish large scale industries and every big industrialist is a small industrialist in the beginning. Nobody becomes a big industrialist at once and we know well what the big industrialists are doing. So, all of us should take care of small industries. Regarding the provisions made for the food processing industries my request is that no tax, no excise duty be imposed on them. It is retrogressive. Let them sum and prosper for some time. I am told by the men engaged in food processing that how it will destroy the industries and ruin the farmers. So, you should make such a provision under which tax be imposed on big industries and not on small industries you can make a provision under which tax excise duty is levied on those manufactures who produce things costing Rs. 150 or 200 per kg but do not impose tax on small manufacturers. Therefore, I earnestly request you to take care of it and save these industries from being closed.

I am happy that you have withdrawn excise duty from sanitary napkins, diappers and umbrella. If you withdraw excise duty from sunglasses, it will be another feather in your cap. A large number of Indians are suffering from eye diseases. Half of the blind people of the world live in India and a large number of our people suffer from trachoma eyes also get infected due to sun and dust. If you withdraw the excise duty on sunglasses it will not be a big loss please withdraw excise duty from sunglasses.

I am happy that you have withdrawn excise duty on clay tiles? Am I right?

[English]

DR. MURLI MANOHAR JOSHI : I am thankful to you for that.

[Translation]

You have done a good job. In the whole budget if anything has been done in favour of the poor then it is the withdrawal of excise duty on clay tiles.

[English]

SHRI SONTOSH MOHAN DEV (Silchar) : But he has not withdrawn on *ayurvedic* medicine.

DR. MURLI MANOHAR JOSHI : Do not worry, I am coming to that also....(Interruptions)

[Translation]

If the ceramic tiles produced in India is imported from foreign countries, then tax should be levied on it. Ceramic tiles are manufactured in India on a large scale. In the same way, you have forgotten book-binders. You have proposed a tax.

[English]

Textile fabric coated with gum or amylaceous substances of a kind used for the outer cover of books or the likes.

[Translation]

Eight percent and five percent duty is proposed on it these book binders Indian are not multinational. They are not big industrialist. They are small people without application of amylaceous substance of gum or vacuum pressure if this work can be done, than it is a different matter otherwise in all type of binding the use of gum is a must. Would you like that the books of the people remain in damaged condition? Would you like that children being there books which become damaged in a few days. You should think seriously on this book binding. In a partnership concern you have given relief in Income tax, I would like to welcome it because you have given rebate on salary and interest in tax, you have made such a promise that with an exception of Chartered Accountants, Income tax practitioners may also help them. This is a good step. But, I would like to submit that there are anomalies in the rate of Income tax proposed to be levied on them. Previously he was paying tax on individual basis if person is paying tax on single basis then it is less but if his wife is also a partner then tax rate of Income tax is higher if both husband and wife are partners in trade then they would get separated. Please do not create such a circumstances on the Income a single trader, Income tax of thirty thousand is proposed if family member become partners in business then they would have to pay Rs. 75,000. This anomaly should be corrected and rationalised. It is a separate thing that after rebate it would come to Rs. 50,000 crore then there is a big difference between Rs. 30,000 crores and Rs. 50,000. Therefore I would request you to save partnership firms. Since this

phenomenon is hardly there in the world. Then you may find Japan is incorporated, America incorporated, therefore, such type of phenomenon should also not happen in India, this principal is not correct.

[English]

Let India remain a partnership. You yourself say that India is on partnership. Your Government is a Government partnership. Why are you destroying partnership? You must learn to live with partnership and strengthen partnership. I wish that your partnership should be strengthened. Why are you destroying the partnership in business? Please do not destroy it. Learn to live with partnership. It may be something different that you have to meet a very difficult partner in Nirmala or a very unaccommodative partner in Shri Santosh Mohan Dev or may be a very billigerant partner in some other friend. But still you have to live with partnership and let partnership live both in Government as well as in business. Please do not be so harsh. Be a little accommodative, considerate and humane.

[Translation]

A Finance Minister should have a kind hearted attitude. My view is this that you should widen tax basis and should also levy it but it should not become an unhuman affair. Nobody should be unduly affected by this tax structure. If my part of the body is cut by knife etc. then the blood circulation is affected and when cut is given the artery or the vein then the person starts bleeding. If this process is applied in a nationalised manner then it would not be in the interests of the country.

17.00 hrs.

I would like to make one more submission. Provision has been made for Income dividend, rebate has been given in Income tax, and the individual income tax payers have got relief but in all this process equalities should be maintained i.e. it should be ensured that benefits of the provisions made should equally the poor and the rich.

17.01. hrs.

[SHRI P.M. SAYEED *in the Chair*]

I would like to quote a simple information before the budget a person having annual income of Rs. 6000 had to pay Rs. 3,000 as income tax that mean his disposable income is Rs 57,000 but after the Budget has been presented he is liable to pay Rs. 2,000 as Income tax. Now his disposable income would be Rs 58,000 It would mean a 1.75% increase in the incremental dispersable income. On the other hand a person with an annual income of Rs 3 lakh, had to pay Rs. 93,000 as income tax in pre-budget time but after this budget he should have to pay Rs 65,000 only as income tax In my opinion. This gap is rather high. On the one hand there is increase of 1.75% on the other side the increase is of 13.5% If this income is being utilised on the production work then it good but as our leader Shri Atal Bihari Vajpayee said in his budget speech that such income promotes consumerism and would be more useful for foreign investors and foreign manufacturers. In my view this income should be used for the production purposes but, no attention has been paid on this.

[Dr. Murli manonar Joshi]

Although I agree with you on the point that the rate of Income-tax should be decreased but attention should be paid to the manner in which the money will be utilised? Whether that money would be utilised for investment in the country? Would it be used for productive work could or would it be used to purchase items of preferential luxury items? The same factor comes in the case if dividend too. Attention has not been paid to the way the dividend money would be utilised by the public. You should pay attention to this side. I am worry about it because the figures as regards to the benefits given to multinational companies are with me and they are astonishing.

During the last ten years the 56% of profits of the investment made by America in other countries of the world has reached the country back. The figures regarding this are also with me. In developing countries, 47% profit reached the country back where as 71% of the profit earned by America through investment in underdeveloped countries had reached back. Yesterday, the Professor who had come to meet you....(Interruptions) He must have given you the information regarding the extent to which the interest from under developed countries is reaching the Developed countries i.e. at the rate of 1.40,000 dollar per minute.

[English]

SHRI NIRMAL KANTI CHATTERJEE (Dumdum) : But why are you not asking for tax on dividend?

DR. MURLI MANOHAR JOSHI : I am saying that the whole structure should be so designed that it is equitable.

[Translation]

It should be reduced but at the same time the surplus income should be utilised for productive works in the country and in that system to which investment and seruesgs are friendly. You can decrease it but at the same time it should be inked with investment and savings that is why we have submitted that if the income incurred through voluntary disclosure scheme belongs Central Government then it should be utilised in the works as infrastructural, power, drinking water, rural reconstruction roads construction of houses for the poor and slum-dwellers so that it is used for the development of the country. You also want the same that black money should come back in circulation be utilised for developmental jobs.

Mr. Chairman Sir, this income should be invested in the desired field. If this attitude is not adopted, you can well imagine the future of the country, Munsiji, you are supporting them.

MR. CHAIRMAN : Please..... Now conclude.

DR. MURLI MANOHAR JOSHI : Mr. Chairman Sir, I always obey you. I speak in brief ordinarily but the topic of discussion today is a matter related to the poor of the country.

MR. CHAIRMAN : Fifteen members of your party have to express their views and I have to pay attention to this factor also.

DR. MURLI MANOHAR JOSHI : Fifteen more members are for the poor. I am very happy.

Mr. Finance Minister, I would like to request you that this savings should be utilised for the good of the poor. The country would remember you. Otherwise like dream the poor could find that nothing has changed. Do not do this. Do not live in dream world. Please tackle the difficulties of the poor men with practical approach.

[English]

DR. DEBI PROSAD PAL (Calcutta North-West) : Mr. Chairman, Sir, I support the Finance Bill, 1997, on behalf of my party as my Party is one of the supporting parties for this Government. But there are certain areas where I may have to express some reservations and criticism.

The Finance Bill which has been introduced by the Finance Minister deals with the sources of revenue of the public exchequer. This House had the occasion to discuss the General Budget which generally deal with the allocations and the priorities of expenditure regarding the social services and many other schemes. The Finace Bill primarily deal with the sources of revenue from Direct and indirect Taxes. The policy of taxation which the Finance Minister has adopted now is a continuation, affirmation and adoption of the tax reforms which were initiated by the earlier Government. The earlier Government's tax reform policy is only one of the facets of the economic policy which was introduced in June 1991. And it has yielded results in every sphere of our life, economic, Industrial, agricultural, in social services and also in poverty alleviation measures.

I congratulate the Finance Minister for the reason that in a new experiment in our political life with 13 political parties with their discordant voices, he has been able to prevail and adopt this new tax reform policy which is one of the items in the Common Minimum Programme of the United Front Government. Why I say with discordant voices' is, one of the supporting parties - I mean the Left Front, the CPI (M) and other Left Front political parties—speaks in two voices. As the earlier Finance Minister pointed out on many occasions, when they come to this House, they oppose the policy of liberalisation and the new economic policy; but when they go to their own State, they invite foreign investments, and rightly so. Their leaders go on touring abroad spending crores of rupees for inviting foreign investment.

SHRI P.R. DASMUNSI (Howrah) : And yet nothing comes.

DR. DEBI PROSAD PAL : Yet nothing comes. Only a lot of expenditure is incurred on touring. When they come to this House they vehemently oppose the new economic policy.

In spite of the discordant voices, the Finance Minister has been able to prevail over and adopt the new tax reform policy.

One of the objectives of the tax reforms, as Dr. Raja Chelliah Committee had pointed out, is that there should be reduction in the tax rates. Tax should be simple and at the same time, there should be a rigid compliance of the

taxation laws. The Finance Minister has also adopted this policy. Consistent with this policy, he has reduced the rate of taxes, both for individuals and also for the corporate sector. Undoubtedly, the tax that will be levied now, on individual income up to Rs. 65,000, 10 per cent; from Rs. 66,000 to Rs. 1,50,000, 20 per cent; and beyond Rs. 1,50,000, 30 per cent. Undoubtedly, it is a welcome measure. It will give relief to the middle class people, and also to the millions of taxpayers. As rightly pointed out by him, in a country of 95 million pay tax. It is all the more strange that only 12,000 people pay tax whose income is above Rs. 10 lakh. Therefore, if the tax net is to be widened, then much more emphasis is to be given on those people whose income is much larger, but their number is only 12,000. Therefore, attempt should be made to plug these loopholes.

I congratulate the Finance Minister for reducing the rates of taxes in the corporate sector. The Surcharge of 7.5 per cent which was also promised by the earlier Congress Government has been, now, abolished. Corporate taxes have been reduced from 40 per cent to 35 per cent. This, certainly, will give encouragement to the corporate sector to plough back their profits for development. But at the same time, the Finance Minister has introduced a new tax rate of 10 per cent on the dividend being distributed by the corporate sector. The companies distribute dividends out of their taxed profits. The profits, after having been taxed, are available for distribution. Those taxed profits, viz., the dividends are again taxed at 10 per cent. So, there is double taxation on the same income. I would request the Finance Minister to consider this aspect. Ultimately, the rate of tax will not be 35 per cent but it will come nearer to 40 per cent. It is because if the companies distribute their profits, say 50 per cent by way of dividends, then the rate of tax will be at 10 per cent. So, ultimately, the rate of tax will not be 35 per cent but it will be a little more than that. It will come to nearabout 40 per cent.

The Finance Minister has given an explanation that the companies very often distribute larger amount of profits by way of dividends and leave little of nothing for the development, and investment in the corporate sector. Well, I think that is not a proper explanation. If the rates of the companies are low, then, naturally, they will try to re-invest much of their profits in their business and in the corporate sector.

The Finance Minister has also abolished tax on dividends under Section 10 Sub-Section 33. It is a very welcome measure. It was long due. It is because if the dividend is taxed, that means you are taxing on the same income twice. You have already taxed the income in the hand of the company and you are again taxing the same income in the hands of the taxpayer. So, I would request the Finance Minister to consider exemption of tax on dividends. If tax on dividends is exempted, then the same concession should also be extended to the dividend given by the UTI or the Mutual funds. In fact, under the Law, the amount that is being distributed by the Unit Trust is deemed as dividend under the Unit Trust of India Act. Even under

Section 80L, when the exemption was allowed partially, the tax on dividend income from Mutual funds, interest from Mutual Funds, and also the dividend from Unit Trust were put on the same footing.

But now, as a result of this exemption restricted only to the dividend income, this will create difficulties. Many of the middle class people invest their funds either in Mutual Funds or in the Unit Trust of India in order to avoid the uncertainties of the dividend from the shares of companies. Therefore, if this exemption is not extended to them, in my submission, it will be creating difficulties for the middle class people for whom the Finance Minister has got so much of concern.

Now, even in the corporate sector when ten per cent tax is based on distributions of dividend, it may create difficulty. I give you one illustration. A company has distributed profit by way of dividend of Rs. 10 lakh. The other company has received that amount by way of a dividend because it is a shareholder. If that company again distributes that income by way of dividend to its own shareholders, again ten per cent tax will be levied; and if the third company again distributes out of that dividend income to this own shareholders, again ten per cent tax is to be levied. Therefore, there should be some proviso that once a company has suffered ten per cent tax, if any dividend is paid by this latter company, then that should not again be subjected to tax.

The Finance Minister has introduced certain modifications in the Minimum Alternative Tax. Last year, when he introduced this Minimum Alternative Tax, I spoke in this House and I pointed out that in 1991 this tax was abolished because that creates a dumper of the investment in the corporate sector. The Finance Minister has now accepted that as a result of the introduction of this Minimum Alternative Tax, representations have been received about the deleterious effect on the industry as a whole. In fact, when the Finance Minister introduced his Budget for 1996-97, there had been a shortfall of Rs. 500 crore in spite of the tax on zero tax companies by way of Minimum Alternative Tax. So it shows that by way of this Minimum Alternative Tax much realisation of revenue has not been made. But he has introduced certain redeeming features by way of a tax credit which he has given to the companies who in subsequent years make profit; then the difference between the tax payable on profit and the Minimum Alternative Tax which has been paid in the earlier year will be the tax that is to be given and it will continue for five years.

Now, there are certain difficulties which I point out for the Finance Minister to consider. Suppose a company has been amalgamated. These days sick companies or companies which are unhealthy ones are amalgamated with the healthy or big companies. If the sick company has paid the Minimum Alternative Tax and when it is amalgamated, there is no provision for the tax credit being given, although it has been paid earlier by the amalgamating company which has now been amalgamated.

A similar provision is there in the case of investment allowance under Section 32 A Sub-Section 6. If a company

[Dr. Debi Prosad Pal]

is amalgamated then the amalgamated company will be entitled to enjoy the continuance of the investment allowance for the period which was available to the amalgamating company. I think, the Finance Minister should consider this aspect of the problem and give relief in an appropriate manner where a company is amalgamated with another one.

Now, with regard to sick companies, I have something to say. The Finance Minister has given exemption from the Minimum Alternative Tax on certain types of cases. For example, Section 80(i) (a) where there are infrastructure industries, he has given exemption and rightly so, he has given exemption; for example, in the case of profits from exports under Section 80 HHO. Otherwise this export industry cannot survive if they do not get the benefit of 100 per cent exemption. But if they are to pay 30 per cent of the book profit, then that will create a difficulty.

I am glad that, today, the Finance Minister has, in his Speech, ensured that this exemption would also be available to the software industries which are entitled to the tax benefit holiday under Section 80 (h) (h) (e).

With regard to the sick industries, this is creating a problem. The exemption has been allowed only from the day when the industry is declared sick, in the previous year relevant to the assessment year right up to the assessment year during which the industry has lost its sickness and has regained, namely its net assets had increased their liability. But the moment it has gone out of sickness, then it is expected that no sick industry will be earning profit, which will be more than 30 per cent of its book profit. That is normally the position. And, therefore, the moment the sick industry goes out of sickness, Section 115 J(A) will be applicable; minimum alternative tax will be applicable and it will have to pay tax on 30 per cent of its book profit. I am not telling a hypothetical illustration. I am getting several representations. And even in my profession also I have seen in many of the cases when the sick industries go out of sickness, if they have to pay the minimum alternative tax then they have to go again into sickness. Therefore, a situation has arisen where the sickness will be continued if this minimum alternative tax is to be imposed upon them right from the day when they have gone out of sickness.

I will request the hon. Minister of Finance to consider that for at least two year or three year from the day when the company has gone out of sickness this exemption should be available. Otherwise, it will not be possible for them to regain their health in the industry and they will again go into sickness.

When the Minister of Finance has introduced the minimum alternative tax, introduction of tax credit will be giving some relief to the companies because if they are making profits then the tax credit on account of M.A.T will be adjusted for five years.

The Minister of Finance has also introduced certain areas where he wants to widen the tax net. The widening of

the tax net has been introduced through a new scheme under which if some of the two criteria are fulfilled, then they will have to file their compulsory tax return. And for that, Section 139 of the Income-tax Act has been amended. One of the criteria is having telephone connection. About the others, of course, I have got nothing to say. If the foreign travel is there, then certainly it creates a presumption that the person must be an income earner, who is to pay taxes. But when we take the criterion of having a telephone connection, I am only reminding the Minister of Finance that even in Delhi there are 12 lakh telephones and it will be an administrative impossibility and an administratively impossible task. At the present moment the Finance Minister is restricting it only to the metropolitan cities. When 12 lakh telephones are there in a city like Delhi, similarly we have in Mumbai, Calcutta and Chennai. So, it will be an administrative difficulty. The cost and energy which have to be spent by the Department will be much more than the collection which the Minister is expecting. Therefore, some other criterion has to be adopted.

I am certainly in favour of widening the tax net because in a country like ours, there are very few tax payers when compared to the total number of population. We have got our Survey Department. The Survey Department goes from house to house. I do not know why they have not been able to collect the information of those persons who are not paying taxes. There is some fault in the entire machinery or if I may say so, with a little amount of frankness, corruption is there. We have a full-fledged Survey Department. Their surveyor is expected to go to every house. If he goes to every house, then he can not only find out the telephone connection but also everything. In spite of this, I do not know why the number of tax payers is not increasing.

The other thing which the hon. Minister of Finance has introduced is the Voluntary Disclosure Scheme. He has introduced it and the rate of tax which has to be paid is at 30 per cent of the amount which has been disclosed. About disclosure schemes, I have got, in principle, to say something.

When the Wanchoo Committee headed by the Former Chief Justice of India which was appointed for simplification and also for prevention of the black money gave the report, there were already free disclosure schemes and in spite of that, the Wanchoo Committee had pained out the disclosures had not served any useful purpose at all. We have seen the disclosures every time. On the other hand, such disclosures can be resorted to only in times of emergency, for example, after the war or at times of crisis. Otherwise, in the normal way. If disclosures are made from time to time, we have found that the expected result has not been as we have anticipated excepting certain amounts which we have got from the bearer bonds scheme.

Now even the Acharia Committee has given a Report. The Wanchoo Committee has recommended that such disclosures should not be normally resorted to and too frequently because in that event, the honest taxpayers might lose their confidence in the efficiency of the tax administration. It is because you are giving a premium and you are

encouraging the blackmarketeers to reap the benefit of the scheme.

The Acharia Committee has also pointed out that it does not serve much useful purpose. Why? It is because we will find the names of ladies and minors in the Disclosure Scheme. They come with the disclosures and these disclosures ultimately are utilised for a subsequent evasion. Therefore, even the Acharia Committee also had recommended not to resort to these disclosures too frequently.

There is one important thing in Disclosures Scheme which I want to bring to the notice of the Minister Finance. We are in the year 1997-98. The disclosure Scheme points out that from the commencement of the date which will be announced by the Government and right upto the period of 31st of December 1997, if disclosures are made, then they will have to pay 30 per cent of tax and the immunity has been granted from penalty, prosecution and even proceeding under the FERA.

Now I am giving one example. The disclosures can be made with regard to those who have not yet filed their tax returns of those who have, after the return has been filed not disclosed their income truly and properly. Therefore, a person who has filed the return for the assessment year 1997-98 has to be taxed according to the rate prevailing in the year 1997 because this rate will be applicable from the next year 1998-99 at the rate of 40 per cent. tax. It will be applicable only for the next year. In this year, an honest taxpayer will have to pay 40 per cent but the person who has made a disclosure, will pay 30 per cent. This, in my view, needs to be examined. Therefore, I will request the Minister of Finance to examine this aspect. I have gone through the matter. He has pointed out when we have discussed because it is a novel thing, if I may say so.

I congratulate the Minister of Finance that he has introduced a new device of inviting all the major political parties before the Finance Bill is presented to the House and discussed with them. We have got certainly a very good response from the Finance Minister. He has accepted or he has at least responded to many of the suggestions. But in the year 1997-98, if person files a return of income as he is bound to and if he disclosed his income, he will be assessed according to the rate prevailing, that is 40 per cent. Thirty per cent will be applicable only from the next year, that is from the financial year, 1997-98 for which the assessment year is 1998-99. But if the same person discloses his income within the period of December, 1997, then he has to pay 30 per cent. The anomaly is writ large. Therefore, something has to be done. Otherwise what will happen? You will be tempting all the honest taxpayers to be dishonest. They will not file their true income in this year of 1997-98. They will show it in their disclosure; thereby they will save 10 per cent tax. Now this is possible and it might be unintentional. But as Finance Minister, you will kindly look into the problem.

If my submission is right, then something has to be done in order that the honest taxpayers should not be made dishonest. The Minister of Finance also introduced the

service taxes. Service taxes undoubtedly constitute a major part as we expected to be.

There are certain difficulties which have been pointed out. One of them is the case of truck operators. This is one of the important areas where we have got to consider how much it would be practicable to realise the taxes from these people who are rendering the services. There will be concealment of income very often in this field.

The disclosure scheme will be effective provided your machinery is certainly an efficient and honest one. Today the entire administration of tax laws is vitiated by corruption. You will be appreciating that even the highest person in the administrative machinery—not in the State—is not immune from all these allegations. I know of a particular case where multinational companies were brought in and they were told that a particular gentleman was retiring, who was to raise Rs. 1 crore. They were not agreeable. Therefore, harassment was made by appointment of special auditors. We had to go to the court of law for obtaining the order of injunction. Thereafter the assessment is still going on without special auditors. If you cannot check this corruption, then all your attempts for raising the undisclosed income will be absolutely futile. Therefore, attempt should be made to stop corruption.

The Raja Chellaiah Committee has pointed out that if you find that an Income-tax Officer, Customs Officer or a Central Excise Officer is making an over pitched assessment and that overpitched assessment is set-aside by the Appellate Tribunal even at two stages, then he owes an explanation as to why he has made that overpitched assessment. Therefore, action should be taken against such an officer because normally it is found that such an overpitched assessment is made for reasons which are very obvious. Then, you are not getting any stay. The courts are now very rigid in granting stays. Then, what will happen? If your income is Rs. one lakh and you are assessed at Rs. 20 lakh—very often it is done—and if it is not upheld by the Appellate Tribunal Authority, then he owes an explanation as to why he has done such an overpitched assessment. If he cannot give an explanation, the action should be taken. If you cannot stop corruption in your department, you should not expect much from this disclosure scheme.

You will also kindly remember that the disclosure scheme is only regarding evasion of income. You have said that out of this undisclosed income which is obtained, 77.5 per cent will go to the States. It is a very good thing. But then will the States cooperate with you? Many of the evasions come from the stamp duty, sales tax, etc. These are State subjects. Then, the States also should equally cooperate with you and see that there is no evasion in stamp duty, sales tax, etc., which is very rampant. Evasion also takes place in the Central Excise. Therefore, if the disclosure scheme is confined only to the undisclosed income, it may not serve your entire purpose.

Now I want to say about the indirect taxes excise duty and customs duty. The hon. Minister of Finance has

[Dr. Debi Prasad Pal]

introduced, if I may say so, many measures which are very welcome. In the customs duties, he has reduced the import duty. But there is an apprehension; and rightly so, that by the reduction of import duty, there may be infiltration of foreign goods in our country.

Dr. Joshi has pointed out that there is a danger of foreign investment coming into the country. I am not at all apprehensive of that. Even in a country like China there is foreign investment at least 15 to 20 times more than that in India

Therefore, if China could absorb the foreign investments in its own economy, there is no reason why for accelerating industrial growth we should not have foreign investments. The foreign investments might come in this country either in the shape of the share capital or in the shape of technical knowhow and personnel. In the case of technical knowhow, I should remind one thing to the hon. Minister of Finance. So long the foreign exchange was earned by individual persons or consultancy firms by their technical expertise, scientific skill or technical knowledge that was available to the foreign Government or foreign enterprise and they would bring foreign exchange as much as any industrial undertaking could bring foreign exchange from their exports. So long, under Section 80(0) relief was given at 50 per cent of the earnings from the consultancy services which were available to the foreign Government or foreign enterprises. Unfortunately, in this year, that has been excluded. Under Section 80 (0) he has restricted it only to patents, trademarks, copyrights and such other things which are available to the foreign Governments or foreign enterprises for the purpose of bringing foreign exchange. But why a scientist or a technical consultant or any other person who brings foreign exchange. But why a scientist or a technical consultant or any other person who brings foreign exchange by his technical knowhow should be denied of this concession? The Indian expertise today is very much improved. In our software industries our technical personnel or our scientists yield to none anywhere in the world. Then, if they bring foreign exchange into the country by making this technical skill available to the foreign Governments or the foreign enterprises. Why this tax benefit should be denied to them? The only explanation given in the memorandum I find, is that there is a loophole in this matter. The loopholes can always be plugged. But that does not mean that genuine persons who are having their consultancy which the make available to foreign countries and earn foreign exchange should not be given the benefit. Why is the discrimination? I have not been able to understand it.

Regarding excise duty I find on thing. There are many types of commodities where the duty on inputs and the duty on final product are the same. Well, this will create difficulties. Under the MODVAT scheme, normally the scheme is that the inputs bear a lesser excise duty so that they are adjusted against the duty on the final product. But there are many cases where the excise duty on inputs and the excise duty on the final product are the same.

I want to say one more thing only. I have found another important deviation which has been introduced by the Finance Minister under Section 4A of the Central Excise Act. Now the excise duty shall be levied on specified goods by reference to the maximum retail price. Well, excise duty is a duty on manufactured goods. I want to know whether Parliament has the power to impose excise duty on the basis of the maximum retail price. The hon. Minister of Finance himself is an eminent lawyer of repute and, therefore, he will examine this aspect as to whether such a duty can be levied at the maximum retail price. The retail price means the sale price of the goods which are sold. The retail price can never be the criterion for imposing the excise duty on the goods manufactured. Normally the goods are manufactured under a duty which is levied by reference to the price which is capable of fetching at the place of removal. Therefore, this is a matter where, apart from constitutional difficulties, it is also according to the very principle of excise duty, it will not be a proper one. It will be encroaching upon the States' area, the State' power of imposing sales tax upon the retail sale price. This is a matter which the hon. Minister of Finance may kindly examine.

Now the Finance Bill has, by and large, made— if I may say so— certain measures which has fulfilled the expectations from many of the sectors of the people, from the middle class people, from the investing public and, therefore, he has to be congratulated.

But at the same time, when I find how the expenditure is to be met, there is already a discussion on the priorities of allocation and time does not permit me to go into it. But all that I can say is that whatever he has said regarding poverty alleviation scheme, social service sector etc., I can point out that if we see the amount which was spent or earmarked by the earlier Congress Government in Budget for 1995-96, the amount which the Finance Minister has earmarked now is not more than that; it is much less than that. Even under the Indira Awas Yojana 10 lakh houses were to be built, but now only seven lakh houses have been earmarked to be built in the Budget for 1997-98.

As regards primary education, social service programmes, medical scheme etc., the amount which has been allocated is not more than what had been allocated by the earlier Congress Government. Therefore, there is nothing which may be called as a progressive on in the allocation of priorities and coupled with that, Rs. 16,000 crore will now be injected into our economy. Well, how far it will have a pressure upon the inflation, only the time alone and the future months will show. In addition to that, we are already threatened with oil price rise. Even it has been pointed out by the World Bank and the International Monetary Fund as well that oil price is a part of the Budget figures. Therefore, when we determine the question of inflation, if we exclude oil price which is increased, that is not proper.

Sir, by and large, the Finance Bill is, undoubtedly a good one. I shall support it with the reservations with I have spelt out. I again congratulate the Finance Minister of the

difficult task which he has undertaken. It is a difficult task undertaken by him because of the welter which is created by 13 political parties, each one going in its own way. Somebody says that insurance should not be privatised and somebody says some other thing. They do not speak in one voice.

At the same time, the Finance Minister, in his boldness, has proceeded to have a joint venture in the field of insurance and I hope that that will only be a prelude now to many more progressive measures which he will introduce.

With these words, I thank the Finance Minister for the Budget which he has presented.

MR. CHAIRMAN : Shri Nirmal Kanti Chatterjee.

SHRI NIRMAL KANTI CHATTERJEE : Sir, now it is the turn of the Janata Dal. I will speak tomorrow.

SHRI P. CHIDAMBARAM : Mr. Chairman Sir, are we sitting beyond six o'clock also or only upto six o'clock?

MR. CHAIRMAN : According to the decision of the Business Advisory Committee, I think, we are sitting up to seven o'clock.

....(Interruptions)

MR. CHAIRMAN: It was decided in the Business Advisory Committee that for the whole of this week, till the Finance Bill is passed, we would be sitting up to seven o'clock.

SHRI P. CHIDAMBARAM : Shri Chatterjee, please speak today. Otherwise, how can we finish the debate ?

SHRI NIRMAL KANTI CHATTERJEE : You will interrupt me.

SHRI P. CHIDAMBARAM : I have not interrupted anyone. I will resist the temptation to interrupt you.

SHRI NIRMAL KANTI CHATTERJEE : Mr. Chairman, Sir, I am really sorry that I have not been able to buy the approach of the Finance Minister underlined in the budget and the Finance Bill. In his concluding speech on the Budget, the Finance Minister said that the approach to the Budget should not be viewed in terms of whether it is pro-rich or pro-poor. What was relevant to him, at that time was growth and growth alone.

Sir, we are also the votaries of growth. We know that growth is a necessary condition for development of human development indices. But it is not a sufficient condition. May I draw your attention to some simple historical facts? Over the last 500 years the world economy has grown and tremendous development has taken place. People in the under-developed countries grew, you know all that, but they became poor. Even with in the developed countries like United States, despite a very high per capita level of income, 15 per cent of the population is considered to be below the poverty line. We have to understand this. So, we do feel that minus the growth in technology, minus the growth in production, the world could not have progressed. What we wanted is that this growth must take place in a certain manner which generates equity and which gener-

ates justice. Unless this growth takes place through equity and justice, it is meaningless to the population at large. Therefore, in trying to appreciate any approach to the Budget one has to look into the equity consideration involved in this Budget.

Sir, only yesterday we had discussed in the Appropriation Bill and today also it has been mentioned by some other including Dr. Joshi that more money needs to be spent on certain sectors but not at the cost of other sectors. But wherefrom would the money come? We have to gather much more than we propose to gather and what has been proposed also is quite doubtful. I will come to that later on. Without doing that we will not be able to satisfy the demands. There was the promise that after three months there would be a review. The Finance Minister is large hearted enough to say that he will give more. He has to get it from somewhere. Even at the time of the Budget Speech, I mentioned that even in leading in a developed countries of the world the fraction of GDP which is spent through the Government varies between 40 and 50 per cent. Please check up. This was one of the issues on which Mr. John Major was defeated.

KUMARI MAMATA BANERJEE : He was defeated because of you people.

SHRI NIRMAL KANTI CHATTERJEE : She says that Mr. John Major was defeated because of us. It is because he touched Calcutta that is why he was defeated.

In our country taking into account both the State and the Centre, our Government expenditure does not exceed 30 per cent. So, if we want to have more on agriculture, if we want more on the Railways, if we want to have more on irrigation, more on power, we have to get much more in the Government kitty than the attempt indicates. Can the Government collect from all those people who are below the poverty line? From whom can they collect? It is said that after taking into account the countryside and the urban areas no more than 20 per cent of population have the capacity to buy modern industrial goods.

Sir, all the figures are quoted wrongly. I have pointed it out so many times, but it is our habit to persist any number of times with it.

MR. CHAIRMAN : That is statistics.

SHRI NIRMAL KANTI CHATTERJEE : We have individual income-tax payers on our list, whose number is not 1.20 crores. They are only 88 lakhs. That figure refers to a combination of those who talk about double taxation of corporate dividend as well as individuals. They tend to forget that out of 1.20 crores, there are 88 lakh individuals and the rest are corporates. These who talk of double taxation do not want us to understand that they are different entities in terms of taxes and, therefore, it is not a question of double taxation. If we say that these 88 lakh individual constitute one per cent of the population, then, in terms of families, it will be much more than one per cent. There are some 20 crore families in India and if we make the assumption that one in each family is the earning person, then

[Shri Nirmal Kanti Chatterjee]

it will mean that at least five per cent of the families are being taxed. If we add the rural sector and the agricultural sector— we can say that they are exempt from tax—another five per cent may come. So ten per cent of the families are able to pay direct taxes. The figure is not more than ten per cent. What the Finance Bill has done precisely is to give relief to them so that those people, who could have contributed to the Government kitty, need not pay anything.

We talk about tax nets. Dr. Joshi is not here. In a certain sense, even the person who is below the poverty line is included in the tax net. Why are they in the tax net? When we talk about the spread of tax net, we do not refer to indirect taxes, but we really refer to the direct taxes. I am sorry to say that, in trying to spread the tax net, we have developed a net with such large holes that all sharks will pass through them. In a certain sense, this approach should be considered as counter progressive or anti-progressive. Let me tell you why I say so. Here are the figures. I am surprised that a very radical person like Dr. Joshi did not refer to these things. I will come to him later. He just wanted to know what the Government is doing with regard to multinationals and others.

Let us see the proposed growth rate.

17.54hrs.

[SHRIMATI GEETA MUKHERJEE *in the Chair*]

Mr. Chairman, before you retire, would you kindly inform Madam Chairperson about our agreement that I will speak up to 7.00 p.m.?

It is accepted even by the Finance Ministry people that one of the indicators of the progressive nature of the tax net is that you get more from direct taxes than from indirect taxes. Indirect taxes, in their nature, are regressive. You will charge ten paise for a match box from the poorest of the poor as well as from the very rich, who are buying it.

This is considered to be regressive. But direct tax is progressive because it is not proportional at all and not even regressive. It is assumed and nobody denies that if you have a larger income, then you can spare a larger fraction, not the same fraction as the person who is having a lower income. That is why, the preference is - and I can inform the House—that even Karl Marx, in his first historic book known as "Communist Manifesto" suggested this even during the socialist phase of society—that there should be income tax because in this nature it is progressive. Therefore, the claim of Shri Manmohan Singh was that we are starting to collect more from direct taxes than from indirect taxes. What is the proposal this time? For growth rate, I have taken the figures of revised estimate though that is not correct. It should be compared to Budget Estimate. Even then, I am considering that. The direct taxes, according to his proposal which I shall question later, are to grow by 14 per cent and the indirect taxes are to grow by 15 per cent. That is, you are tilting your collection further against direct taxes. Of course, who will welcome and who considers this to be a dream? It is the people who pay direct taxes. It is their dream. It really means that when our eminent ex-Finance Minister

recommends the Chidambaram Budget which we are going to pass.

The whole direction of the tax imposed is that direct taxes will be collected less and indirect taxes will be collected more. This is the first point I wish to make. The Finance Minister has admitted that also in his own speech. He has said that the net additional collection would be Rs. 300 crore. Why? Because there will be a sacrifice of Rs. 600 crore of direct taxes on Rs. 900 crore of plus indirect taxes. So, the net is Rs. 300 crore. That is the part of his speech. All of us are welcoming this approach in the Finance Bill and the Budget. But I am sorry I am unable to buy it.

Then I come to the rest of the points. I have said that more should be collected. In fact, more is not being collected. I have mentioned at the time of Budget speech that it is obvious, almost a tautology, that we do not require a Chidambaram to say that we collected about 15 per cent more than last year because, according to his own estimate, had there been no changes at all, then the collection also would have been 15 per cent. Therefore, he has to make an estimate to show that despite reduction in direct taxes, despite reduction in Customs Duties and despite reduction in Excise Duties, we will achieve all that. I fail to buy this argument and the estimates.

Let me point out very plainly that you have said that there will be no tax on dividend. It is excellent. Now let us say that there is in this country, or any other country, one segment which has earned income via salaries or provisions and, the other segment which has unearned income in the form of dividend etc. That is the normal division. Now can you say that through salary, upto now before the revision in terms of Pay Commission, what is the maximum that the Government servant gets?

18.00 hrs.

They get only Rs. 20,000/- Please multiply that by 12. Then, it comes to Rs. 2,40,000/- You have income tax payees in terms of having an income of rupees ten lakhs and rupees five lakhs. I will give you the figures. It is all unearned divided income. When you say that you will not tax the dividend, you will not discover anybody having an assessable income of more than rupees ten lakhs or even an income of more than rupees five lakh. I have calculated the number of income tax payees whose income is over rupees ten lakh. The old figure is given in the C&AG Report to which Dr. Murli Manohar Joshi was referring so frequently, some 10,000 people are there who are having an income of above Rupees ten lakh. It will mean that at least Rs. 1000 crore or Rs. 2000 crore of tax that you get. But you forego that. Instead of collecting more, you are foregoing the Rs. 2,000 crore of tax. There are 36,000 people who are having an income of above rupees five lakh, according to this Report. These figures are also wrong. Coming to my point, according to the C&AG report, the estimate is that there are 36,000 persons who are having an income of above Rs. five lakhs – within rupees five and ten lakh.

Mr. Minister, you forego another Rs. 3,000 crore. You come here to promise that you will give more to the Railways, Agriculture and Power. All our demands are in a friendly chat. This is a new device that has been found. It is indicative that he is going to respond saying like; "Sorry, excuse me. I cannot accommodate." At the present stage, it is just really saying 'no' in a polite manner. I will tell you about this. Let me get into the figures.

Mr. Minister, you say that the growth rate in income tax would be the same as before. First of all, if the GDP grows more, what will happen? Once again, let me tell you what the C&AG Report says as to what is happening in the course of the last five years. There is such a thing called buoyancy in tax collection. What is the buoyancy? Of course, the additional growth in GDP, additional growth in tax collection help us. But do you know the story of the last four year? According to the C&AG Report, this buoyancy is coming down. From 0.6 per cent. in the course of the last four years, it has come down. Mr. Minister you say that you will collect more. All the estimates that have been proffered before us in terms of income tax collection, corporate duty collection match the objectives. First of all, perhaps, I should also add that the number of tax-payers, of course, is not the same thing as has been mentioned here. They submit their returns, it is not necessary that they pay tax. We knew about the Zero Tax companies. They all submit their returns. There are 2,000 or 3,000 or 4,000 such companies. They are included in the list as tax payers. But they are not tax-payers. They are tax returnees. Many individuals are also there. If this bill is passed, next year, I will not pay any tax. I will submit the return. I will be listed as one of the individuals paying tax. But I will be paying zero tax. So, this is not the way of widening the tax base that you want.

The hon. Minister is aiming at getting tax from the telephone owners. Your estimate is some 12 lakh telephones.. But many of the telephones are in the offices. Many of the telephones are in the name of wives, You do not have a joint tax. You do not impose tax on families. We want that one. When the telephones are in the name of wives, who would you catch?

This is happening. Earlier the buoyancy was 0.06. It came down to 0.03 and then it came down to 0.02. What will you collect?

Now, I will come to other things, I welcome today's announcement about *Khadi*. We wanted that in another context. We should not discuss 'Expenditure' today because that was part of our General Budget Discussion. Today we should concentrate on mobilisation of resources. But since, he had referred to, Dr. Murli Manohar Joshi also was provoked and he spoke on expenditure. Now, we wanted that there should be subsidy. But the subsidy on the handloom sector and *khadi* remains constant over the years. The prices are rising, inflation is there, real value of money is decreasing and the figure is constant. Now, fortunately, taking a plea of the 50th year of Independence, on *khadi* he says that throughout the year, there will be rebate, it means, it will not remain Rs. 50 crore but it will be more than Rs. 100

crore. That is a welcome step, even if it is accidental(Interruptions)... After demolishing the economy, they have started demanding.

Now, I will come to the Direct Taxes. I definitely request the entire House to demand that dividend must be taxed. Now Dr. Manmohan Singh is regretting. There is a book published by the Research Organisation which says about the ownership pattern of shares in the country. This is not an unknown book. Who owns shares? Most of the Government employees own shares. By whom are the most of the shares owned? The number of owners of shares are in millions but the number of people who own millions of shares is very few. The promoters, are requested that in floating a company they will have to own 25 per cent shares. They stipulate these conditions sometimes. And, it is these people who will escape the tax net. He will virtually have nobody else but the salary earners in his tax net.

Forget the Indirect Taxes. I am talking about the Direct Taxes. How do you want me to buy these shares when I know that it is the rich who should pay to the kitty of the Government so that the Motherland can develop? I wanted my BJP friends to say about it. Instead the demand is coming now. I think, Dr. Paul has demanded that even the dividend of the units should not be taxed. It seems that the rich of the country and of the world are united against the poor people.

I repeatedly contacted the BJP leaders to find out if they want that the tax from dividend should be withdrawn. They could not give a forthright answer

SHRI BANWARI LAL PUROHIT (Nagpur) The poor people, more than 30,000 people who have got shares and who do not pay tax will unnecessarily be taxed.

SHRI NIRMAL KANTI CHATTERJEE : There are millions and million who own small shares. Already there is Section 80-L to have Rs. 15,000 of your income to be tax free. If my BJP friends wanted to help them, I do not have any objection. They demand that 80-L limit should be raised to Rs. 25,000; they say 80-L figures should be raised to Rs. 40,000. But why do they, under this cover, allow those who own millions of shares to escape?

SHRI BANWARI LAL PUROHIT : It is because those employees of the company who have got shares with them, will be unnecessarily taxed.

SHRI NIRMAL KANTI CHATTERJEE : Why should they be taxed? They will not be taxed because their total income will not come under the tax net. Why should they be taxed?

I do not know who is befooling him.

SHRI BANWARI LAL PUROHIT : There is a problem in getting refunds.

SHRI NIRMAL KANTI CHATTERJEE : That is a different administrative matter. I will sympathise with you there. The problem is, in that case let us drop the idea of widening the tax net because our administration is not

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competent to do that. Why then, if it is not feasible, have we demanded from various Committees, including the PAC.....

SHRI RAM NAIK (Mumbai North) : The thrust of the argument was that the company, the corporation, which is giving dividends, is paying the tax there. Now again it is taxed at the individual's level. It would amount to double taxation. That should be avoided. That is the point.

SHRI NIRMAL KANTI CHATTERJEE : I know, you were not here when I was referring to that particular point. My statement is that this is not double taxation. I give you the figures. Even Vajpayeeji was making a mistake in his Budget speech. The total figure of one lakh twenty-two thousand is decomposed into eighty-eight lakh individuals and the rest corporates. When you total it up, you say they are independent identities and then you say it is double taxation. Is that a valid logic? In terms of income tax these are different entities altogether. Otherwise you will enter into an impossible position. Suppose you have a large income, you pay income-tax. Suppose you employ a person who is also above income-tax line and say he should not be taxed because you are paying him an income which is out of your income which has been already taxed, this will be an impossible argument in the society. This is not considered to be double taxation simply because these are different entities. Double taxation really refers to the single entity. That is, I am taxed in my country; again I am taxed in a foreign country. It is I, the single entity, who is being taxed twice. That is how the concept arose. The rich of the country very conveniently confuse the people here and use the term double taxation for this purpose. Anyway, I think because he is a reasonable person, he will be able to accept it.

Just for the indication of the nature of bias in favour of the rich is so very explicit that a committee for simplification of taxes was appointed by the Ministry itself. Can you imagine that the Finance Minister has accepted selectively their recommendations? Look at the process of selection. Their recommendations are in this book. It is mentioned in the amendments which have been circulated that—on 10 per cent, we are all fighting together—between Rs. 40,000 and Rs. 70,000 it should be 10 per cent. The Finance Minister has not agreed to it. He has made it from Rs. 40,000 to Rs. 60,000. He has rejected that. And he has also rejected the recommendation in the same report that the maximum rate of income tax should not be reduced below 35 per cent. He has rejected that also. He has brought it down to 30 per cent. Does it indicate a bias? Even among the tax payers, he refuses to agree with the Committee in terms of the lower grade payers of income tax and concedes more for the higher grade income-tax payers, That is the bias which cannot be covered up in terms of growth orientation of the economy.

Then I come to the other parts.

SHRI BANWARI LAL PUROHIT : You were talking about multinationals.

SHRI NIRMAL KANTI CHATTERJEE : The best figure has been given by Dr. Joshi.

I congratulate him. The only problem is that it is that good and they would not be hurt if I say that he has been isolated in his thinking even within his own Party....(Interruptions)

I was talking about the multinationals. That is where 71 per cent dividend goes and they do not tax it. They get 71 per cent dividend in their companies and it is not taxed because the tax on dividends has been withdrawn.

Whom are they helping? They say that they are in search of growth. I have said several times that growth can be had in many ways. But the path chosen by them for growth is to pamper the rich at the cost of the poor. Even Shri Raja Chellaiah who was very close to Dr. Manmohan Singh - and Dr. Manmohan Singh were opposed to the withdrawal of tax on dividend. Had they been in the Ministry, I do not know what they would have said about it. For, Dr. Manmohan Singh, when he was not a Minister took a stand on South-South cooperation; but when he became a Minister, he opposed that very stand; and now that he is not a Minister again, he has again taken the earlier stand. I can also immediately quote Shri Jaswant Singh. When he was the Minister of Finance, he was welcoming the multinationals and giving them concessions. Today, he is out of Office and Dr. Murli Manohar Joshi represents his Party in this debate....(Interruptions)

SHRI RAM NAIK : We want to know what is happening to Shri Somnath Chatterjee. He has been isolated. Why do you talk about Party matters? Why do you not simply put your views?

MR. CHAIRMAN : I hope, hon. Members remember that there is somebody in the Chair.

SHRI RAM NAIK : Madam, he is all the while addressing only Members on our side.

MR. CHAIRMAN : I am seeing that he is yielding. That is why I am not naming anybody.

SHRI NIRMAL KANTI CHATTERJEE : Let us now take the question of amnesty. I think, he was not present when I was speaking on the Budget. I mentioned a very simple figure about the income tax collections that they have made this year.

There are four ways of collecting taxes. One of them is through advance taxes, which are at a particular rate. Then there are other ways like self-assessment. The interesting figure that I mentioned was that the advance tax collections were coming down even this year. I am glad that Dr. Debi Prasad Pal—without hearing me, of course - has independently come to this conclusion.

Had somebody paid the advance tax, they would have paid it only at 40 per cent. So, the amnesty scheme is something which would succeed in generating more black income. I have circulated an amendment which says that if at all they are to be asked to pay, as Dr. Manmohan Singh says, it is because they have committed some crime. All right, if they are in difficulty, they should bow down. It is like our supporting the United Front Government. There could be a

variation in the structure whereby they can pay 60 per cent and save 40 per cent. We are asking them because we do not have enough funds and so we want foreign capital. But to what extent do we have to bow down? Is it to the extent of handing it over to the foreigners? They do not know the international economic situation. Do they think that the taking over of DCM by Daewoo or Lakme by the Tatas is simply some Indian phenomenon? There are about 30,000 multinational corporations in the world.

Of that, only 200 transnational corporations control the economy of the world. What does IMF or World Bank or Clinton or the Labour Party Leader, Mr. Tony Blair mean? These 200 multinational dominate the thinking of the WTO, of the IMF and of the World Bank. But we know that through the exploitation of ages since capitalism was born, fortune has been amassed in the hands of some; and we want that to be back because that was at our cost. Therefore, you are prepared to make concessions. To what extent? We want to concede in order that we can stand up on our own. But what are you doing in terms of amnesty and in terms of dividend which I have mentioned?

Today also, the hon. Finance Minister mentioned that this is an incentive to saving. Does this Budget say so? We have suggested that you can save up to Rs. 40,000 under Section 88, in the Public Provident Fund. It will have two advantages. Small savings will generate savings in the hands of the Government and the Public Provident Fund can be transferred to the States. It is not my view alone, but it is the view of the Planning Commission also that over the last five years—including in this Budget the States are getting proportionately less from the Centre. That could have been instrumental. You may have a tax and tell them that if you deposit Rs. 40,000 on your dividend in Public Provident Fund, from Rs. 15,000 under Section 80(1), you do not have to pay tax. They said, "No". That is not suitable to them because the concessions have to be made to the rich in order that there would be growth in the country. This is what we are unable to buy.

I was going through the figures of the Public Provident Fund. Do you know the estimate of the small savings which has been provided for? The Budget Estimate for 1996-97 was Rs. 14,000 crore. He says that incentives for saving have been given. Is this not a savings instrument? Is this not a household savings? In the Revised Estimate, it is Rs. 15,000 crore. For this year, what kind of a figure do you anticipate? It has been brought down to Rs. 14,000 crore. This is a reflection on which kind of incentive has been provided for saving. The entire Budget outlook is to bank on consumerism. I agree with Dr. Joshi on this. He did not mention those figures, but I would.

With an income of Rs. 10 lakh, with the new rates, you can save simply Rs. 1 lakh. They have given the figures. Where will that Rs. 1 lakh go? It will go to buy either an Opel Astra or Ford Escort or the new ones. The egging on is also reflected in the excise duty and customs duty changes. We are always in favour of reduction in excise duties because that is an indirect tax. We are always in favour of that with one condition....(Interruptions)

SHRI SONTOSH MOHAN DEV (Silchar) : One of the Members of my party cannot stay on for tomorrow or the day after. His name is the next one. If Shri Nirmal is helpful, he can speak today; otherwise, he has to sit for another half-an hour extra for that....(Interruptions)

MR. CHAIRMAN : His name is not the next. There are other names also. But then, Shri Nirmal has to be a little bit brief. He has already taken a lot of time.

.....(Interruptions)

SHRI NIRMAL KANTI CHATTERJEE : The whole House is a witness that before I started my speech, I made it clear....(Interruptions)

SHRI A.C. JOS : In that case, you may have to extend the time of the House today....(Interruptions)

SHRI NIRMAL KANTI CHATTERJEE : How much time do you require?....(Interruptions)

SHRI A.C. JOS : How much time do you require, Shri Chatterjee? At least, the time allotted to me should be given to me. Madam, you may kindly extend the time of the House by one hour....(Interruptions)

SHRI NIRMAL KANTI CHATTERJEE : Why do you not speak tomorrow? I will give you an opportunity tomorrow morning....(Interruptions)

SHRI V.V. RAGHAVAN (Trichur) : Madam, the former Chairman and the hon. Minister allotted time upto 7 O'clock for him to speak.

SHRI NIRMAL KANTI CHATTERJEE : The House is a witness to that....(Interruptions)

SHRI A.C. JOS : Madam, you may kindly extend it upto seven O'clock....(Interruptions)

MR. CHAIRMAN : I do not think that five Chairpersons can run the House. Only one Chairperson has to run the House, whoever it may be. Otherwise, we shall be nowhere.

Shri Nirmal Kanti Chatterjee, how much time do you require?

SHRI NIRMAL KANTI CHATTERJEE : It depends on the wish of the House. I can sit down now. I can sit down in another five or ten minutes, whatever you want. But I will try my best to conclude.

MR. CHAIRMAN : You have already taken forty minutes. That is why, I am saying this.

.....(Interruptions)

SHRI A.C. JOS : Madam, please extend the time of the House.

SHRI NIRMAL KANTI CHATTERJEE : All right. I will be sympathetic to the House. I was talking about excise duties....(Interruptions)

MR. CHAIRMAN : Shri Nirmal Kanti Chatterjee is strong enough. He does not need anybody else's help.

SHRI A.C. JOS : Madam, kindly extend the time by at least half-an-hour.

MR. CHAIRMAN : Let him finish first. The question of extension or non-extension arises only after he finishes. He must finish first.

SHRI A.C. JOS : You may extend upto eight o'clock.

MR. CHAIRMAN : That is your proposal. Let him finish first.

SHRI NIRMAL KANTI CHATTERJEE : I was talking about excise duties. The general approach is that there should not be any burden as regressive on excise duties on the people at large. Yet, we may get a distinction. We say that in case of resources, you have to have an excise duty. Even there, you distinguish between commodities and goods that the goods which are consumed by the rich have a higher level of duty rather than the goods consumed by the poor. This distinction is also universally accepted. Is that done in this particular case? I will indicate to you that duties have been reduced for goods which are meant for only the rich. You will appreciate a telling figure which I will give you. You will see that the duty on bulk drugs is increased from 10 to 18 per cent. For whose benefit? Is it for the multinationals who have formulated the drugs and are bringing in here? Now, for medicinal grade oxygen, it is raised from 5 to 8 per cent. You have all welcomed this Budget a dream Budget. Whose dream is it? Nobody knows it. Look at the position for cosmetics and toilet preparations. It is reduced from 40 to 30 per cent. Do you think that this is a sensible Budget? There is a reduction of duty on goods which are consumed by the richer section and on goods which are a necessity for all people like drugs, there is an increase. It is reduced for perfumes, hair oil, etc.

SHRI P.C. THOMAS (Muvattupuzha) : But you are going to support the Budget, I suppose.

MR. CHAIRMAN : Shri Nirmal Kanti Chatterjee, you do not look at them. You look at me. After all, I am your own colleague.

SHRI RAM NAIK : Madam, he is criticising the Budget but ultimately, he will support the Budget.

MR. CHAIRMAN : In any case, there may be points.

SHRI NIRMAL KANTI CHATTERJEE : For your satisfaction, I will not utter that word. Is it all right?(Interruptions)

MR. CHAIRMAN : Please do not do like this.

SHRI NIRMAL KANTI CHATTERJEE : Look where reductions in the Excise Duty have taken place. He has conceded about matches. There is really a problem. Those who exploit child labour in Tamil Nadu- the State of the Minister of Finance are Duty-free. Because they exploit child labour for 12 hours a day, they have become competitive with the manufacturers of machine-made matchbox. Now,

our dilemma, of course, is that we say that the small scale industries should be supported. The WIMCO company is in my constituency. You have imposed duty because of which they cannot compete with the exploited child labour there. But he has agreed that this should be reduced.

Now there is a reduction in excise duty on travellers' goods and leather manufactures. Do not think about low-priced shoes and leather garments. You can imagine that a person below the poverty line shivering in winter will like to have a leather jacket. Therefore, this concession is there. This is the approach contained in reduction of the duty. The duties on luxury goods are reduced, but also increased. You welcome the Budget. I am unable to buy it. The concession on roof tiles is very good. We welcome it. But under that cover, will very poor people also use the glazed tiles? Their Duties have also been reduced. I am running through the book....(Interruptions)

This is the kind of definition of people living below the poverty line. Only those who use the glazed tiles are below the poverty line !.....(Interruptions) Look at this. He has conceded about ships and boats. We made a representation about that. This is a very welcome step. That was a very dangerous thing. Ships and boats may be dangerous. Why? I tell you that there is no Customs Duty on imported ships and boats. What I suggesting is that there is a distorted vision in itself. There is no Customs Duty on imported ships and boats. Now, in order to provide a level playing field for the imported ones, he has imposed Excise Duty of eight per cent on domestic production. This is just unthinkable. Fortunately, after our representation, he has corrected and withdrawn that Excise Duty.

SHRI A.C. JOS : Then, you should support it.

SHRI NIRMAL KANTI CHATTERJEE : I am supporting a bit unlike you.

So, this is another indication : glass and glassware and kitchen and tableware' perhaps of glass which decorate the MPs' houses. Are they below the poverty line? The Duties on these items are reduced.

KUMARI MAMATA BANERJEE : Do not say about all the houses of MPs.

SHRI NIRMAL KANTI CHATTERJEE : I am only indicative without being exhaustive because that will take too much time. There is an increase. It is very welcome. But there is an increase from 10 per cent to 13 per cent on watches of value exceeding Rs. 600. What about the ornamental wrist watches costing Rs. 1 lakh, Rs. 2 lakh or Rs. 3 lakh? Why do you not impose a higher Excise Duty? It is inherent in the approach that concessions to the rich will save the country.

I leave this area. There is a reduction on air-conditioners which is a necessity for many MPs and not for those people who are below the poverty line. The Excise Duty has been slashed. I do enjoy an air-conditioned car in the hot summer of Delhi. But it is we - not those who are on the streets - who would use it. For whom does the country really exist? You have to answer that.

Sir, let us turn our attention to Excise Duty. What economic function do the baggages have? It has been rightly pointed out by Dr. Joshi that the Government is reducing maximum rate of import duty after they stealthily joined the WTO on 31st December without consulting the Parliament. The Government is bound by that vice. The Government is caught in that vice and they have to reduce the import duty, no matter if this country need protection. I appreciate the argument and I have told earlier also that at the time of Independence we felt that in order to combat foreign capital and because private capital is weak we would require public sector so as to be able to become increasingly efficient in terms of productivity and compete with the outside world in the economic field. It is right that the big business houses have failed this country. They refused to be more productive and they should be punished. I agree with the contention. I also agree that one of the modes of punishing them is to raise the import duty a little. But punishment does not mean hanging them altogether. The Government would have to try and put them on an efficient path without killing them. That approach is not there.

The Government is reducing the maximum duty from 300 per cent to 240 per cent; and then there has been subsequent reduction to 130 per cent; to 80 per cent to 60 per cent and finally year it has been brought down to 40 per cent. But for whose benefit is this being done? The Government wants to flood this country with foreign goods. There is a justification for foreign capital. But why do you want to flood it with foreign goods? I am just giving an illustration.

I asked the Finance Minister as to what economic function does the baggages in the aircraft have. Who brings these baggages from outside which are checked in the customs? They are brought by absolutely poor people. These are brought by those people who do not get to fly in the aircraft. You have reduced the import duty on these baggages. Now, in the name of growth of the economy we have made an innovation. That was an innovation that has been welcomed in order to be responded with silence(Interruptions)

Now, if you see the Television you would find that elephants are being shot at and are being killed. It is a very nasty sight. It is being followed by a caption which says, 'save the elephant by the not buying Ivory'. It is that culture which can save the elephant, not the smuggling of ivory. Smuggling exists because of that culture.

In the 50th year of India's Independence they cannot make the promise that they would not adopt that kind of a culture of consumerism. The game is over for all of us. That cannot happen. India is too important and too ancient a country for that. I just wanted to indicate in terms of Excise Duty. There are many areas where it has been done just to feed the rich and have a consumer orientation.

Our proposal is very simple. Why is the process being hastened? Keep it on hold for one year. Now there is a Tariff Commission. Let them be asked to review all the tariffs and let them be asked to find but at what level each of the items

should be given protection so that there is production and yet goading for productivity. Do not decide it here. I would not like to go into the detailed list but I would like to request—we, the Left Parties, have requested them—that if the Government waits for one year then the heavens will not fall.

The masters abroad will not be able to kick us into the ocean. Submit it to each of them and let them also study the Excise Duties. Together let them make a report we will all participate in that discussion—and have a schedule of tariffs for Customs and Excise Duties. Will they agree? They will not buy my suggestion either.

I must mention the petroleum price hike. It is very correct that the deficit in the economy is not just here. The fact is, they have spent only Rs. 2,000 crore less last year. The Revised Estimate is only Rs. 2,000 crore. Why is it so? It is because they have not spent on the necessities, but egged on by you, they spent more on the Defence. In certain priority areas they have saved. Perhaps all of us have forced them and they have spent the money. Therefore, the net reduction is only Rs. 2,000 crore. The Budget Estimate was Rs. 2,04,000 crore and the Revised Estimate was Rs. 2,02,000 crore. I have participated in that discussion. They have deliberately asked the Departments not to spend. Today, if you say that they could not spend, that will be travesty of truth and will be not becoming of an honest Minister.

This year also similar things will happen because the revenue will not come. I mentioned Customs Duty estimates. They have projected 19 per cent growth not only here but in various fora. On the basis of their estimates that they have a two per cent general duty on imports—they have collected Rs. 1,400 crore and they propose to collect Rs. 2,550 crore—how much should be the increase in imports so that this much can be collected? They have a different estimate when they say that last year they have collected this much on the basis of existing rates; there will be a shortfall of Rs. 2550 crore and yet the growth would be 19 per cent. Are these estimates believable?

If you approach it from two different sides, two different projections for import growth merge. How do they want me to buy it? We cannot collect the Customs revenue unless the balance of trade goes against us very severely. I know, the answer will be, "Let the balance of trade drop; we shall collect via our friends, the NRIs and all those moneys which have been illegally taken outside will be brought back and paid for the deficit in balance of trade." I do not buy that argument.

My proposals are very concrete. I want dividends to be taxed, at least above a certain level. There should be no withdrawal of that. That saving, that extension, should be in the form of saving opportunities. On Corporation Tax, all right, they have to save their face. There is a three per cent surcharge, and let them eliminate that, that was a long time promise to them. The corporate sector did not expect this kind of a reduction. They were taken aback that they were pressurising, whether a Government in the country existed or not, for passage of the Bill. They are so enamoured by this. Of course, we cannot support this.

MR. CHAIRMAN : According to the Business Advisory Committee's recommendation, we have to sit up to seven o'clock. That is all.

SHRI NIRMAL KANTI CHATTERJEE : Madam, I will make two other comments and conclude.

On petroleum price hike, why should it be subsidised in that manner ? Is there no alternative?

Madam, petroleum prices in the Gulf are also coming down. But, additionally, Rs. 10,000 crore of deficit would be accumulated here. Is there any way out to collect it ? Why are we objecting then ? It is because any increase in the prices of petroleum products would have a cascading effect. The Ministry was nervous when the prices were going up because of hike in petroleum prices. Now, that phase is over. Therefore, the Wholesale Price Index is coming down. It is quite right that in terms of the Consumer Price Index, the inflation rate continues to be 10 per cent and most of the countries in the world calculate the inflation rate in terms of the Consumer Price Index unlike India which calculates inflation rate in terms of the Wholesale Price Index. Is there any way out ? Yes, there is a way out. You have a lower Presumptive Tax on Maruti car owners. They spend much more on petrol. You charge certain sum from these Maruti car owners. If somebody owns an Opel Astra, you charge a Presumptive Tax at the rate of Rs. 15,000 or Rs. 20,000. Of course I will excuse owners of Contessa ! It is because, my friend, who is sitting near me, gives me ride on Contessa ! So, this will be a very thing.

I said that diesel is also consumed by trains and by transporters. Do not tax them. In trains, you have a diesel tax on AC-I and AC-II Class travellers. You distinguish between the rich and the poor. They are the biggest consumers of diesel. You impose a tax on them. You collect tax from them and take care of deficit in petroleum. It will come down. You take these measures instead of increasing the prices of petrol and diesel. If you increase the price of diesel, the bus and truck fares will go up. The peasants would suffer. It is because the peasants use diesel for power. The richer sections of the consumers should be taxed without hurting them. They are, of course, our brothers ! They exploit us, yet they are our brothers ! This is the way out instead of hiking the prices of petroleum products.

Madam, now, I will conclude. I was surprised about the Finance Minister's understanding. He is so confused about it. Excuse me for saying so. He is not here. What is this Service Tax ? We produce goods and services. He is taxing on the production of goods and services. I would say it is not a direct tax. It is not an Income Tax. It is not a Corporation Tax. He is trying to collect maximum from them. The transport operators do not pay Income Tax. You try to catch them in a different manner. Instead of doing that, you are opposed to that. Do not impose that Service Tax there. However, in other areas, you impose tax. What I want to say is that in terms of excise duties, you have to be careful so that the common people are not hurt. We do not believe in God but we do say that for God's sake, hold your tongue. We also say for God's sake, hold this Budget.

I am holding my tongue, if you all agree to hold the Budget.

I conclude by thanking everybody around with this remark that if there is no justice all growth is meaningless and therefore, we are unable to buy the Budget.

MR. CHAIRMAN : Hon. Members we will be adjourning the House at 7 p.m.

SHRI RAM NAIK : Madam, since the number of speakers is more, we can sit upto 8 o'clock and tomorrow also we have more time, those who wish to speak can speak then.

SHRI A. C. JOS : Yes Madam we should continue till 8 o'clock.

MR. CHAIRMAN : We will see.

SHRI C. NARAYANA SWAMY : Respected Madam Chairperson, I stand to welcome and support the proposals, especially the Budget, presented by the hon. Finance Minister. It has been a radical attempt to bring about a sustained growth rate for the country and it also addresses itself towards carrying out the promises made in the Common Minimum Programme of the United Front Government. Among the programmes are the basic minimum services which are sought to be given more importance and these basic minimum services include provision of drinking water, shelter, health services, communication and other important services required by the people of the country.

The proposals of the Government have sought to ensure a stable rate of growth. It has also sought to keep under check the rate of inflation and also to bring down rate of deficit in the economy. With these objectives in view, the Finance proposals, especially relating to the direct and indirect taxes proposed by the hon. Finance Minister, go a long way.

The direct tax relating especially to income tax has sought to rationalise the tax structure, has sought to reduce the rate of tax, has sought to reduce the slabs in the rate of taxation and also to increase the amount of deduction in respect of the income of salaried class also. Apart from this, it is generally felt that a higher rate of taxation would result in evasion of taxes and further result in reduced revenue for the Government.

With the streamlining of the tax rate, reduction in the rate of taxes and the other fiscal measures, Government has ensured that there is minimal evasion of taxation that revenues will be increased.

Apart from this, the concession given to the senior citizens in respect of payment of income-tax is also a welcome step.

Now, in the field of increasing revenues for the Government, the hon. Minister of Finance has certain proposals which will not unduly burden any section of the people of the country, be it the poverty-stricken poorer section, be it the middle class or the affluent section whose income is sought to be taxed to a great extent.

This proposal will also encourage the industrial growth. The thrust on the basic infrastructural facility is also there. It should result in investment in this field to provide power and other infrastructural facilities to augment the industrial growth rate. Also there are proposals relating to increased agricultural production and also allied activities.

At this juncture, while welcoming the major policy proposals in the Finance Bill, I would like to bring to the notice of the Government, through you, Madam Chairperson, that the proposals relating to service tax on outdoor caterers, *Pandal* and *Shamiyana* contractors, need to be reviewed. And also there is a proposal to increase the tax on thread rubber. Earlier, the small scale thread rubber manufacturing units came under the general exemption category. Unfortunately, while the taxation in respect of most of the categories has been reduced by the hon. Minister of Finance, the tax on thread rubber is sought to be increased in the financial proposals. I would request the hon. Minister of Finance to reconsider this. Thread rubber is being used by common people, who cannot normally afford to purchase new tyres, who cannot afford to spend money on the maintenance of their vehicles whether two-wheelers or four-wheelers. This thread rubber would be useful for them. The small scale industrial units manufacturing thread rubber were getting the exemption earlier. I feel that there is a need to continue this exemption so that they are not only able to manufacture but also to compete with the other major producers of rubber.

Also there is a proposal to tax on tiles. Tiles are normally used by the poorer sections of the people for their housing needs. I feel that there is a need for the Government to reconsider this proposal.

SHRI A.C. JOS : That has been withdrawn today(*Interruptions*)

SHRI C. NARAYANA SWAMY : Sorry, I was not present at that time. I was not aware of that. I welcome this step.

In relation to the newsprint policy, import of newsprint is allowed. At the same time, there is a hue and cry raised by the newsprint manufacturers within the country that this liberalisation on import of newsprint has resulted in dumping of newsprint in the country, and this needs careful consideration by the Government. There should be a balance in the policy of taxation at this level so that while allowing newsprint for genuine users of newsprint, the local industries should not be allowed to close down or become sick.

19.00 hrs.

So this balance, I feel, is necessarily to be maintained by the Government and by the hon. Minister of Finance in this respect.

SHRI BANWARI LAL PUROHIT : It not only applies to one industry but it also applies to so many industries.

SHRI C. NARAYANA SWAMY : Yes.

MR. CHAIRMAN : Mr. Narayana Swamy, you have some more things to say, I believe. In that case, as it is seven o'clock, we have to adjourn the House and you continue your speech tomorrow.

SHRI C. NARAYANA SWAMY : All right.

1901 hrs.

The Lok Sabha then adjourned till Eleven of the Clock on Thursday, May 8, 1997/Vaisakha 18, 1919 (Saka).