

Saturday, August 31, 1957

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N. B.—The sign + above a name of a Member on Questions, which were orally answered, indicates that the Question was actually asked on the floor of the House by that Member.

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LOK SABHA

Saturday, 31st August, 1957

The Lok Sabha met at Eleven of the Clock.

[MR SPEAKER in the Chair]

BUSINESS OF THE HOUSE

The Minister of Parliamentary Affairs (Shri Satya Narayan Sinha): With your permission, Sir, I rise to announce the business for the week commencing Monday, 2nd September. The House is already aware that a debate on the international situation on a motion to be moved by the Prime Minister has been put down on the order paper for 2nd September.

Business thereafter will consist of the following items:—

1. Further consideration of the Expenditure Tax Bill, as reported by the Select Committee

2. The Insurance (Amendment) Bill.

3. The Legislative Councils Bill.

4. The Inter-State Corporations Bill

5. The Dhooties (Additional Excise Duty) Amendment Bill.

6. The Cotton Fabrics (Additional Excise Duty) Bill.

7. The Minimum Wages (Amendment) Bill, as passed by Rajya Sabha.

A two-hour discussion under Rule 193 on the following subject given notice of by Shri Feroze Gandhi and Shri K. K. Warior is scheduled to be

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held on Thursday, 5th September from 4-30 p.m. to 6-30 p.m.:

“Prices paid for locomotives manufactured by Tata Locomotive Works”.

PAPERS LAID ON THE TABLE

STATEMENTS SHOWING ACTION TAKEN BY GOVERNMENT ON VARIOUS ASSURANCES ETC.

The Minister of Parliamentary Affairs (Shri Satya Narayan Sinha): Sir, I beg to lay on the Table the following statements showing the action taken by the Government on various assurances, promises and undertakings given by Ministers during the various sessions shown against each:—

(1) Supplementary Statement No. I Second Session, 1957 of Second Lok Sabha

[See Appendix IV, annexure No. 17]

(2) Supplementary Statement No. II First Session, 1957

[See Appendix IV, annexure No. 18]

(3) Supplementary Statement No. IV Fifteenth Session, 1957 of First Lok Sabha

[See Appendix IV, annexure No. 19]

BUSINESS OF THE HOUSE

Shri Bimal Ghose (Barrackpore): Sir, I would like to draw your attention to the unsatisfactory manner in which, owing to pressure of time, we conduct legislative business in this House. As you will have noticed, in regard to the Wealth Tax Bill, discussion on clause 6 onwards in the Second

[Shri Bimal Ghose]

Reading stage and the Third Reading was guillotined. In fact, with regard to every Bill we have to work to a very severely restricted time schedule which has the effect of stifling discussion and preventing care and attention being bestowed upon the passage of legislative business.

Theoretically, Government or the hon. Minister of Parliamentary Affairs who is responsible for arranging the business before the House may score a point over me, which I may readily concede, but it will be a technical and not a substantial point. For he might say....

Mr. Speaker: What is the suggestion of the hon. Member? Everybody knows the pressure of work. What is his suggestion?

Shri Bimal Ghose: In five minutes I will finish. I want to show how the work....

Mr. Speaker: Every hon. Member knows it; the other day guillotine was applied; there is so much of pressure.

Shri Bimal Ghose: I want to show why this arises.

Mr. Speaker: I want to know his suggestion.

Shri Bimal Ghose: I will give the suggestion also.

I say that the hon. Minister might say that it is the Business Advisory Committee and finally this House which fix the time-limits for the different items of business, including legislative business, and therefore it is not he who is responsible. But that is not really so. Because, the Business Advisory Committee has a very unenviable task. It has to work under two conditions given to it. The first is that the legislative business....

Mr. Speaker: There is so much of work. How I understand it is this. There is a certain volume of work which has to be disposed of by Par-

liament. Either it has to be done by sitting for a longer number of days or for a longer number of hours or by restricting the time. What are his suggestions?

Shri Bimal Ghose: My suggestions are three. The point is....

Mr. Speaker: No preamble is necessary. We know everything about this.

Shri Bimal Ghose: The Business Advisory Committee here is not like the one in the House of Commons.

Mr. Speaker: Let us not break the rule. I cannot change the rule. What is the suggestion—to sit longer number of hours or longer number of days?

Shri Bimal Ghose: There are three suggestions. The first is, Government bring in either less amount of legislative business for a session, or at the beginning of every session they say what is the business before the House and not bring any other thing throughout the session.

Mr. Speaker: How is it possible?

Shri Bimal Ghose: Secondly, as is the ordinary practice in the Commons, we might adopt that, namely that we utilise more committees for the purpose of discussion of Bills rather than passing every Bill through the House. If you really want discussion of the Bills and not pass hasty legislation, for which we come in for a lot of criticism.....

Mr. Speaker: I am not going to allow further discussion on this. Order, order. He will kindly hear me. If he has any suggestions that the Rules of Procedure have to be modified, I can understand. Let him send a note. But if it is only a question of saying that instead of having three sessions we shall work all through the year, it is no good. The work of Government has to be disposed of. Let us start with an axiom. Either today or tomorrow the work has to be done, during the

day or till midnight. There is no good accusing that so much work should not be brought forward or that in the beginning of the session the entire business before the session ought to be announced. It is not possible, whichever Government is in power. They announce the business in the beginning, and every week also I have asked them to announce the business for the ensuing week.

As regards reference to committees, it is a matter which has to be considered. I do not know how the House will approve of it. We refer Bills to Joint Select Committees and Select Committees, and afterwards also we have the same discussion here.

Therefore, we must sit longer number of days and longer number of hours. If we have to sit beyond 5-30 I find there is so much of clamour and people are not prepared to sit. They get tired. I do not know what the Minister can do. We must get through the work by sitting longer number of hours or longer number of days or both.

Shri Bimal Ghose: Why is it not possible for them to say at the beginning as to the business...

Mr. Speaker: It is not possible. How is it possible? They find there are numerous things.....

Shri Bimal Ghose: It is only for a month or two that the House sits, and before that the Government should know its business.

Shri Satya Narayan Sinha: Sir, the hon. Member in the first instance is not correct when he says that in each session Government brings forward too much legislative business. At any rate, with regard to this Budget Session, unusually the amount of business has been very small.

Mr. Speaker: I am surprised at what the hon. Minister says. If the Government has to get through some business, what is the good of being apologetic about it?

Shri Satya Narayan Sinha: I am explaining that with regard to this particular session, unusually....

Mr. Speaker: Whatever overflows from this session has to be done by us in the next session.

Shri Satya Narayan Sinha: There is some misunderstanding about the working of the Business Advisory Committee. Perhaps my friend has not been a Member of it.

Shri Bimal Ghose: I have been a Member.

Shri Satya Narayan Sinha: I am sorry he has forgotten what we used to do there. The Committee allocates times purely on merits. There is no time-limit before the Committee. You are aware, Sir, that though we have a majority in the Committee, invariably I always accept the suggestions made by the Members of the Opposition on the Business Advisory Committee.

Shri B. S. Murthy (Kakinada—Reserved—Sch. Castes): All the decisions are unanimous.

Shri Satya Narayan Sinha: With regard to this Wealth Tax Bill, this Bill had been discussed in this House fully before it was sent to the Select Committee. In the Select Committee for days and days there was discussion and perhaps our Finance Minister was fed up practically. The hon. Member was perhaps a Member of that Select Committee. Then it came up before this House. You remember, Sir, Government had allotted four hours for it. You said, and the Members of the Opposition said there should be nine hours. I readily agreed. Even after discussing it for nine hours if the hon. Member is not satisfied, well, I do not know how his insatiable thirst can be quenched. Some limitation somewhere we must have.

Shri A. K. Gopalan (Kasargod): May I seek a clarification here? I would like to know whether the session will end at least on the 13th. Because, if it is announced just one day

[Shri A. K. Gopalan]

earlier, there will be so many difficulties. So, if there is a possibility of extending it by two or three days we may be informed now or we may be told that it will be over on the 13th.

Shri Satya Narayan Sinha: I said that in no case will the session be extended beyond the 14th. I will be able to say after a few days whether we are sitting after the 13th, but in no case beyond the 14th. Fourteenth is a Saturday and if the Scheduled Castes Commissioner's Report for 1956 is available, we might discuss it this session. If that is done...

Shri A. K. Gopalan: Will we adjourn on the 14th. Let him say that. Let him not say if and all that. Let him say definitely whether we will rise on the 13th or we will sit on the 14th.

Shri B. S. Murthy: The Scheduled Caste Members have been asking for two years for the report to be discussed.

Shri Satya Narayan Sinha: If the 1956 report is available it is better. It is no use discussing only the 1955 report. Anyhow, beyond the 14th there is no question of this session being extended.

Shri Supakar (Sambalpur): There is one thing which troubles me. In the original time schedule as it was contemplated it covered practically the whole session up till the 13th and after that the Expenditure Tax Bill which was not included in the original time table and several other Bills which were not originally included in the time table were also brought before the House. That covers not only the 14th but a larger number of hours which we have calculated on the basis of sitting up to 5-30, 5½ hours at the present rate.

Mr. Speaker: In any case, we do not sit beyond the 14th.

Shri Supakar: In that case, I want to know which of the Bills are going to be dropped.

Mr. Speaker: So far as the next week is concerned, the hon. Minister has announced what the work will be. Thereafter he will announce for the next week and so on. Hon. Members will be given notice a week in advance.

Shri B. K. Galkwad (Nasik): The hon. Minister has said that if the Report of the Scheduled Castes Commissioner's is available that will be taken into consideration. To my knowledge the report which has been published and which is put for consideration by Parliament is for 1955-56.

Shri B. S. Murthy: The report has been held up; the discussion has been held up for your coming in.

Mr. Speaker: I think it is 1955-56. Why was this suggestion made that if it is available it will be discussed? Is it not available already?

Shri Supakar: 1955 report is available.

Shri Satya Narayan Sinha: There is no information if we have received the 1956 report..

Shri Feroze Gandhi (Rai Bareilly): You will remember, Sir, that in the last session of the last Parliament the Backward Classes Commission Report was similarly treated and we hardly got half a day to discuss the entire report. These reports, especially with regard to the Scheduled Castes and Backward Classes should be treated with some importance. Importance should be given to the reports and we must have a full opportunity of discussing them. As the hon. Minister said, if it is going to be discussed, it will be discussed on the last day, the 14th of September, when all of us will be totally and completely exhausted.

I would suggest that it should be advanced to the next session rather than have half a day or one day for discussing it in this House, this session.

Shri Satya Narayan Sinha: I shall gladly accept the suggestion.

Mr. Speaker: I have made up my mind that every year we must have a discussion here on the Backward Classes and Scheduled Castes Report, and hon. Members should be given an opportunity. It is for the hon. Members and the hon. Minister to decide as to when we shall have it. If it can be had on the 14th, the whole day may be allotted for it.

Shri Siva Raj (Chingleput—Reserved—Sch. Castes): Ten hours have been allotted for it.

Mr. Speaker: It will be held as early as possible. If the hon. Members are willing it may be taken in the next session. If we can, we will allow more than a day for both the reports.

Shri Satya Narayan Sinha: Informally the Business Advisory Committee has allocated 10 hours for that. We have not brought it now because the time is not available.

Shri Feroze Gandhi: But, where is the report?

Shri Satya Narayan Sinha: If the report is available, then, we will give 10 hours.

Shri B. S. Murthy: In the meeting previous to the one held yesterday, 10 hours were allotted so that the 1956 report, if it is available, may also be discussed. Now that the report for 1956 is not available and discussion of the 1955 report is only a *post mortem* affair. Therefore, both the reports of 1955 and 1956 must be made available to the Members and then two days may be allotted. If it is not available this session, it may be discussed in the next session but it should be in the beginning of the session.

Shri Satya Narayan Sinha: We will do that.

Mr. Speaker: We are going on for nearly half an hour with this; even the question hour is not there.

Shri Shankaraiya (Mysore): The business for the next week has been announced. With regard to Planning a discussion was to take place. I want to know when it will be taken up so that we may prepare ourselves.

Mr. Speaker: For one week the work has been announced. Why should the hon. Member ignore this and go to the next week?

Shri Satya Narayan Sinha: Before the House rises, we must discuss this Planning.

BUSINESS ADVISORY COMMITTEE

EIGHTH REPORT

The Minister of Parliamentary Affairs (Shri Satya Narayan Sinha): Sir, I beg to move—

“That this House agrees with the Eighth Report of Business Advisory Committee presented to the House on the 30th August, 1957.”

Shri Sadhan Gupta (Calcutta—East): Regarding the Report of the Business Advisory Committee, I find that the time allotted for two ‘No-Date-Yet-Mentioned’ motions on the working of the Life Insurance Corporation is only one hour. The difficulty is

Mr. Speaker: Is it one hour for both of them?

Shri Sadhan Gupta: Two motions have been given on the identical matter, and the motions have been allotted one hour.

The affairs of the Life Insurance Corporation are rather important and the discussion for one hour practically reduces it to a farce since I knew

[Shri Sadhan Gupta]

that it will be very difficult to cover the whole affair by one speaker in the course of half an hour. Under these circumstances, practically no useful contribution can be made.

If we are hard pressed this session we might have it next session. But, one hour is absolutely inadequate for this purpose. The difficulty arises from the fact that the Business Advisory Committee, unlike the Committee on Private Members' Bills and Resolutions, does not invite the sponsors of the motion to ascertain from them the time that is likely to be taken and other aspects of the matter. So, I would suggest that the time for discussion of that item should be increased to 3 hours or 2½ hours at least.

Shri Feroze Gandhi (Rai Bareilly): I would like to point out that 2 hours have been allotted for discussing the Tata Locomotives and the Railway Board Agreement and the Tariff Commission Report. This is a very important discussion and I would very seriously suggest that when the House discusses this, the Press should be excluded and we should be allowed to have a free discussion on that subject.

Mr. Speaker: Locomotives?

Shri Feroze Gandhi: Yes, Sir; it is a very delicate subject.

Mr. Speaker: Two hours have been allotted.

Shri Feroze Gandhi: Two hours have been allotted; but my point is that in order to allow a discussion on this matter freely, the Press should be excluded from reporting that debate. It should be more or less what is called a secret session.

Mr. Speaker: We have never done so even with respect to important matters. Hon. Members will make bold to say what they want to say.

Several Hon. Members rose—

Mr. Speaker: How long are we to go on with suggestions?

Shri Mahanty (Dhenkanal): There is a slight mistake in the Report of the Business Advisory Committee, a copy of which was circulated to me this morning. That relates to the list of Members who participated in the deliberations of the Committee. Shri Dwivedi, whose name appears as a Member who was present in the Business Advisory Committee was not there.

I suggest that this report may be accepted by the House after this inaccuracy is corrected.

Mr. Speaker: The report may be adopted by the House without Shri Dwivedi's name.

Shri Mahanty: What I am suggesting is, there is an inaccuracy and it is better that it is removed.

Mr. Speaker: We need not put it to the House. I will score out the name, and put the motion to the House. The question is:

"That this House agrees with the Eighth Report of Business Advisory Committees presented to the House on the 30th August, 1957".

The motion was adopted.

RAILWAY PASSENGER FARES BILL—contd.

Mr. Speaker: The House will now resume further discussion on the Railway Passenger Fares Bill, 1957. The hon. Minister will reply to the debate. After the reply, the House will take up clause-by-clause consideration and then the third reading of the Bill, for which one hour has been allotted.

The Minister of Finance (Shri T. T. Krishnamachari): I have carefully heard what hon. Members said on this question. The remarks made by hon. Members in regard to this Bill fall into three categories.

The first one arises out of an objection that some hon. Members have in regard to the taking away of what they consider to be an income which ought to accrue to the railways and apportioning it to the States. The plea is that the railways need more money for development and, therefore, if there is any increase in the passenger rates, it should go to the railways' resources for purposes of railway development. Following from that argument some hon. Members feel that it is not our responsibility, it is not our duty, to enact this measure which, in substance, is intended to benefit the revenues of the States. I think Mr. B. C. Ghose dwelt at length on this particular point. He says that while it is a good thing that the Central Finance Minister should go to the assistance of the States, we can go to the assistance of the States only when we are fully satisfied that the States have reasonably carried out their part of the work. He says that so far as the second Plan is concerned, the States have not done it. He says, if you look into their budgets, you will find that they go on increasing their non-developmental and administrative expenditure, at the same time, they would not raise the revenues which they had agreed to raise. Therefore, he feels that it is improper on the part of the Central Government to bring forward a measure of this nature avowedly intended for the benefit of the States.

He also goes on to suggest that, if I am going to be so liberal in regard to the States, where am I going to get the money for Central development? Actually, if this money cannot be raised by way of taxes, the alternative should be by raising the fares and allowing it to go to the railway fund. The argument that we should not deprive the railways of this source of revenue and secondly the argument that the States are not entitled in the present circumstances to any relief, do not appeal to me.

One thing is I am not quite sure if reasonable funds for railway develop-

ment could not be found. I think it could be found and it is being found. What stands in the way of development so far as railways are concerned happen to be other factors. Of course, the personnel factor is very important. But more important is the foreign exchange factor. If we could not proceed as far as we want in regard to the development of the railways, it is largely because that development of the railways would mean a very large amount of foreign exchange expenditure, which we are not, at the present moment, in a position to undertake.

I do not think that the argument that we are depriving the railways of legitimate revenues is a correct one. In fact, even though the railway revenues are treated separately, even though there is a separate railway budget, the Government as a whole have committed themselves to provide funds for the railways. (*Interruption*).

Mr. Speaker: Let hon. Members hold themselves in patience. If any questions are to be asked, I will allow them at the end.

Shri T. T. Krishnamachari: The present amount for the Plan, which is of the order of about Rs. 1,160 crores—may be there may be a small increase here and there—is an expenditure which I am committed to. The only difficulty, as I said, is in relation to foreign expenditure. If I find that could not be met, may be that there has to be some cut somewhere. Otherwise, I have undertaken the responsibility of finding the money for the railways. I have not told my colleague, the Railway Minister, "You have got to find it yourself". Of course, he has to help to the extent possible. That is why he has raised the rate on freights. Therefore, the point that I am depriving the railways of the possibility of their development is not correct.

With regard to the other question about the States, I am sorry I am not in a position to present a picture of the States' budgets now. So far as

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this year, 1957-58, is concerned, out of a total Plan expenditure of Rs. 965 crores, the State expenditure would be of the order—including centrally administered areas—of Rs. 467 crores, out of which we have to find for them Rs. 280 crores. The difficulty in regard to the State budget comes in regard to the balance of Rs. 190 crores, which they have to find. We find there are deficits in various provinces. It is this aspect of the matter that is now engaging the attention of the Planning Commission. The members of the Planning Commission are undertaking personal tours. The Deputy Chairman is going to three States; the Member, Industry, is going to two States; my colleague, the Planning Minister, is visiting two States and so on, in order to reconcile this difficult position, which leaves a big gap which might inevitably affect the Plan, so far as 1957-58 is concerned. So, my friend, Mr. Ghose, must understand that I am already committed to giving them Rs. 280 crores by way of grants and loans. I have to find the resources for them if the Plan should go on. After all, to a large extent, the Plan means amount of money spent in the States and not in the centrally administered areas or in Delhi or in those factories or units that we own.

I have to find the resources in any event. We tried various adjustments. The States could not arise any market loans, except one or two. So, we had to try a variation of our national savings scheme that could have a larger element of interest in it and also ask them to see if they cannot split up the increase in various areas, according to the schemes they have in particular regions in the States. Hon. Members have repeatedly asked this question, when is this question of integration of the sales-tax and the excise duties in regard to some commodities is coming. Apart from the fact that it might save a little trouble for the dealers, the idea is to augment the States' resources, because we now find that in regard to many of these commodities,

there is a large-scale evasion in the sales-tax revenue.

If it is integrated with excise, we will be collecting it without much loss. It is the intention that any addition that would be put on excise duties would, perhaps, increase the resources available to the States without adding to the burden on the consumer. Various attempts are being made in order to augment the States' resources. It is true, as Shri Bimal Ghose has indicated, that in regard to Rs. 450 crores of taxation, Rs. 225 crores should come from the States and the taxation that has so far been undertaken by the States would not amount to more than Rs. 100 crores or probably a little less. There is a gap even in regard to the States revenues. That is largely because of the fact that they find themselves in a position that they cannot raise this additional taxation. They cannot raise the tax on land which we asked them to. They cannot raise any betterment revenues because people are not taking advantage of the conditions provided for the purpose of improving agriculture.

The net position is, either we get the States to go ahead with the Plan and help them or we say, the Plan need not go through, a proposition with which no Member will agree. I think no responsible Member in any section of the House will agree with that. Therefore the obligation falls on us to find resources for the States also and finding resources for the States is something paramount apart from the constitutional obligation laid on us by article 267. Therefore, I would humbly submit that Shri Bimal Ghose, notwithstanding the fact that he has very good reasons for taking up an attitude of that nature, would not be justified in persisting in that attitude and refusing the States such resources as we could conceivably raise for them.

The other argument was that this tax would add to the burden. Of

course, it would. How can I say even to convince my hon. friend Shri Sadhan Gupta that it would not add to the burden? It will. The only trouble is, the burden is extremely selective. A person must determine to travel and travel invariably long distances before he attracts the penalty of this tax. Of course, there is no use saying, "you give concessions to the wealthy, you give concessions to somebody else, why do you bring this tax?" This is not right because I do maintain that in spite of the fact that I would like to raise the maximum revenues from the sectors which are capable of paying, I would not like to inhabit their capacity to continuously pay. My hon. friend Shri Sadhan Gupta says, "Choke off these people." If I choke off these people, the income would not come until such time I get alternatives to generate income or at least 10 per cent of the population to pay direct taxes and their incomes are such. It is much better in my view to get out of 370 million people about 30 million people to pay income-tax on incomes of Rs. 10,000 a year, rather than to have a few lakhs of people paying income-tax on lakhs of rupees. We would like that much better. Taxation will be more even. We will know how to collect it. Many of them will be, undoubtedly, people with fixed incomes and collection will be easy. That is a culmination which cannot happen in five or ten years. It may be later on. I would like also the tax to be low. I would like an income-tax of 20 per cent with a large coverage of the population who are earning reasonable incomes. Today you say, I have neglected this source. I have not.

In fact, I do not think even Shri Sadhan Gupta, if he forgets for the time being that he is in the opposite side and I am here, would convict me of being unduly partial. May be, in an instance or so, he may say I am weak. I probably admit it. But, he cannot say I have been unduly partial. All that one has to do is to look into the papers. It gives me no pleasure to be a notorious person.

An Hon. Member: You are famous.

Shri T. T. Krishnamachari: I am mentioning it only incidentally; not that I am worried about it, nor that it matters. Here we are to do a job and a duty. But, the fact remains that today you cannot accuse this Government of being partial to any section. If any leniency is shown, it has a purpose behind it, a purpose which in the long run will serve better than serve us ill. I would like to tell Shri Sadhan Gupta that politically he may be against this tax which I understand and appreciate. But, on the basis of facts, I do not think he can say that this tax is bad and that I should not give the States the relief that we should give.

Some hon. Members asked "is it going to give Rs. 30 or 40 crores." I think I did mention at the time that I introduced the Budget that I expect that in a full year, the tax would give Rs. 14 crores. It may be a little less because we have given some concessions. The concessions will take away Rs. 60 lakhs and we get Rs. 13½ crores. Or there may be a little more income and we may get Rs. 14 crores because the Railways anticipate increased income every year. It is something very substantial so far as the States are concerned. That is exactly why we are very keen that we should do our little bit in order to help the resources of the States.

I do not know what the Finance Commission will do. I can tell the House that so far as I am concerned, it gives me no pleasure to go on doling to the States Rs. 280 crores this year and more next year perhaps by way of grants and loans and stand in the way of certain of our revenues not being allocated to the States. Anything that is reasonably done by the Finance Commission, we will accept in spite of the fact that it would mean straightaway a subtraction from the revenues of the Centre, because, today, with the Plan before us, there is not merely a moral but a bigger obligation on the Centre to see that the States find funds and we have to help

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them to the 'maximum possible extent. That, I think, takes away the other types of objection to this Bill.

There is one other objection that was raised. I would like to tell hon. Members who have spoken about higher charges in regard to certain hill areas, it was my friend Shri Tyagi who mentioned this to me earlier. He said the taxes are four-fold, are you going to add to these taxes by means of this additional impost? I approached my colleague and told him that I think there is a very justifiable reason why any addition to their burden should not be made. My colleague was good enough to tell me that he would reduce these rates round about 20 or 25 per cent. That would substantially take away any burden that this tax will throw. Probably, in some cases, it will not throw that burden because certain distances are eliminated. In any event, that concession will probably make the rates a little lower than what they are today. So far as the question of further diminution in the rates is concerned, I hope hon. Members will appreciate the point of view that they should not ask me to reply. My colleague should give the answer whichever way it is. I, therefore, suggest to them that they should raise the point at the appropriate time with my colleague. So far as the application of this tax to those areas are concerned, I think my colleague's assurance must be adequate to those hon. Members who felt that this will cast an additional burden on people who are already bearing a heavy burden. I think I can certainly say that my colleague would carry out the assurance and that there will be no difficulty about it.

That, I think, more or less brings me to the end of the whole lot of objections that have been raised against this measure. I would once again repeat that this measure has been intended to raise revenues for the States and the impost is reasonably

small. Shri N. R. Munisamy said that there is over-crowding and as a result of this, there would not be over-crowding, and so we won't get any revenue. He did not question that the possibility of their being over-crowding may be beneficial; he said, from revenue considerations, it would not come. I do not think it will affect us to that extent. It is undoubtedly true that the pressure on railways is increasing and is going to increase. Whatever we may say about the Plan, what it has not done, it has in certain sectors created additional purchasing power. Railway travel is going to be on the increase and our present trouble is how to find the additional rolling stock for serving this increased traffic and to help remove the bottlenecks which are inherent in the system. It takes times to remove it. But notwithstanding all that, I feel that the burden is very small. It is a burden which will go to the States where the railway users really live, and it will also go to help the States in implementing their plans with somewhat greater ease than they would be able to do without this type of assistance.

Shri Bimal Ghose (Barrackpore): In order that there may not be any encroachment on railway finances, I would like to know whether the Finance Minister would agree that to the extent that revenues will be raised by this tax and to the extent that it would cut into the railway revenues he will not charge 4 per cent. on the railways for the loans that they may have taken from the Central Government.

Shri T. T. Krishnamachari: The position is rather difficult for me to understand. Of course, for purposes of budgeting we have a separate account, but I cannot understand the distinctive personality of the railways. I am afraid they are part and parcel of the entire Cabinet, and my hon. friend, the Railway Minister, is as much interested in the financial stability of the

country as I am interested in the railways.

Mr. Speaker: So far as this matter is concerned, I think Shri Naushir Bharucha raised a point as to whether there could be separate budgets whatever might have been the convention during the previous regime. I said that under the rules there was nothing preventing it. All the same, I am considering how far a separate status ought to be given so far as this matter is concerned, though it may be right or necessary to discuss that matter separately, whether you should treat it separately, as we are not treating the post office separately. This is a matter which has to be considered.

Shri T. B. Vittal Rao (Khammam): Annually we pay a dividend to the general revenues. The question is whether a moratorium may not be declared for a certain number of years.

Shri Bimal Ghose: You yourself were the Chairman of that Committee.

Mr. Speaker: Yes. I was Chairman and that question arose there. If we mix it, there is no question of moratorium. All the property belongs to the general fund. That is exactly what the hon. Minister said. What is the meaning of having it separately as postcard or telegraph charges. They all go into the consolidated fund. When the foreigners were in charge, we wanted to do it differently and then had a convention. Whether in the altered circumstances, the convention is necessary or not, whether constitutional or not, was a point raised the other day by Shri Naushir Bharucha. So far as the budget is concerned, it can be presented in various forms. As to the question whether hereafter a separate allocation is constitutional or not, I am going to look into it. He has raised both. The post office is as much a commercial concern as the railway services. Then it creates this idea that if it is a separate child, he should be treated as an adopted child.

That is what happens. Let us examine that matter. I would also like that the hon. Minister may examine this matter, how far the convention will be right under the altered circumstances.

Shri Dasappa (Bangalore): The Indian States had their railway system, but they formed part of the general budget.

Mr. Speaker: The post office is there. It is part and parcel of the general fund. Nobody gets up and says that the post office funds must be kept separately for the postmen, and then on that basis the railways for the railwaymen. There seem to be separate vested interests created in this.

I shall now put the motion for circulation to the vote of the House.

The question is:

"That the Bill be circulated for the purpose of eliciting opinion thereon by the 10th November, 1957"

The motion was negatived.

Mr. Speaker: The question is:

"That the Bill to provide for the levy of a tax on railway fares, may be taken into consideration."

The motion was adopted.

Clause 2—Definitions)

Shri Nathwani (Sorath): I beg to move:

Page 1, line 6—

after "group of passengers" insert "in respect of his or their carriage."

Sub-clause (a) defines 'fare' as the total amount of all charges of whatever nature payable by a passenger or group of passengers. Here I want to add the words "in respect of his or their carriage." Unless these words are added, the definition of 'fare', as it stands, would include the rate payable by passengers in respect of extra luggage or anything else they may be

[Shri Nathwani]

carrying. And under clause 3, it is obligatory on the Railway Administration to collect such fare. Obviously, it is not the intention that tax should be levied on such extra rate in respect of luggage or other things. My amendment seeks to make this position clear. I hope the Minister would consider and accept it.

Shri T. T. Krishnamachari: I have no strong views on the subject, except that this is extra luggage fare. The free luggage that is allowed is an integral part of the fare, and if there is extra luggage, there is no addition. But I do not think it matters very much from the revenue point of view. I am quite prepared to accept it.

Mr. Speaker: I shall now put amendment No. 48 to the vote of the House. The question is:

Page 1, line 6,—

after "group of passengers" insert "in respect of his or their carriage."

The motion was adopted.

Mr. Speaker: The question is:

"That clause 2, as amended, stand part of the Bill."

The motion was adopted.

Clause 2, as amended, was added to the Bill.

Clause 3—(Levy of tax on passenger fares)

Shri Tyagi (Dehra Dun): I beg to move:

Page 2—

after line 14, add:

"Provided that no such tax shall be levied on fares which have been calculated on the basis of an inflated mileage."

Shri Morarka (Jhunjhunu): I beg to move:

Page 2—

after line 8, add:

"Provided however that where fares are charged on inflated mileage basis, the tax shall be

levied and collected on only that portion of the fare as related to actual mileage."

Shri Bhakt Darshan (Garhwal): I beg to move:

Page 2, line 6—

after "India" insert "excepting portions of the railways lying in hilly and semi-hilly areas."

Shri Tyagi: Does this mean that I have lost my chance to argue my amendment?

Mr. Speaker: The hon. Member talks as if he is quite new to the House. He will kindly resume his seat. He has forgotten the rules. If I allow him to speak immediately after he moves his amendment, he won't have another chance to speak on other amendments to the same clause. I signify to the House what all amendments are moved and then both on the clause and the amendments, every hon. Member will have a chance to speak, not only to argue his own amendment but also to oppose or support other amendments. That is how we are getting on to avoid wasting time. He will certainly have his chance to speak.

Shri Mohamed Imam (Chitaldrug): I want to move my amendment No. 48, which is as follows:

Page 2—

after line 14, add:

"(3) The tax thus collected and allotted to the States shall be constituted into a separate fund called 'The New Railway Lines Construction Fund' and shall be earmarked for the construction of new railway lines only in the respective States."

Shri Balasahab Patil (Miraj): I want to move my amendment No. 20.

Shri T. T. Krishnamachari: I do not think that amendment No. 48 can be moved.

Mr. Speaker: Very well, I will look into its admissibility.

Shri Yadav (Barabanki): I want to move amendment No. 10.

Shri Fatesinh Ghodasar (Kaira): I want to move amendment No. 9.

Mr. Speaker: So, the amendments which hon. Members would like to move to this clause are 9, 10, 20, 21, 22, 47 and 48. So far as No. 48 is concerned, I will find out whether it is in order and declare it immediately.

Shri Balasaheb Patil: I beg to move:

Page 2, line 5—

after "collected" insert "for a period not exceeding three years."

Shri Fatesinh Ghodasar: I beg to move:

Page 2, line 5—

after "collected" insert "for a period not exceeding four years".

Shri Tyagi: Mr. Speaker, Sir, while moving my amendments I must thank the Finance Minister for very kindly expressing sympathy with the poorest in the land, those residing in the hill tracts. I have put the case of these people in the hills once previously before this House. There are not proper facilities of communication provided by the State. Their only crop on which is based all their living is potato and ginger. Generally, in remote hills potatoes are sold at the rate of Rs. 2 a maund, and when it goes to Simla, as I said last time, the hire charges per pack animal comes to Rs. 6 a maund. Out of the Rs. 8 which a man receives in the Simla market only Rs. 2 go to him and Rs. 6 go to the mules or other pack animals. Again, their fruits, potatoes and ginger are sent to the plains to find a good market by the Simla-Kalka line. The charges there are four times the normal charges made elsewhere in the plains. Same is the case with traffic.

A man in the hills does not tour very much. He lives in the remote hills. He has not got any big business connections. Unless it is a case

of a marriage or some case he does not take to travel. But, at the same time, you will be surprised to know that on the Simla-Kalka line a third-class passenger has to pay four times the fare than an ordinary third-class passenger in the plains. Therefore, he already pays four times. I put that question to the Railway Minister too, and he was kind enough to reconsider the case. He was pleased to answer a Short Notice Question, in which he has made certain reductions. The reductions are like this. On the Kalka-Simla line it is four times the charge made on fares and freights. He has reduced it to three times. Even now the poor men on the hills have to pay three times the fare of a third-class journey.

Now, Shri T. T. Krishnamachari comes out with a tax on fares. This tax also will be calculated on the basis of what he pays. He already pays three times and the tax will be three times. So, a man living in the hills will pay three times the tax, whereas other passengers in the plains will pay only one time. If a man in the plains pays Re. 1 as tax a man in the hills will pay Rs. 3 on account of the proposed tax.

It does not end here. There is one line known as Matheran. There it is 4 times and 12 times. The goods traffic is charged at the rate of 12 times. I am glad that there is no tax on goods traffic yet.

Shri T. B. Vittal Rao: They are already paying 12 times.

Shri Tyagi: If there is a tax coming then the people here will have to pay 12 times the tax.

On the line which falls in my constituency it was only $1\frac{1}{2}$ times. I am glad the Railway Minister has been pleased to say that he will take away the extra half and it will be normal. I am very grateful to him for that. So, my constituency will not have any adverse effect even with this taxation measure.

[Shri Tyagi]

But I want to champion the cause of the hill tracts all over India, wherever there are higher taxes. My friend the Finance Minister has said that after the reductions which the Railway Minister has very recently been pleased to announce, his tax will not go beyond what the hill people were accustomed to pay. That is very good indeed. I am glad that he has influenced the Railway Minister to effect these reductions. But, what for? Only to take it away. What is given with one hand is taken away by the other hand. His friend holding one portfolio becomes magnanimous and he says, all right, now the charges will not be so much.

Shri T. T. Krishnamachari: The provocation for it is because of my moving in the matter.

Shri Tyagi: Because you were going to tax, he has given you the facility of taxing. In fact, the tax-payer is not in the least benefited. So, his generosity goes to the Finance Minister. The colleagues are generous to each other; they are not generous to the people whose cause I am putting forth.

Now, will the Finance Minister kindly see that justice is done? It was in the British days that every line was allowed on a contract basis, because companies were working these railways. These companies arrived at some terms of contract with the British Government. There were different terms for different companies. Naturally, these hill tract railway lines cost them a lot and, therefore, they wanted higher rates and they were sanctioned. But it is years now. The higher costs have been realised. Since uniformity has been effected and averaging of rates has been done practically all over India, I do not think it will look well for this august House, guardian of the whole country, still to allow those poor people in hills to just go on paying higher rates of fares.

Mr. Speaker: That is an argument for reducing the fares, but not getting out of these taxes.

Shri T. B. Vittal Rao: They are already paying higher rates.

Shri Tyagi: Tax will be realised on whatever they are paying. Since they are paying three or four times the normal fare they will have to pay tax three or four times more. Constitutionally also a tax cannot make an invidious distinction. It can make in the case of income tax, because there persons who have got better capacity to pay are taxed more, but in the case of passengers it is not so. Everybody has to pay at a uniform rate all over India, except these unfortunate people who are required to pay higher fares to the Railways. Because they are penalised once they must be penalised always, that is no logic

I would therefore, urge upon the Finance Minister, when he has been generous enough to look into this question to either request his colleague the Railway Minister to do away with the extra charges made from these poor people or, so long as that is not done, he may just add a proviso here that so long as the rates of fares are not uniform he will not take any extra tax from these people who are already paying a higher rate of fares.

Mr. Speaker: For the third reading and clause-by-clause consideration one hour has been allotted. There are a number of amendments to this clause and, particularly, the Schedule. I would request hon. Members to bear this in mind.

Shri T. B. Vittal Rao: Sir, regarding this inflated mileage, while I support my hon. friend Shri Tyagi's amendment I have to say a few words. He has talked only about the hill railways. There is yet another kind of railway lines called developmental tracts. Where a new railway line is opened there also the passenger fares will be calculated at an inflated mileage rate.

Therefore, on the new railways the incidence of taxation which we are going to impose will be higher than the normal tax. Therefore, if this inflated mileage is done away with, it will benefit, give a little relief to the hill people who are in the hills and also people in areas where new railway lines are opened and where the railways charge inflated mileage.

Shri Morarka: Sir, I want to speak on my amendment No. 47, the purpose of which is more or less the same as that of amendment moved by my friend from Dehra Dun. My amendment may be found a little more acceptable by the Finance Minister than the amendment of my friend from Dehra Dun, because he wants complete exemption from this tax on the railways, where the fare is charged on the inflated-mileage basis, whereas my amendment says that you may charge the tax at the same rate which you charge on any other section without taking into consideration the inflated mileage

12 hrs.

Now, as the Member who preceded me said just now, this problem is not confined only to the hill tracts; it is also there in the plains; it is also there in the deserts. In my constituency, last year there was a new railway line laid. It is about 28 miles long and there, the fare charged is exactly double than that charged in an adjoining section the same distance. In the course of the speech on the railway budget, the hon Member from Dehra Dun made this point, and the assurance was given by the Minister but that assurance was confined only to the hill tract. Some reduction on the Kalka-Simla line, from four times to three times, was actually made. In that connection, I addressed a letter to the Chairman of the Railway Board, requesting him to take into consideration the case of new lines also where such inflated rates are charged though they are not hill railways; but though that letter was written on the 30th May, I have not received any reply so far. I hope it is receiving consideration. But, whether that matter is considered or not, so far

as this tax is concerned, I think there should be no extra tax levied on those sections on which the people are already paying double, treble or four times the fare that is paid on other sections of the railways. Therefore, I submit, and I hope that the Finance Minister would kindly consider this aspect and if, possible, accept this amendment.

Mr. Speaker: With regard to Shri Mohamed Imam's amendment, it is contrary to the Constitution. Under article 289(2), there is no option. The Central Government is only a collecting agency. The entire amount has to be paid to the States. The Constitution says:

"The net proceeds in any financial year of any such duty or tax, except in so far as those proceeds represent proceeds attributable to Union territories, shall not form part of the Consolidated Fund of India, but shall be assigned to the States within which that duty or tax is leviable in that year, and shall be distributed among those States in accordance with such principles of distribution...."

such as, how much has to be distributed between the States, and on what basis,—whether it is population or number of passengers, etc. Only those principles can be formulated by this House. But the Government has no control

The hon Member wants that this should be created into a separate fund—"The New Railway Lines Construction Fund" and that the fund must be utilised for laying new railway lines. It is beyond the scope of the Bill and under rule 81 of the Rules of Procedure, the amendment is beyond the scope of the Bill.

So far as amendment No. 10, in the name of Shri Braj Raj Singh, is concerned...

An. Hon. Member: He has authorised me.

Mr. Speaker: No authority can be given so far as this amendment is concerned. I could not allow the amendment to be moved. The other amendments Nos. 9, 20, 21, 22 and 47 are before the House.

Shri Fatehsingh Ghodasari: My amendment is No. 9. Now, this tax is really meant to collect money for the Second Five Year Plan. So, the tax on third-class passengers who travel longer distances should be withdrawn after four years.

Mr. Speaker: He wants to restrict the period of taxation and does not want it to be on a permanent basis.

श्री भक्त दर्शन : अध्यक्ष महोदय

मेरा २१ नवम्बर का संशोधन इस प्रकार है :

Page 2, line 6,—

after "India" insert "excepting portions of the railways lying in hilly and semi-hilly areas."

अभी श्री त्यागी जी ने यहाँ पर जो विवरण दिया है वह केवल इस देश के १२ रेल-खंडों पर लागू होता है; लेकिन वित्त मंत्री महोदय और इस सदन को मालूम होना चाहिए कि इन १२ रेल-खंडों के अलावा और भी कई रेलवे लाइनें हैं जिनका कि सम्बन्ध पर्वतों से है। जैसे कि उत्तर प्रदेश में निफा दो रेलवे लाइनों—हरिद्वार देहगढ़ और किष्कंधा-काठगोदाम—इन दो लाइनों को ही शेड्यूल में लिया गया है और नजोबाबाद-कोटद्वार-मुरादाबाद रामनगर और पीली-भीत-टनकपुर इन तीन रेलवे लाइनों को उसमें नहीं रखा गया है। इन तरह की और भी रेलवे लाइनें देश में हैं जो कि पर्वतीय और अर्धपर्वतीय इलाकों में जाती हैं। अतः मैं अनुरोध करना चाहता हूँ कि अगर रेलवे मंत्री महोदय कालका-शिमला और उस सूची के अन्दर जो १२ रेलवे लाइनें आई हैं उनके किराये को कम भी कर देते हैं तो भावं संतुष्ट नहीं होता, क्योंकि सब रेलवे लाइनों को जो कि पर्वतीय और अर्धपर्वतीय

क्षेत्रों में जाती हैं उनको आपने सूची में शामिल नहीं किया है और दूसरे पर्वतीय इलाकों के लोगों में वैसे ही काफी गरीबी है।

पर्यटन के दृष्टिकोण से भी चूँकि इन पहाड़ी स्थानों पर बाहर से लोग सैर-सपाटे के वास्ते आते हैं, लोगों को उनकी और आकर्षित करने के लिए मैं यह निवेदन करने आ रहा था कि रेलवे का पिराया घटाया जाय और इस तरह उनकी आय को बढ़ाने की कोशिश की जाये।

दूसरा कारण उनको रिमायट देने का उनकी गरीबी है। उनकी गरीबी ममार प्रसिद्ध है और हम दिल्ली में भी उनको देख रहे हैं। श्री त्यागी जी ने जो संशोधन दिया है उसका समर्थन करने हुए उसके साथ मैं यह जोड़ना चाहता हूँ कि इन १२ रेलवे लाइनों के अलावा और जो उस किस्म की सब रेलवे लाइनें हैं उनपर यह लागू न किया जाये।

Shri T. T. Krishnamachari: In regard to the point made by my friend, the hon. Member from Dehra Dun, his amendment is a modified version of the amendment which is given by Shri Morarka. So far as I am concerned, it is not the revenue consideration that is paramount, but it is so difficult on other grounds. After all, if people are only taking a separate ticket for the hill railway, it is an easy matter, but as tickets are issued somewhere further down which also covers the plains along with the hill railways, I am advised by the department that it is very difficult for them to account the fares.

But so far as what my hon. friend has in mind, namely, this question of an additional penalty on the type of railway travel, I understand the strength of the feeling of my hon. friend, Shri Tyagi, and also that of Shri Bhakt Darshan and also Shri Y. S. Parmar. It is true that in the hilly areas which are under-developed, no additional charge, which is made purely on economic considerations, could be made to sustain—it is difficult

to sustain. But I shall certainly convey to my colleague the strength of the feeling in this House in this particular matter. Even the Members of the Opposition mentioned it. I will convey this feeling to my colleague. Even though it is a separate budget, I have a Financial Adviser and I am consulted constantly, and it may not be impossible to sit down and talk about the matter. I can give this assurance to the House that I will convey the strength of the feeling of this House in this particular matter. If I can possibly accommodate them by means of taking away this very small burden, I would do so, but the point is, it will make the administration a little difficult, because, I am told that they find it very difficult to split up this fare between that area and this area and then work out the fare

Shri Morarka's amendment is a modified version but it does not solve the administrative problem in any way. The problem, so far as my difficulty in accepting the amendment is concerned, is largely administrative, but the root cause of the trouble, we know. As I said, I shall certainly have a discussion with my colleague on this particular matter and convey to him how the House feels about it

Shri Tyagi: I am very, very grateful to the hon Finance Minister for the good sentiments he has expressed and I beg leave to withdraw the amendment. The assurance he has given is enough

Mr. Speaker: So, I take it that the House permits Shri Tyagi to withdraw his amendment No. 22

The amendment was, by leave, withdrawn.

Shri Morarka: I also seek permission to withdraw my amendment—No. 47.

The amendment was, by leave, withdrawn.

Mr. Speaker: I shall put amendment No. 9 to the vote.

The question is:

Page, 2, line 5—

after "collected" insert "for a after "collected" insert "for a period not exceeding four years".

The motion was negatived.

Mr. Speaker: All the other amendments are not pressed.

The amendments were, by leave, withdrawn.

Mr. Speaker: I shall now put clause 3 to the vote of the House.

The question is:

That clause 3 stand part of the Bill.

The motion was adopted.

Clause 3 was added to the Bill.

Clause 4—(Rules for computing tax on passenger fares).

Shri Vajpayee (Balrampur): I beg to move:

Page 2,—

for lines 25 to 28, substitute:

"Rule 4.—The amount of the tax shall wherever necessary be so adjusted that the aggregate amount of the fare and tax for such distance is not more than the aggregate amount of the fare and tax for any longer distance in any case."

My submission is that rule 4 has been framed in such a manner that the passengers will always be in a disadvantageous position. The railway fares are already high, and now an extra burden is being put on the passenger, and on top of that the rules are framed in such a manner that they will hit the passengers who are already hard hit. Therefore my submission is that rule 4 be substituted by my amendment which I have just read. In the original rule it has been provided that the aggregate amount of

[Shri Vajpayee]

the fare and tax for such distance is not less than the aggregate amount of the fare and tax for any lesser distance in any case. My submission is that it should not be more than the aggregate amount, and I hope my amendment will be accepted.

Shri T. T. Krishnamachari: I am advised that there is no particular merit in the amendment moved by my hon. friend. And the technical view should certainly find acceptance.

Mr. Speaker: I shall now put amendment No. 24 to vote. The question is:

Page 2,—

for lines 25 to 28, substitute:

"Rule 4.—The amount of the tax shall wherever necessary be so adjusted that the aggregate amount of the fare and tax for such distance is not more than the aggregate amount of the fare and tax for any longer distance in any case."

The motion was negatived.

Mr. Speaker: The question is:

"That clause 4 stand part of the Bill".

The motion was adopted.

Clause 4 was added to the Bill.

Clause 5—(Power to exempt)

Shri T. B. Vittal Rao: I beg to move:

Page 2—

after line 33, add:

"(2) Passengers travelling on students concessions granted by the Railways in accordance with rules in force thereof will be exempted from the tax leviable under this Act."

My amendment is very simple. It provides that the students who travel under the concessions granted by the Railway Administration should be exempted. We have given them concession so that they may be able to go and see various projects which we are building, as also various educational institutions, so that there may be better cultural development. Two years ago, when this railway concession was given to the students, it was given only to groups. That is, only when they were travelling in groups of four they were allowed this half concession. Later on we found that they should be encouraged, and we said that even if an individual student travels he should be entitled to this concession. That is to say, we want to encourage the students undertaking journeys and seeing the various historical places and development projects and so on and so forth. What I seek to provide by this amendment is that they should be exempted from this taxation. Therefore, I very respectfully request the Finance Minister, though he has got some powers under this clause to exempt certain types and categories of passengers, that if this is provided here the students will not be taxed.

Shri T. T. Krishnamachari: I am told that according to the way in which the fares are worked out it would be an integrated whole. So far as the future fares are concerned, the fare is an integrated whole and concession will be given on an *ad hoc* percentage on the total charges, that is including the tax. In any event, what is sought to be provided relates to an extremely microscopic part of the whole traffic, and I do not think the administration would be in a position to divide it at every stage and say what is the limit and take it away. I think administratively it is very difficult.

Shri T. B. Vittal Rao: They give concession forms to students.

Shri T. T. Krishnamachari: I agree. The concession is on the basis of the total amount of money they pay— so much, fifteen per cent. or ten per cent. But then, to eliminate first the tax element and then give the concession, the administration feels it is a very very difficult thing for them to do.

Shri T. B. Vittal Rao: May I seek one clarification? That is to say, on the ticket it will be an integrated amount, tax plus the fare for the ticket, or fare plus the tax. It will be written. Integrated means we will have to....

Shri T. T. Krishnamachari: I do not think there is any obligation for them to write it. They will have to collect the whole amount and pay. There is no question of an obligation for them to say that the tax is so much and the fare is so much.

Mr. Speaker: I shall now put amendment No. 26 to vote.

The question is:

Page 2—

after line 33, add:

“(2) Passengers travelling on students concessions granted by the Railways in accordance with rules in force thereof will be exempted from the tax leviable under this Act.”

The motion was negatived.

Mr. Speaker: The question is:

“That clause 5 stand part of the Bill”.

The motion was adopted.

Clause 5 was added to the Bill.

Clause 6 was added to the Bill.

The Schedule

Shri T. T. Krishnamachari: Sir, I beg to move my amendment No. 2.

Page 4—

for the Schedule, substitute:

“THE SCHEDULE

(See section 3)

Description of traffic	Rate of tax
1	2
1. Passengers travelling by railway on season tickets	Nil
2. Passengers travelling by railway for distances upto 15 miles (inclusive)	Nil
3. Passengers travelling by railway for distances from 16 miles to 30 miles (inclusive)	5% of fare
4. Passengers travelling by railway for distances from 31 miles to 500 miles (inclusive)	15% of fare
5. Passengers travelling by railway for distances over 500 miles	10% of fare
6. Passengers travelling on mileage coupons	12½% of the cost of the coupons

Explanation.—For the purposes of this Schedule, distances shall be computed according to the rules for the time being in force relating thereto made under the Indian Railways Act, 1890.”

I have explained this position. At the time when I wound up the debate on the General Discussion, we have

undertaken to give certain concessions. This is in implementation of that assurance.

Shri Shree Narayan Das (Darbhanga): I would like to move my amendments to the amendment. The Nos. are 14, 16 and 17.

Shri T. B. Vittal Rao: I want to move my amendment No. 50.

Shri Sadhan Gupta (Calcutta-East): I want to move my amendment No. 30.

Shri Jadhav (Malegaon): I want to move amendment No. 4.

Shri Fatehsinh Ghodasdar: I want to move amendment No. 18.

Shri Bhakt Darshan: I want to move Nos. 37, 38 and 40.

Shri R. S. Lal (Domariaganj): I want to move Nos. 39 and 41.

Shri Siddiah (Mysore—Reserved—Sch. Castes): I want to move my amendment No. 15.

Shri Vajpayee: I want to move my amendment No. 27.

Shri Harish Chandra Mathur (Pali): I want to move No. 29.

Mr. Speaker: Let me see whether amendments Nos. 50 and 29 are in order.

Shri T. B. Vittal Rao: No. 50 is in order, Sir. I say that passengers travelling by railway in third class for distances up to 50 miles should be given exemption.

Shri T. T. Krishnamachari: It is a new scheme.

Mr. Speaker: Amendment No. 50 seems to be inadmissible without the President's recommendation. It seeks to raise the rate of tax for passengers travelling in first class and air-conditioned class for more than 500 miles. Therefore it requires the sanction of the President, and it is out of order. Likewise amendment No. 29 is out of order.

Shri Shree Narayan Das: Sir, I beg to move:

(i) That in the amendment proposed by Shri T. T. Krishnamachari printed as No. 2 in the List of amendments,—in item No. 2 for "15" substitute "30".

(ii) That in the amendment proposed by Shri T. T. Krishnamachari printed as No. 2 in the List of amendments,—

in item No. 3, for "from 16 miles to 30 miles" substitute "31 miles to 100 miles."

(iii) That in the amendment proposed by Shri T. T. Krishnamachari printed as No. 2 in the List of amendments,—

in item No. 4 for "31 miles to 500 miles" substitute "101 miles to 500 miles."

Shri Sadhan Gupta: Sir, I beg to move:

Page 4—

for the schedule, substitute:

"THE SCHEDULE

(See section 3)

Description of traffic 1	Rate of tax 2
1. Passengers travelling by railway for distances upto 80 miles (inclusive)	Nil
2. Passengers travelling by railway for distances from 81 to 500 miles (inclusive)	2% of fare
3. Passengers travelling by railway for distances over 500 miles	1% of fare
4. Passengers travelling on mileage coupons	3% of the cost of the coupon
5. Passengers travelling on season tickets	Nil"

Shri Jadhav: Sir, I beg to move:

Page 4—

for the Schedule, substitute:

"THE SCHEDULE

(See section 3)

Description of traffic	Rate of tax
1	2
1. Passengers travelling by railway for distances upto 100 miles (inclusive) by third class	Nil
2. Passengers travelling by railway for distances upto 50 miles (inclusive) by second and first class	5% of fare
3. Passengers travelling by railway by third class from 101 miles to 500 miles and by second class and first class from 51 to 500 miles	10% of fare
4. Passengers travelling by railway for distances over 500 miles	7½% of fare
5. Passengers travelling on mileage coupons	10% of the cost of the coupons
6. Passengers travelling on season tickets	Nil"

Shri Fatehsinh Ghodasar: I beg to move:

Page 4—

for the Schedule substitute:

"THE SCHEDULE

(See section 3)

Description on traffic	Rate of tax
1	2
1. Passengers travelling by railway for distances upto to 50 miles	Nil
2. Passengers travelling by railway from 51 miles to 100 miles.	5% of fare
3. Passengers travelling by railway from 101 to 500 miles.	15% of fare
4. Passengers travelling by railway for distances over 500 miles.	10% of fare
5. Passengers travelling on mileage coupons.	12½% of the cost of coupons.
6. Passengers travelling on season tickets.	Nil."

Shri Bhakt Darshan: Sir, I beg to move:

(i) That in the amendment proposed by Shri T. T. Krishnamachari, printed as No. 2 in the List of amendments,—

in item No. 2, for "15" substitute "50".

(ii) That in the amendment proposed by Shri T. T. Krishnamachari, printed as No. 2 in the List of amendments,—

in item No. 3, for "from 16 miles to 30 miles"

substitute "from 51 miles to 100 miles".

[Shri Bhakt Darshan]

(iii) That in the amendment proposed by Shri T. T. Krishnamachari, printed as No. 2 in the List of amendments,—

in item No. 4, for "from 31 to 500 miles" substitute "from 151 miles to 500 miles".

Shri R. S. Lal: Sir, I beg to move:

(i) That in the amendment proposed by Shri T. T. Krishnamachari printed as No. 2, in the List of amendments,—

"3. (a) Passengers travelling by railway in third class for distances from 16 miles to 30 miles (inclusive) Nil

(b) Passengers travelling by railway other than in third class for distances from 16 miles to 30 miles (inclusive) 5% of fare."

Shri Vajpayee: Sir, I beg to move:

Page 4—

for the Schedule, substitute:

in item No. 3 for "16 miles to 30 miles" substitute "51 miles to 100 miles".

(ii) That in the amendment proposed by Shri T. T. Krishnamachari, printed as No. 2 in the List of amendments,—

in item No. 4, for "31" substitute "101".

Shri Siddiq: I beg to move:

That in the amendment proposed by Shri T. T. Krishnamachari printed as No. 2 in the List of amendments,—

for Item No. 3 substitute:

"THE SCHEDULE

(See section 3)

Description of traffic	Rate of tax for Air Conditioned Class I and Class II Passengers	Rate of tax for Class III passengers.
1	2	3
1. Passengers travelling by railway for distances upto 50 miles (inclusive)	Nil	Nil
2. Passengers travelling by railway for distances from 51 miles to 150 miles (inclusive)	5% of fare	Nil
3. Passengers travelling by railway for distances from 151 miles to 500 miles (inclusive)	7½% of fare	7½% of fare
4. Passengers travelling by railway for distances over 500 miles	5% of fare	5% of fare
5. Passengers travelling on mileage coupons	7½% of the cost of the coupons	7½% of the cost of the coupons Nil."
6. Passengers travelling on season tickets	Nil	

Mr. Speaker: All these amendments are before the House. I think Mr. Vittal Rao wanted to speak on his amendment No. 50. That is out of order.

Shri T. B. Vittal Rao: If that is out of order, there is another amendment.

Mr. Speaker: How can he add to the list of amendments? Very well. He may speak.

Shri T. B. Vittal Rao: The concession that has been given by the Minister's amendment does not go far enough. It does not give any relief at all to the passenger, because according to the statistics given by the Railway Board for 1955-56 which I have here, eighty crores of passengers travel for more than 15 miles. The number of passengers who travel for less than 15 miles is only about fifty crores and the amount which the Railways derive by this suburban traffic which the Minister proposes to exempt is only Rs. 8½ crores per year. The revenue got from those who travel beyond 15 miles, that is the non-suburban traffic, amounts to Rs. 100 crores. Out of the 110 crores of rupees, only those passengers who pay Rs. 8½ crores will get the benefit which the Finance Minister is giving. When we take the average also, we find that on an average they travel about 42.6 miles. Therefore, I would request the hon. Finance Minister to increase the exemption limit to cover those passengers who travel up to 50 miles so that the tax may be collected from those who travel beyond 50 miles. The Finance Minister's amendment is not going to be of any relief at all. Out of a total revenue of Rs. 100 crores only those who contribute Rs. 8½ crores will get the benefit of the Minister's amendment. If my amendment is accepted it will give relief to passengers travelling up to 50 miles.

Shri T. T. Krishnamachari: How many crores are likely to be affected that way?

Shri T. B. Vittal Rao: That I would have to work out. I will be very much obliged if the Finance Minister gives me the figures because I will have to work out from statistics. When moving his amendment, the Minister himself has not given what is the number of passengers who travel under the categories 1 to 15 miles, 16 to 31 miles and 31 to 500 miles. In fairness to the House, these should have been given. I tried to work them out but I could not.

There is another reason why I want this exemption. During the last few years, the fares of third class passengers have been increased by 100 per cent. From 3 pies per mile, it has gone up to 6 pies and if it is Mail or Express it has gone up to even 6½ pies per mile. There has been a rise of more than 100 per cent., without much of an increase in the case of passengers travelling in the second class or the first class or the air-conditioned class.

Therefore, I would request the hon. Minister at least to exempt those passengers who travel up to 50 miles so that the relief could be a little more than what is provided under his amendment.

Shri Shree Narayan Das: Mr. Speaker, the only purpose of my amendment to the amendment of the hon. Finance Minister is to make certain changes, that is, to give some concessions to those who travel shorter distances. In amendment 2, it has been suggested that up to a distance of 15 miles there will be no tax. I would like to suggest that this 15 miles should be changed so that there should be no tax up to 30 miles.

There is a second amendment of mine. It says that the tax of 5 per cent. of the fare which is now there for 16 to 30 miles, should be changed into from 31 to 100 miles. That is to say, the tax should be 5 per cent. for distances between 31 and 100 miles and for distances beyond 100 miles, from 101 to 500 miles it should be just 15 per cent.

[Shri Shree Narayan Das]

I think, practically all the hon. Members who have participated in the discussion have opposed this taxation measure and they have said that by the levy of this tax, a large number of poor people and those who travel by the railways, especially by the third class, would be badly affected. But, in view of the fact that we require a certain amount of money and we have to meet the expenditure involved in the Second Five Year Plan, this House is going to pass this measure. I would just request the hon. Finance Minister to make some concessions that will go to satisfy the poorer classes of the people who travel short distances.

In view of the feelings expressed here by hon. Members, the Finance Minister should give some concession as he gave certain concessions when the Wealth Tax Bill was being considered here. I think this concession will give some satisfaction to the Members and also to the poor people who will feel that some relief has been given to them.

With these words, I commend my amendment and I think the Finance Minister and the whole House will accept that.

श्री राम शंकर लाल अध्यक्ष महोदय, मैंने अपने संशोधन से चाहा है कि फाइनेंस मिनिस्टर साहब ने जो रिआयत १५ मील का सफर करने वालों को दी हुई है उसको बढ़ा कर ५० मील कर दिया जाय क्योंकि ज्यादातर लोग जो गाँवों आदि से डिस्ट्रिक्ट्स हेडक्वार्टर्स पर काम और मुकदमों के सिलसिले में आते हैं वे इस १५ मील की रिआयत का लाभ न उठा सकेंगे और इस १५ मील के कंसेशन को ५० मील कर दिया जाय तो लोगों को इस रिआयत का फायदा होगा।

इस सिलसिले में मैं मंत्री महोदय का ध्यान दिलाना चाहूँगा कि अभी दो तीन वर्ष पहले जो हम लोगों ने रेलों का किराया बढ़ाया था तो जो लोग मुफत्सिलों से जिलों में आते हैं उनके लिए ५० मील तक का

एम्ब्रान कर दिया गया था और ५० मील की दूरी पर कोई किराया नहीं बढ़ा था। इसलिए मैं चाहता हूँ कि १५ के स्थान पर ५० मील कर दिया जाय।

दूसरी चीज मैं यह चाहता हूँ कि जो उन्होंने ५ परसेंट किराये में रिआयत की है २१ मील से ५० मील तक का किया है, उसको बढ़ा कर ५० मील से १०० मील का कर दें क्योंकि ज्यादातर जो ग्रामामी हैं वे बहुत थोड़ी दूर जाने वाले हैं और इनको अगर थोड़ी सी रिआयत हो जायेगी, २१ मील तो खुद आपन ही किया है लेकिन अगर वे मेरे अमेंडमेंट को मान लेंगे तो वह ५० मील हो ही जाता है और ५ परसेंट की यह रिआयत में १०० मील तक चाहता हूँ।

मेरा तीसरा अमेंडमेंट कौन्सिलर है और मुझे उम्मीद है कि फाइनेंस मिनिस्टर साहब उसको मंजूर कर लेंगे क्योंकि सभी लोग उस पर जोर देते रहे हैं और यह होना जरूरी है।

श्री भक्त बर्षन : अध्यक्ष महोदय, वित्त मंत्री महोदय द्वारा यह जो १५ मील तक की छूट दी जा रही है, उसके लिए उन्होंने कोई कारण बताने की कृपा नहीं की है कि वे १५ मील पर ही क्यों कायम रहना चाहते हैं और उस रिआयत को आगे क्यों नहीं बढ़ाना चाहते, क्योंकि मैं समझता हूँ कि उनको बढ़ाने से इकार करने का उनके पास कोई न कोई कारण तो होना ही चाहिए कि १५ मील पर ही वे क्यों अड़े हुए हैं? सब तरफ से यह कहा जा रहा है कि इसको बढ़ा कर ५० मील कर दिया जाय। हम यहाँ दिल्ली में देखते हैं कि मेट्रो तक से लोग आते हैं और शाम को अपना काम कर वापिस चले जाते हैं जैसा कि हमारे भाई श्री राम शंकर लाल ने बतलाया कि काफी लोग कचहरी मुकदमों के सिलसिले में यात्रा से या तहसील से जिले के हेडक्वार्टर पर आते

हैं और वह फासला १५ मील स कहीं ज्यादा होता है और इसलिए उन्होंने उसको ५० मील करने की जो मांग की है, वह उचित मांग है और मैं उसका समर्थन करता हूँ और अगर यह सुविधा जनता को दे दी जायगी तो इसमें सरकार को कोई बहुत हानि होने वाली नहीं है और मैं समझता हूँ कि इसमें उन्हें कोई आपत्ति नहीं होनी चाहिए।

मैंने पहले जो अपना संशोधन रखा था कि पर्वतीय क्षेत्रों की रेलवे लाइनें इससे मुक्त रखी जायें मेरा उद्देश्य इससे हल हो जाता है अगर यह ५० मील की मांग स्वीकार कर ली जाती है; क्योंकि जिन रेलवे लाइनों का मैंने उल्लेख किया था वे सब लगभग ५० मील से कम लम्बी हैं। इसलिए भी मैं इस ५० मील की मांग का समर्थन करता हूँ।

Shri Sadhan Gupta: Mr. Speaker, Sir, I have moved my amendment No. 30 to the Schedule by which I want to substitute a new Schedule. I have tabled my amendment for two purposes; first of all, I want to alter the slabs of distances on which taxes are to be levied and secondly, to give relief to the taxpayer by way of a lower limit of taxation.

I know the hon. Finance Minister, perhaps, will not accept the proposal for a lower limit of taxation and will rather reiterate his argument about the necessity to make resources available to the States. I still feel that those resources should have been got from other sources which would have been more able to bear the burden. Anyway, there is more to be said in regard to the slabs.

The first slab I have proposed is a slab of 80 miles for which no tax should be levied. Now the reason why I have given the slab of 80 miles is that in many places, and particularly in metropolitan cities like Calcutta, Bombay or Madras—perhaps the Finance Minister knows better about Madras, but I know about

Calcutta—there are many people who come by local trains from distances of eighty miles. They may not be coming every day, but they come quite frequently. They are not covered by the class of holders of season tickets. But the frequency of their travel to the metropolitan cities makes the tax burden on them heavy and it is but fair that this class of passengers should be given some relief, because the tax burden on them would be very inequitable. They have to come not for pleasure but for their livelihood. We know that in the neighbourhood of Calcutta in a town like Howrah there is a cloth market and people come once a week or twice a week from distances of eighty miles or so, from the district of Midnapur with cloth to sell at the cloth market. That is for their livelihood; that is not for pleasure.

In this way the small traders will have to bear a considerable burden and as a result even their meagre profits will shrink. After all it is the big businessmen who make big profits, the small trader is not always in a position to make such profits. In these circumstances whether it is the cloth trader or vegetable vendor or people of that kind who have to come from distances to bigger towns, I would plead that the slab should be increased to 80 miles. Particularly after electrification 80 miles is not going to be a very great distance from the city and many people would have to find their residence outside Calcutta and other big cities, because the cities are so congested. This fifteen miles is absolutely inadequate for that purpose. There is no logic behind this 15 miles, but there is logic behind, say, 80 miles or so, because it is within the range of what we call local trains.

So my request to the Finance Minister is that passengers travelling by local trains should be exempted and the slab should be so fixed that that class of passengers is exempted. Then you can fix up the next slab and prescribe the percentage of tax for it, and there also there should be

[Shri Sadhan Gupta]

some equity. I have provided the percentage here as 2 per cent. and 1 per cent., 2 per cent. for 80 to 500 and 1 per cent. for fares above 500. There you might fix whatever you want, but please fix the slab according to some logical consideration, exempting passengers travelling by local trains.

श्री बाबू : अध्यक्ष महोदय, मैं माननीय श्री राम शंकर लाल का जो संशोधन प्रस्तुत है उसके समर्थन में खड़ा हुआ हूँ। जो विधेयक सदन के सामने प्रस्तुत है, जिसमें रेलवे का किराया बढ़ाने की बात कही गई है, या टैक्स लगाने की बात कही गई है, मैं सिद्धांततः उसका विरोधी हूँ। मैं कभी नहीं चाहूंगा कि उसका समर्थन करूं। सदन से बार बार यह प्रश्न उठता है जब भी कोई नया टैक्स लगता है, और इस वर्ष तो यह खास बात रही है कि अगर इसको टैक्स वाला वर्ष कहा जाए तो बुरा नहीं होगा, कि हम को पंच वर्षीय योजना चलानी है। अब की भी यह बात कही गई कि हम इस के बगैर चल नहीं सकते। यह सही भी है कि पंच वर्षीय योजनाएं इस भारत-वर्ष के लिए जीवन और मरण का प्रश्न है, उनको बढ़ाना जरूरी है। लेकिन पंचवर्षीय योजनाओं के नाम पर घाए दिन जनसाधारण पर नए नए टैक्स लगाना उचित नहीं है।

मैं इस सदन का ध्यान राज्यों की तरफ से जाना चाहूंगा क्योंकि यह जो टैक्स लगाया जा रहा है वह सिर्फ राज्यों की ही सहायता के लिए लगाया जा रहा है, और वह भी पंचवर्षीय योजनाओं को पूरा करने के लिए, उनको सफल बनाने के लिए। मैं आपका ध्यान कम से कम उत्तर प्रदेश की ओर दिलाना चाहूंगा, जहां पर इंतजामियां खर्चे, ऐडमिनिस्ट्रेटिव खर्च इतने ज्यादा बढ़े हुए हैं कि उनको किसी भी प्रकार से कम किया जा सकता है। उत्तर प्रदेश में सन् १९४७ में ६ मंजी थे, १९५१ में ११ हुए और १९५६ में २१ हुए।

एक माननीय सदस्य : उससे वहां क्या मतलब ?

श्री बाबू : उससे मतलब यह है कि उनका खर्च बढ़ता जाता है। जब भी कोई मंत्री बढ़ेगा, खर्च बढ़ेगा। इसी प्रकार से हर स्टेट में हो रहा है। सेन्ट्रल गवर्नमेंट भी उससे मुबर्का नहीं है। यहां भी इसी तरह से खर्च बढ़ते जाते हैं। यहां पर महिला मंगल योजनाएं, भारत सेवक समाज, युवक समाज संघ आदि जैसी धन सभाएं चल रही हैं, जिनके ऊपर पैसा खर्च होता रहता है। यदि केन्द्रीय सरकार और राज्य सरकारें अपने खर्चों को कम करें, फुजूलखर्ची को कम करें, पंचवर्षीय योजनाओं को कार्यान्वित करने में ३० प्रतिशत तक फुजूलखर्ची होती है, करप्शन में बहुत पैसा जाता है, पहले उसको सरकार कम करे, उसके बाद भी अगर पैसे की जरूरत पड़े और इस तरह के नए नए टैक्स लगाए जाएं, तो उनको उचित कहा जा सकता है।

सिद्धांततः इस तरह के कानूनों का और विधेयकों का समर्थन नहीं किया जा सकता जिनके द्वारा लगाए गए टैक्सों का बोझ जनता पर पड़ता है। फिर भी जब सरकार ने तय कर लिया है कि टैक्स लगाना ही है तो भी उसको सोचना चाहिए कि जनसाधारण पर उसका बोझ पड़ना बहुत ही बुरा है। हम सभी सदस्य, इस सदन के, यह चाहते हैं कि हिन्दुस्तान के जनसाधारण की तरफ, जिस पर हर टेक्सेशन का बोझ पड़ता है, खास तौर से रेलवे के किराये में वृद्धि का, ध्यान दिया जाए। आज हमारे रेलवे के किराये काफी बढ़ गए हैं। जैसा एक माननीय सदस्य ने कहा, तीसरे दर्जे के किराये पहले से दूने हो गए हैं। फर्स्ट और सेकेंड क्लास के सफर करने वाले जो यात्री हैं, उनका किराया इस अनुपात में नहीं बढ़ा है। आज जब जीवन का खर्च इतना ज्यादा बढ़ा हुआ है, सिपाई के रेड्स

बढ़ गए हैं, ग्रामाज के भाव, भारतीय जीवन की जो दूसरी चीजें हैं, उनके दाम इतने बढ़ गए हैं, तब ऐसी सूरत में, इन लोगों को इतनी छूट देना अच्छी बात नहीं है। मैं चाहूंगा कि इन सब चीजों की तरफ ध्यान देते हुए, कम से कम एक साधारण सा संशोधन जो माननीय श्री राम शंकर जी का है, कि ५० मील तक सफर करने वालों को छूट दे दी जाए, उसको स्वीकार कर लिया जाए।

माननीय मंत्री ने जो १५ मील वाले संशोधन की बात रखी है वह मेरी समझ में नहीं आई है। इसमें उनकी चतुराई तो अचूक है कि लोग समझेंगे कि सरकार ने टक्का तो लगाया है लेकिन गरीबों के लिए १५ मील का एग्जेंशन दे दिया है जिससे उन पर इसका बोझ ज्यादा न पड़े। वह समझेंगे कि हमारी सरकार बड़ी सुन्दर है जो गरीबों का इतना ख्याल करती है। लेकिन अस-लियत क्या है? जो १५ मील की छूट दी जा रही है, वह वास्तव में कोई छूट नहीं है क्योंकि साधारण देहात में रहने वाला किसान मजदूर तो १५ मील तक यो ही चला जाता है। वह १५ मील के लिए कोई बस या रेल का सफर नहीं करेगा। इसलिए इससे कोई विशेष फायदा जनसाधारण का नहीं होगा। अगर कोई फायदा देना ही है यहाँ के लोगों को तो कम से कम ५० मील तक की छूट दी जाए क्योंकि साधारण किसान की रिश्तेदारियाँ और घाना जाना जिले के ही अन्तर्गत होता है। उनकी कचहरियाँ, प्रवालतें, तहसीलें आदि जिले में ही होती हैं। इसलिए इन सब बातों का ध्यान करके कम से कम ५० मील तक की छूट दे दी जाए। जैसा हमारे साधन गुप्त जी ने कहा, अगर ८० मील तक की छूट दी जाय तब तो कोई बात ही नहीं है, लेकिन अगर सरकार को इस में कोई घाना कामी है तो ५० मील तक छूट तो वह दे ही दे। इससे कई फायदे हो सकते हैं। माननीय

वित्त मंत्री अगर दिल से चाहते हैं कि जनता को कोई राहत दी जाए, तो १५ मील से कोई लाभ नहीं होने वाला है। मैं कि उन्होंने छूट देने का सिद्धांत मान लिया है, इसलिए मैं समझता हूँ कि उनको इसके विस्तार करने में और ५० मील का संशोधन स्वीकार करने में कोई आपत्ति नहीं होनी चाहिए।

इन सबको के साथ मैं इस संशोधन का समर्थन करता हूँ और सरकार से तथा वित्त मंत्री से निवेदन करूंगा कि वह सुधी से इस ५० मील वाले संशोधन को स्वीकार कर लें।

श्री बाबू माननीय अध्यक्ष महोदय, मैंने संशोधन सं० ४ पेश किया है और उसमें यह भाग की है कि जो तीसरे दर्जे के यात्री हैं उनसे १०० मील तक कोई टैक्स न लिया जाए। तत्काल तो मैं पूरी तरह से इसके खिलाफ हूँ कि जनता से कोई टैक्स रेल के किराये पर लिया जाए। सन् १९३० से लेकर १९५७ तक के जो साल रहे हैं वह ऐसे रहे हैं कि उनमें जो किराया या रेल का वह उतना ही रहा। उसके बाद फिर काफी बढ़ता गया और आज दूना हो गया है। इसका असर तीसरे दर्जे के यात्रियों पर बहुत बुरा होता है। मैं फिगर्स दे कर बताने की कोशिश करूंगा कि सन् १९४४ में एक यात्री ४० एवरेज माइल सफर करता था, १९४६-५० में वह ३२ मील जाता था, १९५४-५५ में ३१ मील जाता था और १९५५-५६ में ३० मील जाता था। इसके माने यह है कि सन् १९४४ से लेकर आज तक यात्रा का परिमाण कम हो गया है। जो टैक्स बढ़ने वाला है उसका भी यह असर होने वाला है कि जो यात्री चलते हैं वह कम चलेँगे और रेलवे की रेवेन्यू कम होगी।

मैं टोटल पैसेन्जर माइल्स के बारे में भी बतलाना चाहता हूँ कि अगर ३७,००० मिलियन माइल्स तीसरे दर्जे के यात्री यात्रा करते हैं तो २५,०० मिलियन

[श्री यादव]

माइल्स ऊपर के दर्जे के आदमी यात्रा करते हैं। इसके बाद मैं आपको बतलाऊंगा कि इन यात्रियों से रवेन्यू कितनी आती है। अगर क्लासेज के यात्री जो हैं उनके जरिए सन् १९५४-५५ में ११ करोड़, ३४ लाख ६० मिले, १९५५-५६ में १२ करोड़, ९५ लाख ६० मिले और इस बजट इअर में १३ करोड़, ७५ लाख ६० मिलने की आशा है। लेकिन इसके मुकाबले में जो तीसरे दर्जे के यात्री हैं उनको दी हुई इनकम भी आप देखिए। सन् १९५४-५५ में वह ६१ करोड़, २८ लाख ६० थी, १९५५-५६ में ६४ करोड़, ८६ लाख ६० थी और इस बजट इअर में १०५ करोड़, २५ लाख ६० होने वाली है। इसके माने यह है कि अगर क्लासेज के जो यात्री हैं उनके मुकाबले तीसरे दर्जे के यात्रियों के द्वारा सात गुनी इनकम होती है। इस टैक्स के लगाने से इस सातगुनी इनकम पर असर पड़ेगा या नहीं, यह आप खुद सोच सकते हैं। बदकिस्मती यह है कि हमारे वित्त मंत्री जी हिन्दी समझते हैं या नहीं यह मैं नहीं जानता, लेकिन मैं कहना चाहूंगा कि अगर वह चाहते हैं कि रेलवे रवेन्यू पर उनके इस टैक्स का असर न पड़े, तो उन्होंने जो यह नया तरीका निकाला है रेलवे यात्रा पर टैक्स लगाने का, इसे वे छोड़ दें। मुझे मालूम है कि उनके पास इतनी भ्रक्सरियत है कि अगर वह चाहें तो एक आदमी को औरत बना सकते हैं और औरत को आदमी बना सकते हैं। लेकिन मैं चाहूंगा कि हमारी पंच वर्षीय योजना पूरी हो। अगर उसके लिए उनको टैक्सेज के द्वारा आमदनी करने की जरूरत महसूस होती है, तो हिन्दुस्तान में जो करप्शन हो रहा है, वह पहले उसको कम करें। जिस तरह से हमने एकानमी ड्राइव शुरू की है, उसी तरह से करप्शन को रोकने के लिए ऐन्टी करप्शन ड्राइव भी शुरू करें। मैं उनको विक्रमादित्य के समय में ले जाना चाहता हूँ। वह राजा

विक्रमादित्य अपना भेष बदल कर भूमा करते थे और अपने राज के बारे में जनता क्या कहती है और किस तरह से जनता के हित में राज्य चलाएं, इस को समझने की कोशिश किया करते थे।

मैं चाहूंगा कि वित्त मंत्री और हमारे प्रधान मंत्री भी अपना भेष बदल कर एक साल तक हिन्दुस्तान में घूमें तो उनको मालूम होगा कि उनका राज्य किस तरह से चल रहा है हम चाहते हैं कि हमारी पंचवर्षीय योजना में ज्यादा से ज्यादा तरक्की हो ताकि भाज जो हमारी मुसीबतें हैं वे कम हों। लेकिन उसको सफल करने के तरीके भलग हैं। मुझे मालूम है कि भाखरा नंगल में कितना पैसा करप्शन में गया और दामोदार बैली योजना में कितना पैसा करप्शन में गया, और दूसरी बातें हमारे सामने आती रहती हैं। इसलिए हमको चाहिए कि हम इस करप्शन को रोके और टैक्स कम लगायें। जिस तरह से आपने इकानमी ड्राइव चलाया है उसी तरह से अगर आप एंटी करप्शन ड्राइव चलावें तो आपको काफी रुपया मिल जायेगा। हम कष्ट उठाने के लिये तैयार हैं। हम भ्रमदान देने के लिए तैयार हैं लेकिन जो गरीब भ्रमदान देते हैं उन पर भी आप टैक्स लगाना चाहते हैं, उनसे भी पैसा लेने की इच्छा रखते हैं। यह गलत बात है।

मैं वित्त मंत्री से प्रार्थना करूंगा कि सौ मील तक के यात्रियों से कोई टैक्स न लिया जाये। जो लोग ऊंचे दर्जों में चलते हैं वे आपके पार्लियामेंट के मेम्बर हैं, राज्य-सभा के मेम्बर हैं, रेलवे के मुलाजिम होते हैं जो कि वारंट पर चलते हैं और दूसरे लोग होते हैं उनसे आपको कितनी आमदनी हो सकती है यह आप जानते ही होंगे। मैं चाहता हूँ कि रेलवे की इनकम कम न हो और हमें उससे कुछ आमदनी हो। लेकिन सौ मील तक के यात्रियों पर टैक्स न लगाया

जाये ऐसी मेरी वित्त मंत्री साहब से दरखास्त है।

Shri Fatehmal Ghodasari: By my amendment No. 13 to the Schedule, I want that another schedule should be substituted in place of the schedule which has been given by the hon Finance Minister. My submission is that there should be no surcharge on third class passengers up to a distance of 50 miles. Only poor people travel by third class and they are the people who travel short distances.

They go from village to village or to the taluk or district headquarters to submit petitions to the revenue officers and they travel only when it is absolutely necessary for them to travel. They do not travel for the sake of pleasure, firstly because they have no money to spend on such pleasure trips and secondly because they are aware of the difficulties and the hardships they will have to undergo while travelling by third class. Overcrowding in third class is so much that it has become absolutely impossible for a sick or weak person even to enter a compartment. A great majority of them travel on footboards and roofs of trains and that too in every season. Even in monsoon when it is raining, in severe cold of winter and in the oppressive heat of the summer they have to travel on footboards and roofs of trains.

Not only that but many such passengers have lost their lives by travelling on footboards and roofs of trains, as a result of falling from the moving trains. May I ask the hon. Finance Minister whether he is justified in taxing these people for their hardships? These people have already been heavily overtaxed. Almost all the indirect taxes, such as excise duties on matches, tobacco, tea, sugar, cloth and other articles have hit them hard to such an extent that it has become very difficult for them even to maintain their own families. To tax these people more is, I think, not only unjust but cruel.

It is true that money is required to implement the second Five Year

Plan successfully. I have nothing to say against the Plan. There must be a plan for the progress of the country and the people.

But, at the same time, we must look to the capacity of the people to pay the tax, we should not hesitate either to curtail or modify the Plan if it is necessary to do so in the interests of the people. I therefore, submit that passengers who travel by third class should pay no tax up to a distance of 50 miles. Instead, I request the hon Finance Minister to impose a tax on passengers who travel by air or by air-conditioned coaches. I again submit that my amendment be accepted.

Mr. Speaker: Sardar A. S. Saigal.

Shri Harish Chandra Mathur rose—

Mr. Speaker: I called Shri Harish Chandra Mathur first. He was talking to somebody. He did not get up. I have passed him over. I am now calling Sardar A. S. Saigal.

सरदार अ० सिंह सहगल (जजगीर) :
अध्यक्ष महोदय। वित्त मंत्री महोदय ने जो १५ मील तक के यात्रियों का किराया न बढ़ाने की तजवीज रखी है, मैं समझता हूँ उसमें काम चलने वाला नहीं है। कम से कम एक जिले के भीतर की यात्रा के लिए आपको यह रियायत देनी चाहिए। आप देखें, के हिन्दुस्तान में जिलों की सीमा कितनी है। यदि उनकी सीमा १५ मील है और वित्त मंत्री महोदय उस पर कोई टैक्स नहीं लगाना चाहते हैं, तब तो अच्छी चीज है। लेकिन मैं आप से कहूंगा कि आप किसी भी जिले को ले लीजिये उसकी सीमा आलीस पचास मील तक जरूर जायेगी। जिले के लोग कचहरी आदि के मामलों में जिले के भीतर घूमते जाते रहते हैं। ऐसी हालत में ५० मील तक का किराया न बढ़ाया जाये ऐसी मेरी उनसे प्रार्थना है। इसके साथ ही साथ ५० मील से १०० मील पर ५ परसेंट बढ़ाया जाये। १०० मील से ऊपर जो उनकी तजवीज है व हमको मंजूर है।

[सरदार ब० सिंह सहगल]

यह टैक्स हम प्रान्तों के लिए ले रहे हैं। वहा पर डेबेलपमेंट ब्लाक्स आदि हैं उनके लिए और दूसरे उन्नति के कामों के लिए प्रान्तों को यह पैसा दिया जायेगा। तो मेरा सुझाव यह है कि इस टैक्स का जो बटवारा किया जाये वह उस प्रान्त में रेलवे का जितना माहिलेज है उसके हिसाब से किया जाये। मैं मध्य प्रदेश का उदाहरण आपके सामने रखना चाहता हूं। आप देख लें कि इस प्रान्त में रेलवे की कितनी लम्बी लाइन है और ऐसा ही दूसरे प्रान्तों में देख लें और उसी के आधार पर इस रकम का बटवारा करे तो बहुत सुभीता होगी।

यह बहुत अच्छी बात है कि वित्त मंत्री महोदय ने इनकम टैक्स में ढाई करोड़ की छूट दी है उसी तरह से तीसरे दर्जे के यात्रियों को आप ५० मील तक किराया न बढ़ावें लेकिन इसके साथ ही साथ मैं यह कहना चाहता हू कि यदि संसद के सदस्यों को मत देने की छूट दी जाये तो कोई भी ५० मील तक का किराया बढ़ाने की राय नहीं देगा। एक बार पहले भी जब किराया बढ़ाने की यहा चर्चा हुई थी तो ५० मील तक का किराया नहीं बढ़ाया गया था। हम चाहते हैं कि जो जनता में हमारे खिलाफ आवाज लगाने वाले हैं उनको आवाज लगाने का मौका न मिले।

अभी हमारे भाई ने कहा कि सौ मील तक का किराया न बढ़ाया जाये यानी सौ मील की यात्रा पर टैक्स न लिया जाये, तो मैं यह कहूंगा कि यह सुझाव ठीक नहीं है। हमारे उन भाई ने यह भी कहा कि आप बहुमत में हैं इसलिए चाहे तो मर्द को औरत बना सकते हैं और औरत को मर्द बना सकते हैं। शायद उनको मालूम नहीं है कि यह काम तो हमारे दूसरे भाई जो कि डाक्टर हैं वह किया करते हैं। इस सदन में यह काम नहीं किया जाता है। यह सदन तो कानून बनाता है और उन पर अमल करता है। शायद हमारे भाई का यह मतलब है कि हम बहुमत में हैं तो चाहे

कुछ कर सकते हैं। लेकिन ऐसी बात नहीं है। हम बहुमत में हैं तो इसका यह मतलब नहीं है कि हम कोई गलत काम करना चाहते हैं। हम बाजब तरीके से काम करना चाहते हैं और लोगों से मिल कर करना चाहते हैं। हो सकता है कि हमारी और उनकी विचार-भाराओं में कुछ मतभेद हो, लेकिन जो कुछ हम कर रहे हैं वह जनता के हित के लिए कर रहे हैं।

इन शब्दों के साथ मैं अपने ३ सुझाव आपके सम्मुख रखता हूं और मैं वित्त मंत्री महोदय से प्रार्थना करूंगा कि वह इन पर गौर करने की कृपा करें।

Mr. Speaker: The hon. Minister.

Shri Siddiah: I would like to say a few words. I have moved an amendment.

Mr. Speaker: He may have moved an amendment. Already the time is up. We have heard sufficiently.

Shri T. T. Krishnamachari: I am afraid, the arguments that have been put forward are more or less the same as those adduced at the time when we took this Bill for consideration. An hon. friend opposite complained that I had not given details of the break up of how many passengers travel 15 miles, 30 miles, 50 miles, etc. In fact, I am only interested in regard to the earnings in the railways on a mileage basis. Even if I accept one of the modest amendments moved by a friend here, 30 miles, that would mean an additional drop of another Rs. 70 lakhs. Already the concession that I have given, though it is said to be inconsequential, means a drop of Rs. 60 lakhs. If I go up to 50 miles, I think I have to drop a large amount because the average mileage travelled by a passenger in India is 41.7, and as you increase it beyond 30, the drop becomes heavier.

Also there is another point namely that once you increase the mileage, evasion takes place. If it is 15, I do not think the matter is very much because the cost is negligible. If it is 50 or 80, as the case may be, people will, at any rate, have one break and evasion takes place. After all, the whole idea of this measure is to provide some revenue to the States of the order of Rs. 14 or 15 crores. I have reduced it by Rs. 80 lakhs. Any further reduction is not acceptable. I may accept Shri Sadhan Gupta's amendment which makes the whole tax a farce, namely 1 or 2 per cent, making it one crore of rupees. The collection charges and the time taken by the House would more than compensate any revenue we may get. I understand Shri Sadhan Gupta's amendment because it is intended to ridicule the Bill. But, the other amendments which are intended in all seriousness, I am afraid, I am unable to accept because, administratively it will help to reduce the revenue even beyond what the loss will be. Therefore, I cannot go beyond the concessions that I have shown. At the time when we gave the concession, it was not a bargaining. A large number of Members expressed the view that 15 miles would mean a particular

section of the people who would not come within the scope of this tax.

Season ticket people are completely eliminated. Normal revenue from season tickets is about 4 crores of rupees. It is not, as my friend Shri Sadhan Gupta mentioned, that we do not know about. I have, for twelve years of my life, travelled in suburban trains, and that too, 12 miles only. We know something about it. But, revenue considerations could not be altogether lost sight of. I think, the suggestions, if they are accepted, would reduce the value of this Bill considerably so that we may as well drop it. Therefore, I am unable to accept any of these amendments.

Mr. Speaker: Which are the amendments that the hon. Members want to be put to the House?

Shri Sadhan Gupta: No. 30.

Shri Fatchsinh Ghodasari: No. 13.

Mr. Speaker: All of them one after another First, No. 30. The question is:

Page 4—

for the Schedule, substitute:

"THE SCHEDULE

(See section 3)

Description of traffic	Rate of tax
1	2
1. Passengers travelling by railway for distances upto 80 miles (inclusive)	Nil
2. Passengers travelling by railway for distances from 81 to 500 miles (inclusive)	2% of fare.
3. Passengers travelling by railway for distances over 500 miles.	1% of fare.
4. Passengers travelling on mileage coupons.	3% of the cost of coupons.
5. Passengers travelling on season tickets.	Nil"

The motion was negatived.

13 hrs.

Mr. Speaker: There are amendments relating to 30 miles, 50 miles, 100 miles and so on. Shall I treat them on the same basis? The hon. Minister has said that acceptance of these will mean substantial reduction in the receipts. Therefore, if the amendments are not pressed, I shall treat them as not pressed.

Shri Sadhan Gupta: They may all be put together.

Mr. Speaker: His amendment has been put and lost. Why should he worry?

Shri Sadhan Gupta: The others may be put together.

Mr. Speaker: The others are not pressed.

The amendments were, by leave, withdrawn.

Mr. Speaker: I shall now put Government amendment No. 2 to the Schedule to the vote of the House. The question is:

Page 4—

for the Schedule, substitute:

"THE SCHEDULE

(See section 3)

Description of traffic	Rate of tax
1	2
1. Passengers travelling by railway on season tickets.	Nil
2. Passengers travelling by railway for distances upto 15 miles (inclusive).	Nil
3. Passengers travelling by railway for distances from 16 miles to 30 miles (inclusive).	5% of fare.
4. Passengers travelling by railway for distances from 31 miles to 500 miles (inclusive).	15% of fare.
5. Passengers travelling by railway for distances over 500 miles.	10% of fare.
6. Passengers travelling on mileage coupons.	12½% of the cost of the coupons

Explanation.—For the purposes of this Schedule, distances shall be computed according to the rules for the time being in force relating thereto made under the Indian Railways Act, 1890."

The motion was adopted.

Mr. Speaker: The question is:

"That the Schedule, as amended, stand part of the Bill".

The motion was adopted.

The Scheduled, as amended, was added to the Bill.

Clause 1—(Short Title)

Amendment made:

Page 1,—for clause 1, substitute—

"1. Short title and commencement.—(1) This Act may be called the Railway Passenger Fares Act, 1957.

(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint".

—[Shri T. T. Krishnamachari]

Shri T. T. Krishnamachari: This alteration is merely to indicate that the Act shall come into force on a date which will be indicated by a notification in the Official Gazette.

Mr. Speaker: The question is:

"That clause 1, as amended, stand part of the Bill".

The motion was adopted.

Clause 1, as amended, was added to the Bill.

The Enacting Formula and the Title were added to the Bill.

Shri T. T. Krishnamachari: I beg to move:

"That the Bill, as amended, be passed".

Mr. Speaker: The question is:

"That the Bill, as amended, be passed".

The Lok Sabha divided....

Shri S. V. Ramaswami (Salem): My switch has gone out of order.

Mr. Speaker: The result of the division is;

Ayes 160; Noes 47.

AYES

Division No. 27]

[13.06 hrs

Abdul Latif, Shri
Acher, Shri
Ambalam, Shri Subbiah
Arumugham, Shri R.S.
Arumugham, Shri S.R.
Ashanna, Shri
Ayyakkannu, Shri
Bagdi, Shri
Bajaj, Shri Kamalnayan
Bakliwal, Shri
Banerjee, Shri S. K.
Barupal, Shri P.L.
Basappa, Shri
Bhagat, Shri B.R.
Bhakt Darshan, Shri
Bhattacharyya, Shri C. K.
Bhogli Bhai, Shri
Bidari, Shri
Birbal Singh, Shri
Brahm Perkaash, Ch.
Chaturvedi, Shri
Chavda, Shri
Dasappa, Shri
Das, Shri K.K.
Das, Shri M.M.
Das, Shri N.T.
Deb, Shri N. M.
Dube, Shri Mulchand
Dwivedi, Shri M.L.
Elaysperumal, Shri
Gaekwad, Shri Fatesingh Rao
Ganapathy, Shri
Gandhi, Shri Feroz
Ganga Devi, Shrimati
Gautam, Shri C.D.
Hajarnavis, Shri
Harvani, Shri Anwar
Hasda, Shri Subodh
Heda, Shri
Hem Raj, Shri
Hukam Singh, Sardar
Jagjivan Ram, Shri
Jain, Shri A. P.
Jangde, Shri
Jena, Shri K.C.
Jhunjhunwala, Shri
Jogendra Sen, Shri
Joshi, Shri A.C.
Joshi, Shrimati Subhadra
Jyotishi, Pandit J.P.
Kanakasabai, Shri
Karmarkar, Shri
Kedaria, Shri C.M.
Kesar Kumari, Shrimati

Keshava, Shri
Khan, Shri Shah Nawaz
Khedkar, Dr. G.B.
Kistaiya, Shri
Krishna Chandra, Shri
Krishnamachari, Shri T.T.
Krishna Rao, Shri M.V.
Kumbhar, Shri
Lachhi Ram, Shri
Lahiri, Shri
Lal, Shri R. S.
Laxmi Bai, Shrimati
Mahda Ahmed, Shrimati
Malaviya, Pandit Govind
Malaviya, Shri K. D.
Maniyangadan, Shri
Masuriya Din, Shri
Mathur, Shri Harish Chandra
Mathur, Shri M. D.
Mehta, Shri J.R.
Mishra, Shri B.D.
Mishra, Shri Bibhuti
Mishra, Shri L. N.
Mishra, Shri R. D.
Mohideen, Shri Gulem
Mohiuddin, Shri
Munisamy, Shri N. R.
Morarka, Shri
Muthukrishnan, Shri
Nadar, Shri P. T.
Nair, Shri C. K.
Nair, Shri Kuttikrishnan
Nellakoya, Shri
Nanjappa, Shri
Narayanasaamy, Shri R.
Naskar, Shri P. S.
Nathavani, Shri
Nayar, Dr. Sushila
Nehru, Shri Jawaharlal
Nehru, Shrimati Uma
Onkar Lal, Shri
Padam Dev, Shri
Palchoudhuri, Shrimati Ila
Panna Lal, Shri
Parmar, Shri Y. S.
Patel, Shrimati Maniben
Patel, Shri Rajeshwar
Prabakar, Shri Naval
Radha Raman, Shri
Raghunath Singh, Shri
Raman, Shri M. H.
Ramananda Tirtha, Swami
Ramaswamy, Shri K. S.

Ramaswamy, Shri P
Rameshwar Rao, Shri
Rampure, Shri M.
Ram Saran, Shri
Rane, Shri
Rangarao, Shri
Rao, Shri E. M.
Rao, Shri Hanmanth
Ray, Shrimati Renuka
Reddy, Shri Ball
Reddy, Shri Rami
Rup Narain, Shri
Sahu, Shri Rameshwar
Saigal, Sardar A. S.
Salam, Shri Abdul
Samanta, Shri S.C.
Sanganana, Shri
Senkarapandian, Shri
Serhadi, Shri Ajit Singh
Sen, Shri P. G.
Shakuntala Devi, Shrimati
Shankaraya, Shri
Sharma, Pandit K. C.
Siddish, Shri
Singh, Shri D. N.
Singh, Shri D. P.
Singh, Shri K. N.
Singh, Shri M. N.
Singh, Shri T. N.
Sinha, Shri Anirudh
Sinha, Shri Satyendra Narayan
Sinha, Shri Satya Narayan
Subramanyam, Shri T.
Sumat Prasad, Shri
Sunder Lal, Shri
Swaran Singh, Sardar
Tahir, Shri Mohammed
Thimmasab, Shri
Thomas, Shri A. M.
Tiwari, Shri Babu Lal
Tiwari, Shri R. S.
Tiwari, Pandit D. N.
Tula Ram, Shri
Uike, Shri
Umrao Singh, Shri
Upadhyaya, Shri Shiva Das
Varma Shri B. B.
Vedakumari, Kumari M.
Vishwanath Prasad, Shri
Vyasa, Shri Radhical
Wadiwa, Shri
Wilson, Shri J. N.
Wodeyar, Shri

NOES

Barua, Shri Hem
Chakravarty, Shrimati Renu
Chandramani Kalo, Shri
Dasgupta, Shri B.
Deb, Shri P. G.
Deo, Shri P. K.
Dharmalingam, Shri
Gaikwad, Shri B. K.
Ghodasari, Shri Fatehsinh
Ghosal, Shri
Ghose, Shri Bimal
Ghose, Shri S.
Godsara, Shri S. C.
Gopalan, Shri A. K.
Gupta, Shri Sadhan
Imam, Shri Mohamed

Jadhav, Shri
Kamble, Shri B. C.
Katti, Shri D.A.
Krishnaswami, Dr.
Kumaran, Shri
Kunhan, Shri
Mahanty, Shri
Manay, Shri
Marin, Shri
Menon, Shri Narayanankutty
Mullick, Shri B. C.
Nair, Shri Vasudevan
Nayar, Shri V. P.
Panigrahi, Shri
Parmar, Shri K. U.
Parvathi Krishnan, Shrimati

Patel, Shri P. R.
Patil, Shri Nana
Prodhan, Shri B. C.
Rai, Shri Khushwaqt
Rao, Shri D. V.
Rao, Shri T. B. Vittal
Reddy, Shri Nagi
Sampath, Shri B.V.K.
Soren, Shri
Sugandhi, Shri
Supakar, Shri
Thevar, Shri
Vajpayee, Shri
Valvi, Shri
Verma, Shri Ramji

The motion was adopted.

FOREIGN EXCHANGE REGULATION (AMENDMENT) BILL

The Minister of Finance (Shri T. T. Krishnamachari): I beg to move*:

"That the Bill further to amend the Foreign Exchange Regulation Act, 1947, be taken into consideration".

Dr. Krishnaswami (Chingleput): Let the House have order. Some hon. Members are leaving the House.

Shri V. P. Nayar (Quilon): The Minister is bringing Bill after Bill hour after hour.

Mr. Speaker: There is greater enthusiasm in the Opposition.

Soon after a Bill is passed, I should say 'Let the House be cleared', as I often say, 'Let the Lobbies be cleared', and then the hon. Minister in charge of the next item of business may start.

Shri T. T. Krishnamachari: The main purpose of the Bill is to place the Foreign Exchange Regulation Act on a permanent footing. As it stands at present, its life will expire on 31st December 1957. When the Foreign

Exchange Regulation Bill was first placed before the Legislative Assembly in 1946, the period for which it would remain in force was not specified. Government's intention was to make it permanent with a view to safeguard our balance of payments, but when the Bill went before the Select Committee, it took a more optimistic view, and thought that world trade and economic conditions would return to normal after the initial postwar period. The Committee, therefore, recommended that the duration of the Act be limited to five years with powers to Government to extend it for another three years. As the Act came into force on the 25th March 1947, it would have expired on the 24th March 1952. Government, however, came to Parliament which extended the Act till the 31st December, 1957. It will now expire on that date unless extended again.

I have, therefore, come before this House for an extension of the Act without time-limit. Our expectation that world trade and economic conditions would stabilise themselves after the initial postwar period has not been fulfilled. As the House is well aware, our foreign exchange situation is still

*Moved with the recommendation of the President.

very difficult and we have been compelled to tighten our exchange control in various directions. If the trend of events in this and other countries is any guide, the shortage of foreign exchange is likely to continue *ad infinitum*. Our development programme under the Five Year Plan also compels us to husband our external resources properly. In these circumstances the continuance of the Foreign Exchange Regulation Act seems unavoidable, and it is, therefore, proposed to place it on a permanent footing by deleting the duration clause. This, as I have already pointed out, is the main purpose of the Bill.

I am taking this opportunity for certain other amendments which have been dictated by the experience gained in the working of the Act over a period of years. The most important of these amendments is the one providing for departmental inquiry and adjudication of Foreign Exchange offences by an authority constituted by Government on the lines of the Sea Customs Act. Experience has shown that successful prosecution of these offences is not possible in many cases. It is difficult, for instance, to get legal evidence in these cases which has to be obtained from countries outside India. It has also happened that complaints filed in court for certain offences have been leniently dealt with by an imposition of nominal fines. In these circumstances it appears advisable that contraventions of the major provisions of the Act should be allowed to be adjudged in the same manner as the Customs authorities have been doing under the Sea Customs Act.

13-11 hrs.

[MR. DEPUTY-SPEAKER in the Chair]

Under this latter Act various Customs Officers are empowered to impose penalties for certain offences specified in the Act. When it is the Customs Collector dealing with the offence, there is no limitation as to the penalty to be imposed, while for other sub-

ordinate officers the Act lays down certain limits up to which penalty can be imposed. But, from these officers an appeal goes to the Central Board of Revenue. There is no further appeal from the Board but the Central Government can reverse or modify the orders on an application from the aggrieved party. I wish to proceed on somewhat the same lines in regard to the offences coming under the Foreign Exchange Regulation Act. We have already a Director of Enforcement functioning to deal with cases arising out of these contraventions. He will now be empowered to adjudge some of the major offences and impose penalties, but he will not have unlimited powers as the Customs Collectors have under the Sea Customs Act. He will be able to levy a fine not exceeding three times the value of foreign exchange involved in the violation or Rs. 5000 whichever is more. He will also be empowered to refer any case to court instead of adjudicating himself, if during enquiry he is of opinion, that the penalty which he is empowered to impose, would not be adequate and a sentence of imprisonment is called for to have deterrent effect. In the cases dealt with by the adjudicating officer, in addition to the fines imposed, he can confiscate goods, currency, security, gold, or silver involved in the contravention. He can also order the repatriation of foreign holdings, if any. Such repatriation is essential as the whole object of exchange control is to conserve our external resources.

I do not propose to empower any other officer below the rank of Director to adjudicate, because the number of foreign exchange cases will not be as large as the customs cases, at any rate, that is our expectation. An appeal will lie from the Director's orders to an Appellate Board consisting of a Chairman and another member. There will be no further appeal from this Appellate Board. I feel that the imposition of penalties by the adjudicating authority in the manner indicated will prove to be more effective in checking foreign exchange

[Shri T. T. Krishnamachari]

offences than the present system of prosecution for all types of cases.

The next amendment to which I would like to draw the attention of the House is to the new Section 13(a) relating to the encashment of Government securities which are for the time being payable in Pakistan. In a number of cases in the past, Indians engaged in business in Pakistan have tried to transfer their funds in the shape of these securities with the intention of getting them cashed in India. These securities which are at present encashed for payment in Pakistan are presented to the Reserve Bank for re-enforcement in India. This is no doubt a violation of the Foreign Exchange Regulation Act, and the person concerned can be prosecuted. But it is not open to the Reserve Bank to refuse re-enforcement of the securities for payment of interest in India once they are presented for such purpose.

I would like to make this position clear to the House by explaining in some detail the mechanism involved in such re-enforcement. In the text appearing on the face of these securities, it is stated that payment of interest etc. will be made at a particular Treasury in India, in most cases at Fort William, Calcutta. Sometimes the place of payment is changed temporarily on the request of the holder. The security is then re-encashed for payment at a Treasury other than the one mentioned in the security. This is a concession. Re-enforcement for payment at a Treasury in Pakistan or any other country is also a concession; but it is the legal right of the holder to receive payment at the Treasury originally specified in the security. It is, therefore, not legally possible to refuse re-enforcement of the Government securities imported into India. The purpose of this amendment is to remove this lacuna and take legal powers to enable the Reserve Bank of India to refuse encashment of the securities. It is not the intention of this amendment to prevent every transfer of securities from

other countries to India. All that is intended is that such transfer will not be permitted except with the permission of the Reserve Bank. This permission will of course be given in cases which do not involve any violation of the Foreign Exchange Regulation. But the amendment will help Government to withhold permission in a case where large scale transfer of securities is deliberately intended to the prejudice of India's interests.

Another amendment to which I must also draw the attention of the House is the one prohibiting the transfer of shares or business interests by a non-resident to another non-resident. Under the present regulations no person resident in India can transfer his shares or business interests to a non-resident except with the permission of the Reserve Bank. There is no law to prevent the transfer taking place outside India between two non-residents. The amendment has been suggested with a view to prevent foreign shareholders in a company incorporated in India from transferring their interests to other foreign nationals resident outside India without our getting to know about it.

There are two other amendments concerned with the custody of documents seized as a result of a search warrant and the inspection of books of authorised dealers. At present the documents which are seized under the orders of a magistrate are kept in the custody of the magistrate. Sometimes it has happened that the seized documents have been returned to the party on application even before the scrutiny was completed. This creates difficulties in investigation. So, what is proposed now to be done is to allow custody of documents to the Enforcement Unit for a reasonable period of time not exceeding four months. This is exactly on the lines of the British Exchange Control Act. As far as the inspection of books of authorised dealers is concerned, at present the Reserve Bank or the Enforcement Authority has to take

recourse to Section 35 of the Banking Companies Act for such inspection, which causes delay and inconvenience. It is proposed to make a provision in the Foreign Exchange Regulation Act itself which would enable the Reserve Bank or the Enforcement Authority to carry out inspection without reference to the Banking Companies Act.

The other amendments in this Bill are comparatively minor. They are either drafting changes or intended to make certain definitions clearer. I do not think I should take the time of the House in explaining these minor matters. However, I have explained the main provisions of the Bill as clearly as possible, and I commend the motion to the House.

Mr. Deputy-Speaker: Motion moved:

"That the Bill further to amend the Foreign Exchange Regulation Act, 1947, be taken into consideration."

There is a motion for circulation in the name of Shri Shree Narayan Das. I find he is not present in the House.

Shri V. P. Nayar: Mr. Deputy-Speaker, I submit that this Bill should not be considered merely on the wording of the various amendments. This, no doubt, is a very important measure, and it is essential in the context that we are in today in respect of foreign exchange, that we should assess the Bill and also the Act as it has worked all these 12 years from that context.

I submit, if you consider the amendments by themselves, possibly, what the hon. Minister said, that some are major and some are minor, is correct. But, when we consider the provisions of the Bill which is to be made permanent, we must also have a consideration in retrospect and find out what has been the result of this Bill.

I find that under the existing Act a number of rules have been laid down covering almost every conceivable aspect of regulating foreign exchange. For example, I have the Reserve Bank's Exchange Control

Manual running into 200 pages with all meticulous details. No doubt, it has to some extent exercised a little control. But I want to ask this question whether, despite such control, is it not a fact that the country has landed itself in a soup in respect of foreign exchange. It is not merely a question of having a control by making certain regulations in the book and adding on to it. It is really a question of policy. It is not merely a question whether a particular rule empowers the Government and the Reserve Bank to take cognizance of an offence or to deal with it in a proper manner; it is a question whether foreign exchange prices which we find today are the result of the working of this Act or due to a lacuna in it or whether they are attributable to question of policy. I do not want to dilate upon that because we have had a discussion on that, but I say that, with all the emphasis at my command, it is because the policy has gone wrong. It is not because of the lacuna merely in the existing regulations that the hon. Minister has to come forward and say now, as he has said in the Statement of Objects and Reasons, that "India still continues to be short of foreign exchange and it is necessary to ensure that our foreign exchange resources are conserved in the national interest".

If this were true, and if this was the state of affairs resulting from the working of this Act, I do not think almost the very same phrases, and the very same words, would have been used by the hon. Mr. Liaquat Ali Khan when he moved the original Bill for consideration. I find that my friend's Statement of Object and Reasons is very much alike to what I find during the discussion of the Bill in 1946 or 1947, when Mr. Liaquat Ali Khan moved the original Bill. I shall read only one sentence to show that, at that time, when moving the original Bill for consideration, the same words were used. This is what Mr. Liaquat Ali Khan said:

"Government have given very careful consideration to this matter and they have come to the

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conclusion that it is necessary in the interests of India, not only in the interests of India, but to ensure that the best use is made of our foreign exchange resources in implementing our programmes of industrialisation and development of the country".

I do not find any difference from that pronouncement, and for all these years, after that original Bill was passed, we find that this regulation is in force. What is the result? It was very definitely urged in the House at that time, when Mr. Liaqat Ali Khan moved his Bill, that there should be an overall emphasis on husbanding the foreign exchange resources of this country and directing it for certain uses which are essential. It was pointed out by eminent Members of the House then that for the foreign exchange which this country earns there should be an absolute control, and that we should indulge only in purchases of the most essential articles. I find a very good speech of Mr. Manu Subedar and incidentally it might be interesting to the House that Mr. Subedar referred to Mr. Ayyangar also—possibly it was our respected Speaker who was a Member of the House. Of course, the way in which it is referred to is very interesting. It appears that it was on account of certain articles the emphasis on which, as a consumer good, was stressed by Mr. Manu Subedar. In pressing his claims for control, he said—I shall just read one sentence because it is interesting, after twelve years—

"For example, the lip-sticks referred to by my hon. friend, Mr. Ayyangar, who keeps observing lip-sticks everywhere, would have to be checked".

Even in that context, in 1946 or 1947—

Mr. Deputy-Speaker: Does it apply now to the hon. Member?

Shri V. P. Nayar: Yes; — it does not apply to me. It applies to so many others.

Mr. Deputy-Speaker: He should not change his ground now.

Shri V. P. Nayar: I could not hear you. My object in saying this is only because of this: in his statement given in reply to the debate the other day, the hon. Minister of Commerce and Industry gave out some figures to show how we have been spending our foreign exchange. He quoted that in 1952 we had spent Rs. 360 crores only for consumer goods which includes, as you know, lip-sticks, hair-oils, dyes and what not. In 1953, it came down to Rs. 221 crores. In 1954, it was Rs. 211 crores. In 1955, it was Rs. 200 crores and in 1956, Rs. 193 crores. My submission is that during these five years, the years of the first Five Year Plan, despite the foreign exchange regulation and control, due to defective policy, we have been forced to import articles to the total worth of Rs. 1,185 crores as consumer goods, not an inconsiderable sum, at any rate, in the context of developing economy. Even as early as 1946, Mr. Liaqat Ali Khan said that,—when he brought forward such a measure—we have to conserve every effort in what we earn outside, while in the years to follow, we find that Rs. 1,185 crores are spent, as admitted by the Minister himself.

Now, I want the House to consider what the difficulties in foreign exchange regulations are due to. I am not going to give out the reasons, because they will be questioned and they will not be accepted. It is the Reserve Bank which makes an analysis of it. I want to emphasise that it is not merely a question of the rules and regulations which are to determine the exact nature of the foreign exchange, but it is a question of policy. The Reserve Bank, in its report in *Currency and Finance* at page 73, gave some reasons for the difficulties in the import situation. It says—I shall not read much of it because it will take a long time and I shall give only a summary of it—that one of the reasons is, an "unexpectedly high tempo of industrial activity and the

absence of adequate phasing of imports, and secondly, some under-estimation in the import content of the Plan, particularly, in regard to iron and steel, the larger import of foodgrains and 'the cumulative effect'—mark these words, 'cumulative effect'—of successive liberalisation of import policy in the past".

So, we cannot contend now with the thought that the difficulties arise because the foreign exchange regulations did not work. I wish to come to that immediately. My point is that when we consider making a permanent statute like this, we must necessarily also consider whether it is a result of any lacuna in the existing legislation or whether it is not due to a defective policy. I hold that it is the latter and now I shall come to the present policy.

Now, I do not know what the Minister proposes to do. I do not have the machinery to know it. If the hon. Minister were to ask me, I am prepared to agree with the hon. Minister and take adequate steps, provided he gives me an indication or exact information as to what can be done. As it is, I submit it is not possible for me for the simple reason that I do not happen to be in the Government. I do not have anything to do with the exchange banks nor do I have anything to do with the Reserve Bank. We can only throw some suggestions from our experience and also request the Minister to consider them, whether by using his machinery, or using the machinery at his disposal and the machinery at the disposal of the Reserve Bank, and take into account what suggestions we give and then find out remedies.

When we are asked to approve this Bill, the hon. Minister says in his Statement of Objects and Reasons:

"The experience gained in the working of the Foreign Exchange Regulation Act has brought to light certain lacunae which hamper proper administration of the Act...."

We do not just know what these lacunae are. We do not, as a matter of fact, know how many cases of infringement of these regulations have been taken up. We do not know, and there is no indication at all from any of the publications we have received, as regards the *modus operandi* of evasion. But we know, as a matter of fact, that foreign exchange rules, however rigid they are, however strict they are, are being evaded by a set of very crafty people not by hook undoubtedly but by crook. How is it done? I can give him some suggestions. I have referred to this previously also, and the hon. Minister gave the reply, in the case of one company, where the person imported the goods at the price prevailing in London from where he imported them. When I asked question about it, the hon. Minister readily confessed his inability to know what was the price prevailing in London. He said that he had no machinery. I remember that very well and I also appreciate his inability. But, now, take the case of one company. I can give him the *modus operandi* and I am positive that many people are evading the provisions, however, strict they are, by resorting to that method. Just imagine a case of a firm having an office in Calcutta. I am not referring to the case of the firm of integrity and honesty to which my comrade Shri Sadhan Gupta, referred to the other day. I am referring to a very simple case. There is a firm A in Calcutta, having its head office in Calcutta and an office in London. A sends from Calcutta, to its branch in London, a certain commodity, say, jute—one of the commodities which normally go from Calcutta port. In making an invoice, it is open to them to have the invoice rate slightly below the market rate in Calcutta. They may even go to the extent of saying that if it is really the first quality jute which they are sending, they might enter in the invoice that it is "second quality jute", "slightly damaged" or "not quite good to be exported" or something like that. They may quote even £25. There is nothing in law

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which prevents them from invoicing to their branch at the rate of £ 20. Imagine that if they send 5,000 tons, their invoice is only at the rate of 20, while in London, through their office, where they sell, there is nothing, so far as I understand, to prevent them from selling at £25 and keeping the balance of £5 per every ton in a separate account.

Then you know, Sir, these merchants can use codes,—Bentley's code, etc. There are ever so many codes. Is there any machinery with the Reserve Bank to decypher these codes in order to find out the veracity of the invoices. Certainly not to my knowledge.

Take the other case. There is a firm in London with its head office there and branch in India. There are many firms like that. They send their articles to India. Supposing they send some chemicals. The market rate of that particular chemical in London need not be the rate at which the invoice is sent to India. In this way, if at London the price is £28, there is nothing in law which prevents that particular firm sending a consignment of the same chemical to India and quote it at £30. We know there are several cases. Many big firms according to my knowledge have been hauled up also. Somehow they escape as always they do. In sending goods to India they over-invoice. If the *modus operandi* in respect of a firm having an agency in London is to under-invoice the goods in order to take away more of our sterling, the firm with its head office in London and branch in India is to over-invoice it. This is happening every day.

Let me get an assurance from the hon. Minister that everything possible has been done and no such thing happens. I am sure that it is not possible for him. He has his limitation in this particular respect. So, I am pointing out only one instance to show that with all these rules and regulation, it is not possible to be as clever as those who want to evade these rules. They

have all the skills and tools at their disposal to evade, whatever be the strictness of a particular rule which Government wants to impose. The result is that whether it is in our import or in our export, we happen to lose very valuable foreign exchange. We have been losing it all these years and we are going to continue losing, unless some step is taken. I cannot suggest any, but I am prepared if the hon. the Finance Minister will condescend to accept my suggestion to sit with him and find out the ways and means.

Then, Sir, there is another difficulty. I want to refer how exchange transactions are made. Sir, it will be surprising to most of the Members here to know that the exchange rate of different currencies in terms of Indian rupee is not a matter of stipulation by the Reserve Bank. The Reserve Bank has all the powers of the rules. But the exchange rates are specified by the Association, the Exchange Banks' Association, whose President gives a declaration that the dollar today shall have such and such value in rupees or the pound has such and such value in rupees. And to my amazement, I understand that even in one particular city it might vary from customer to customer and from day to day. If today I want so many pounds I will be quoted a particular rate; if my hon. friend wants so many pounds, he will have a different rate. If tomorrow I happen to go to the same bank the rate may be different. I thought that it may not be quite true, but I have evidence that this is what is being done.

I want to refer to the *Reserve Bank Exchange Control Manual*—Page 2 of—the introduction—where I find—this observation:

"Section 4(2) of the Foreign Exchange Regulation Act, 1947, lays down that all transactions of foreign exchange shall be done at rates authorised by the Reserve Bank of India. The rates of exchange which the Reserve Bank

has been pleased to authorise in this behalf are those published by the Exchange Banks' Association at Calcutta."

Why is it that it is not possible for Government even at this very critical hour, to fix a rate? We know that the entire foreign exchange business is a business of speculation. Nobody can deny it. The exchange bank takes money from their overseas head office and at a time when we can afford to pay a little more interest, they take all the interest. Even in transactions from party to party, even in transactions with the same party on the same day, two rates prevail for a particular currency.

These foreign exchange banks are completely dominated by foreign interests. I understand from my hon. friend Shri Prabhat Kar that about 80 per cent of the exchange business is in the hands of foreign banks. I do not find anybody from the other side championing the cause of the Indian banks in this respect. Eighty per cent of the foreign exchange transactions are controlled by a group of foreign financiers who operate through their banks in India, and create variations in the exchange rates.

And what is worse is that Government have no control even in asking them to limit sending their profits. Is there any regulation by which Government can prevent the remittance of profits abroad? This is a very important question. It is no good saying as the hon. the Commerce and Industry Minister does. The other day the hon. Commerce Minister went to Madras and said that the foreign exchange crisis is really God-send. It is bound to increase our production. I ask humbly: could anything be more ridiculous than that? On the one hand at Madras a prominent Minister of Government says that there is nothing to fear about the foreign exchange crisis; on the other hand it is going to improve production in the country. Here only two or three days back the

hon. the Finance Minister despite his very heavy works in this session has to come forward and introduces this Bill, stating that there is a crisis in foreign exchange. This is not the way in which the foreign exchange situation has to be tackled.

I know the usefulness of these rules. I would ask the Finance Minister: has he made all enquiries. The other day, Mr. Deputy-Speaker, you will remember that at the border there was a case of smuggling currency. Some foreign diplomat who comes here manages to get Rs. 20 lakhs of Indian currency. How? Is it possible for a man to come all the way from Africa or America or Cuba and then land in India with a ton of our notes? Does it not suggest even to ordinary commonsense that there is somebody in India behind it? It is all common knowledge, Sir. My hon. friend was yesterday telling me that even without the Reserve Bank's permission one of his esteemed friends in the Cabinet had a trip to London these days.

It is not necessary. If I want to go to London, I go to a particular house. No in Calcutta, pay 20 per cent. more than the exchange rate, get a small chit from him and I can afford to live in any hotel in London or United States, because in that chit there is an indication that they have received so much money in the Calcutta office, therefore, sterling or dollar of equivalent value should be released from private accounts of that particular company either in London or Washington. I can give the hon. Minister an example, a very glaring example of what has already been published in the *Mysteries of Birla House*, that famous publication. I am prepared to give Government any power which they want to control foreign exchange to prevent the racket in foreign exchange and also to punish the guilty to the maximum extent. In fact, I want the fine to be Rs. 50,000 and the imprisonment to be for three years, not one year. But he should take us into confidence and say: "Look here, this is the actual position." Where

[Shri V. P. Nayar]

Is the lacuna? It is almost the same as we had. For twelve years we have been working. The foreign exchange position is not happy today. It is in a crisis and we suggest some changes. But without taking anyone into his confidence and saying that this is the way in which a particular rule has been offended, or evaded, and the manner in which it should be made tighter, he wants to amend the law. We want the law to be made tight so far as the firms operating in Bombay or Calcutta are concerned, who have evaded and taken advantage of a particular lacuna in a section and cheated Government to the tune of so many thousands of pounds and dollars. So, I submit in all earnestness that the hon. Finance Minister may be pleased to give us details so that we may put our heads together in a situation of crisis. It is not an ordinary crisis which we see today.

The hon. Finance Minister himself was obliged to say the other day that in view of this crisis, it may be that we will have to give the go-by to any national project, which does not strictly come within what you call the core of the Plan. When such is the crisis, Government ought to have taken us into greater confidence and should have told us that "this is the particular lacuna: we admit that the policy has been wrong; let us all sit together and evolve means by which there will be foolproof rules." I may tell the hon. Finance Minister that those who want to evade these rules are very very clever people; they are not ordinary fools. They can outwit even my esteemed friend, the Finance Minister. He has made the rules in a clever way, but they will be more clever in evading the rules. He knows how they can evade or avoid the rules.

I submit, therefore, that the Government ought to change its attitude. No doubt certain amendments which are here are welcome. As I said, we will always support the Government and give the Government even blanket

powers, if it comes to a question of preventing the misuse of foreign exchange, which our country cannot afford in the present context. So, I submit that the hon. Finance Minister should take an overall view of the situation and think of ways and means by which such offences can be prevented, without any exception. He should make not merely these rules, but rules which should make it impossible for any crafty traitor or crook to evade them. I am using that word, because anybody who commits the slightest offence in foreign exchange is now to be named as a traitor to the country. He should be given no chance at all.

If my hon. friend is interested in having more money, here is an example. Take the case of tea. I do not want to tire the House with figures, because you have been ringing the bell twice, though I have a lot of material. For India tea is perhaps the largest foreign exchange earner. We send tea to London after the Calcutta auctions or the Cochin auctions. From London the tea is sent to the continental countries. I understand that a pound of tea in West Germany will cost not less than Rs. 10. The London trader sends it to the continental countries, from where it goes to Iran and Egypt. We do not have a direct deal with those countries. When the crisis is so acute, when the foreign exchange resources position is so tight, why is it not possible for the Government which has the State Trading Corporation today definitely for this purpose, of taking over the foreign trade wherever it impinges on the economic activities of the country to the country's detriment, to take over the tea trade.

We are supposed to have friendly relations with many countries and tea is not a commodity which is seasonal. Whether it is winter, spring, summer or autumn, people have to take tea. So, if the Government wants to have some resources by way of foreign exchange, we can mop up that profit or at least

we could have sold it to other countries at a lesser profit and increased the potential of trade. We know what has resulted from American consumption of tea, after we had the propaganda there. We can have such a propaganda in Europe and other countries. But the point is those people who control the estates here, who control 95 per cent. of the auctions either in Cochin or in Calcutta, and who again control the auctions in London happen to be almost the same interests. The same interests control the entire circulation and in that process, they take more and more of profits away from our country much to the serious detriment of our foreign exchange position. If the Government are serious in improving the foreign exchange position, we have many suggestions like this. But I wonder whether the hon. Minister will pay any attention to this at all, because it comes from our side. They have been forced to accept many things which we on this side said in 1953. I would request the hon. Minister to consider this fact also, that, when he tries to have a set of fool-proof rules, he should also try to assess the situation from the year in which this Act was originally passed.

Pandit Thakur Das Bhargava (Hisar): I have heard with great interest my hon. friend who preceded me. He has given many examples of the manner in which this Act is contravened. Unfortunately I am not familiar with any of those matters which he has referred to. But I want to submit to the House that this is a matter of an absolutely different character. I was present in the House when the original Bill was passed and I have studied the Foreign Exchange Regulation Act. I have also seen the relevant provisions of the Sea Customs Act as also the Bill before us.

It has been stated in the Statement of Objects and Reasons as follows:

"The experience gained in the working of the Foreign Exchange Regulation Act has brought to

light certain lacunae which hamper proper administration of the Act and the investigations and the legal proceedings thereunder. This opportunity is, therefore, being taken to carry out certain other amendments in the Act with a view to remove these defects. The most important of these amendments is the one providing for departmental inquiry and adjudication of foreign exchange offences by an authority constituted by Government on the lines of the Sea Customs Act."

I propose to examine this question of the new authorities being constituted and compare them with what they are in the Sea Customs Act and how they are different in this Act, because as was complained by Mr. Nayar, I have also got this complaint that for the last ten years this Act has been in operation and we have not been told in how many cases these rules were contravened, how the authorities constituted under this Act worked and what has happened to justify the change in the entire structure of the authorities of investigation as well as the trying authorities.

My humble submission is—and I find this in many Acts brought before this House—that there is a tendency that the ordinary courts of this land are not allowed to work in the ordinary manner. So far as I understand, it is the essence of democracy that the courts in a country should decide the fate of all the matters relating to the rights, transactions and matters relating to the acts of the inhabitants of that country. In that matter also, special courts and special laws are generally taboo. The essence of democracy is that the law of the land should prevail in every matter, the ordinary courts in the country should function, unless there be special circumstances relating to any special matter. In all other cases, the ordinary courts in the country should have the power to decide all such matters.

[Pandit Thakur Das Bhargava]

I find that so far as the offences under the Foreign Exchange Regulation Act are concerned whatever may be the complexity of the situation and the operations of those who control this law, so far as the courts are concerned, only very simple questions come before the courts. Kindly see sections 4, 5, 9 and 12 which are specially referred to in this amendment of section 23. They deal with very simple matters. Section 4 deals with the question of buying, selling, borrowing etc. The offence under section 4 is very simple, whether a person has bought or borrowed or exchanged or sold, etc. Section 5 only deals with payments outside the country and inside the country; nothing else. There is nothing technical about it, nothing very difficult or complicated about it. It is a very simple question which the courts are called upon to adjudicate.

Similarly, if you see section 9, it deals with acquisition by Central Government of foreign exchange. Any person who owns foreign exchange can be asked to sell it to the Government under section 9. Section 12 also relates to payment and it does not deal with any complicated cases. But still we find that, in regard to offences of contravention in these four cases, section 23 is going to be changed.

The new section 23D reads as follows:

"(1) For the purpose of adjudging under clause (a) of sub-section (1) of section 23, whether any person has committed a contravention, the Director of Enforcement shall hold an inquiry in the prescribed manner after giving that person a reasonable opportunity of being heard and if, on such inquiry, he is satisfied that the person has committed the contravention, he may impose such penalty as he thinks fit in accordance with the provisions of the said section 23;"

My humble submission is this. How we understand the general law in this land is, there is an agency called the police—call it by any name—which is charged with the duty of collection of evidence and sundry other matters. After they have gone through that process, they bring the case before the court. It is the court which adjudges the guilt of any person. This gentleman, the new officer Director of Enforcement is to adjudge here the guilt and not to collect evidence only. I call him new officer because he is nowhere else mentioned in the Act. I am not supposed to know what is not given in this Act. I do not know about any of the transactions here. It is said that this new officer, after an inquiry, would adjudicate on the guilt of a person and go so far as to punish him. This is mentioned in the section itself. It is said:

"(1) If any person contravenes the provisions of section 4, section 5, section 9 or sub-section (2) of section 12 or of any rule, direction or order made thereunder, he shall—

(a) be liable to such penalty not exceeding three times the value of the foreign exchange in respect of which the contravention has taken place, or five thousand rupees whichever is more, as may be adjudged by the Director of Enforcement in the manner hereinafter provided or

(b) upon conviction by a Court, be punishable with imprisonment for a term which may extend to two years, or with fine, or with both."

That is the alternative. If the Director of Enforcement punishes a person with a penalty of Rs. 5000, he shall be free from the consequence of his acts. The courts come into play in the alternative course. The case will be brought to the Court if the Director wants it. Otherwise, he can decide it. This means, any offence may be

committed and the Executive officer may decide the case provided the accused is able to pay Rs. 5000. This is commercialising crimes. I have found it in many other places. What happens under the Income-tax Act? The power to compound is given to certain officers. When we were discussing the Expenditure Tax Bill when it was sent to the Select Committee, I brought it to the notice of the hon. Finance Minister that, as a matter of fact, as long as we do not make imprisonment compulsory in cases of this nature when the Income-tax Act is contravened, you will never succeed in punishing crime. I find everywhere this tendency. If money could be got out of the accused, by some officer, well and good. He is let off. This kind of administering the laws is not the way of punishing people. You will never succeed if you go on like this. This is a device to mulct the people with money and let them off. He may get Rs. 5,000 and the matter may not be brought to court.

This is not all. There is a curious provision which is sought to be put in here on the alleged basis of Sea Customs Act. Section 23 F runs thus:

"If any person fails to pay the penalty imposed by the Director of Enforcement or the Appellate Board or fails to comply with any of their directions or orders, he shall, on conviction before a Court, be punishable with imprisonment for a term which may extend to two years or with fine, or with both."

This is unprecedented, unheard of. You make it a crime. The man does not pay the fine. You then place him before the court. This non-payment of fine is made an offence. He can be sentenced to two years for this new fangled offence. Then there is a special Board of appeal. We are fed up with Special courts. We do not want Special courts in this country. We want the ordinary courts to do this

work unhampered, unimpeded. Section 23E says:

"(1) The Central Government may, by notification in the Official Gazette, constitute an Appellate Board to be called the Foreign Exchange Regulation Appellate Board consisting of a Chairman and another member to be appointed by the Central Government for hearing appeals against the orders of the Director of Enforcement made under section 23."

There will be two kinds of courts: the ordinary courts before which these cases will be taken, the appellate court, the Sessions Court, High Court, etc., and the Director of Enforcement and Special Appellate Board before which appeals from the Orders of the Director of Enforcement will be heard. If either the Director of Enforcement or the Special Court give an order and that order is not complied with by the person against whom the order is made, he will have to be put up again before the court and convicted for two years, because he has not complied with the orders. This is unheard of. Even under the Sea Customs Act, what happens is this. This provision is alleged to have been taken from the Sea Customs Act. Section 193 of the Sea Customs Act says:

"When a penalty or increased rate of duty is adjudged against any person under this Act by any officer of Customs, such officer, if such penalty or increased rate be not paid, may levy the same by sale of any goods of the said person which may be in his charge or in the charge of any other officer of Customs."

"When any officer of Customs who has adjudged a penalty or increased rate of duty against any person under this Act is unable to realise the unpaid amount thereof from such goods, such officer may notify in writing to any Magistrate within the local limits of whose

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jurisdiction such person or any goods belonging to him may be, the name and residence of the said person and the amount of penalty or increased rate of duty unrecovered; and such Magistrate shall thereupon proceed to enforce payment of the said amount in like manner as if such penalty or increased rate has been a fine inflicted by himself."

I can understand this. Under the Criminal Procedure Code, in the law of the land, a machinery has been provided by which every criminal court realises fines. That machinery ought to be enough. When a person has been fined in any manner, the machinery is provided there and that machinery is fairly effective. To give him another two years' imprisonment because he does not pay the penalty is rather too much. I do not think it is justified by any rule of jurisprudence.

Let us see what are the crimes under the Sea Customs Act, and what are the crimes under this Act. As you know, under the Sea Customs Act, in section 167 a very large number of offences are described which are things of a technical nature and which from time immemorial have been treated as such, which deal with matters on the sea and all that. If you go through the section, you will find that they are certainly of a technical nature. As such, if an Executive officer decides them, he will do it in a manner which will be expeditious and at the same time, he will do the right justice. None of the matters which are mentioned in this Act are of this nature at all. For the last ten years, they have been decided by the courts. Unless my hon. friend makes out a case that these courts have failed and they are of such a nature that full justice has not been done, the House should be loath to have a special court and a special appellate court or a special Officer. You add to the number of officers of whom we have got too many

nowadays. We find that the cost of administration is rising. Another court like the Director of Enforcement is quite unnecessary.

Apart from that, I do not know if this Act has worked well. It was for the hon. Minister to bring to the notice of the House in what manner the courts have failed, and why he wants this to be done. The Sea Customs Act authorises certain of its officers to decide matters. The Collector or the Executive officer becomes the judge in his own case. These are the basic difficulties in my way. I for one have been brought up in traditions in which it is laid down that no person shall be a judge in his own case. Therefore, the police officer is not allowed to be the judge and the matter goes to the court. Even supposing a court is in charge of excise duty department etc., the rulings are that the officer has got a personal interest in the case and the matter is not taken before him. We must have a court which has absolutely got no interest in the matter, departmental or otherwise. If officers whose duty is to detect offences become judges there is an end of justice. Therefore, my humble submission is that unless by tradition or by long practice such a course is established, we cannot devise it in a day and say that in all future Acts and laws that we make here the person who adjudges the guilt is the officer himself

14 hrs.

As a matter of fact, there are so many checks and so many safeguards given in the Sea Customs Act and none of them we find here in this Bill. If you see section 182 you will be pleased to see that it practically provides what cases are to be decided and to what extent these powers are given. It reads:

"In every case, except the cases mentioned in section 167, Nos. 26, 72, and 74 to 76, both inclusive, in which, under this Act, anything is liable to confiscation or to increased rates of duty or to any penalty."

In section 187 a large number of offences are given. These are incidents of certain offences only. Then what happens?

"...such confiscation, increased rate of duty or penalty may be adjudged—

(a) without limit, by a Deputy Commissioner or Deputy Collector of Customs, or a Customs-collector;"

The words are "without limit". Then it reads:

"(b) up to confiscation of goods not exceeding two hundred and fifty rupees in value, and imposition of penalty or increased duty, not exceeding one hundred rupees, by an Assistant Commissioner or Assistant Collector of Customs;

(c) up to confiscation of goods not exceeding fifty rupees in value, and imposition of penalty or increased duty not exceeding ten rupees, by such other subordinate officers of Customs as the Chief Customs authority may, from time to time, empower in that behalf in virtue of their office."

That is not all. Even if the officer decides a matter like this. Then there are so many safeguards. Section 190 says:

"If upon consideration of the circumstances under which any penalty, increased rate of duty or confiscation has been adjudged under this Act by an officer of Customs, the Chief Customs-authority is of opinion that such penalty, increased rate or confiscation ought to be remitted in whole or in part, or commuted, such authority may remit the same or any portion thereof, or may, with the consent of the owner of any goods ordered to be confiscated, commute the order of confiscation to a penalty not exceeding the value of such goods."

This is a very simple provision. This is not in the nature of adjudging guilt and fining a person Rs. 5,000/- First of all an appeal is provided against the order under Section 158. Then Section 190 provides a curb. The next curb is under 190A which reads:

"(1) The Chief Customs-authority may of its own motion or otherwise call for and examine the record of any proceedings in which an officer of Customs has passed any decision or order under this Act for the purpose of satisfying itself as to the legality or propriety of any such decision or order and may pass such order thereon as it thinks fit;"

This is the revisional power. There is the appellate power. That is not all. Again, there is section 191, which reads:

"The Central Government may, on the application of any person aggrieved by any decision or order, passed under this Act by any officer of Customs or Chief Customs authority, and from which no appeal lies, reverse or modify such decision or order."

Therefore, I am submitting that very restricted powers are given under the Sea Customs Act to particular officers only and then the amount is restricted so far as confiscation etc. are concerned. Then there is appeal, revision and over revision, I should say. If it comes to the notice of any of those authorities, it can be rectified.

But here, under sections 4, 5 and 9 the director of enforcement can straightway fine Rs. 5,000/-. Therefore, my humble submission to the Finance Minister is that unless this Bill has failed to be effective and useful, or has not delivered the goods, as it was expected to do, and has not served any purpose then alone he can think of change. I am against the constitution of special tribunals when the ordinary courts are acquitting their work well. So, I am very much loath to give new powers to new kinds of officers and new kinds of courts. And the analogy that has

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been given in respect of the Sea Customs Act, I am sorry to say, is not applicable. The Sea Customs Act, as I pointed out, has been in the Statute Book for a very long time. I think that Act was passed in 1878. From that time, it is there. So, there is absolutely no comparison between the two. In the end, I would beg of the Finance Minister to reconsider section 23(f) which, to my mind, is very sweeping in its nature. Under this section, if a person who is fined does not pay the fine, he is brought before the court and is liable to be sent to jail for 2 years.

Shri Hajarnavis (Bhandara): Mr. Deputy-Speaker, I will confine my remarks to the main objection, which has been raised against the amendments by my hon. friend, Pandit Thakur Das Bhargava. The proposed amendments have incurred his wrath because a special procedure for trial before a special tribunal is being devised and the executive officer is now being armed with authority to impose a very large fine. He thinks that there is no justification for such a procedure. He thinks that the procedure under the Sea Customs Act is inapplicable and he is of opinion that this being an offence, ought to come before the ordinary courts to be tried in accordance with the ordinary procedure. I believe his objection is based upon what is called the Rule of Law.

But my hon. friend knows that much water has flown under the bridge since Professor Dicey lectured at Oxford some time after 1880 and even Dicey himself, sometime in 1912, partially recanted his earlier observations. The sole question is how the foreign exchange is to be successfully regulated. For this purpose, Government is entitled to arm themselves by certain powers by which fines will be imposed in order to deter people from committing breaches against the law. For this purpose, we might address ourselves to this question: are the ordinary courts, where the procedure is governed by the Criminal Procedure

Code, the best courts and is the procedure of the ordinary courts the appropriate procedure or, as Mr. Thakur Das Bhargava himself pointed out, the procedure which has been followed for a very long time under the Sea Customs Act the appropriate procedure? Here we might remember that we are not dealing with crimes which involve any moral turpitude. This becomes an offence because the law prohibits the commission of this act, in the sense, that though these transactions were perfectly legal transactions, normal trade transactions, in view of the economic relations of our country at this stage, law prohibits them. The law places certain restrictions upon what may be called perfectly legal normal trade relations in view of the economic circumstances in which this country finds itself. This is merely a case of *malum prohibitum*. This is not an act which in itself is a crime. Here the act that is being prohibited is being prohibited in the interest of revenue. Therefore, to these types of cases which deal merely with offences that are acts which are prohibited for the purpose of regulating the trade relations or for collecting revenue, we cannot apply the principles of criminal jurisprudence. In all the Acts, the taxing officers themselves are given power of imposing penalty which may be as large as or larger than the amount of tax itself.

Now, such a provision has not been so far attacked anywhere as contravening any of the principles on which criminal jurisprudence is founded. For instance, the Income-tax Act says that an income-tax officer may impose a penalty which may be $1\frac{1}{2}$ times the tax itself.

So far as the Sea Customs Act itself is concerned, my hon. friend Pandit Thakur Das Bhargava probably knows that the matter went to the Privy Council in the Mask Company's case where they upheld the procedure which was being followed and the orders which were being passed under

the Sea Customs Act. Not only that. The Privy Council went further and said that these orders which were made by the officers were immune from any collateral challenge in the civil courts.

In the Supreme Court,—I am only quoting from memory—the Sea Customs Act was the subject of a decision by it, and probably the objection that was raised was exactly along the lines mentioned by Pandit Thakur Das Bhargava today. The Supreme Court in its judgement overruled these objections and said that though the words "offence" and "punishment" may have been used, these are not really offences, these are not punishments, but these are breaches of the regulatory enactment. The executive Government which is enforcing the regulations surely always has the power to overlook the breaches provided money compensation is paid. There is nothing wrong in it, and therefore, I submit that in bringing forward this Bill, the Government have not in any way transgressed any of the principles of jurisprudence.

So far as the proposed section 23F is concerned, it is absolutely necessary. If you take it out, where is the enforcement, where is the machinery, where is the sanction for enforcing any penalty which has been imposed by the Director of Enforcement? Pandit Thakur Das Bhargava will remember that there is a section—I am quoting again from memory—probably 24 of the General Clauses Act which says that wherever a fine has been imposed, the provisions of section 63 onwards of the Penal Code become applicable, and that it may be recovered in the same manner as if it was a penalty imposed by the Penal Code. In the absence of such a provision in this Act, a provision like 23F was absolutely necessary.

Therefore, I suggest that both these objections are not substantial and Government may proceed with this Bill.

Shri P. B. Patel (Mehsana): This Act was to expire on the 31st December, 1957 and so the amendment was

necessary. However, there are other amendments. I fail to understand why these amendments were not brought during the last ten years. The Act was passed in 1947 and then it was implemented and after ten years the Government is coming before us saying that there are loopholes and lacunae and so the amendments are necessary. However, I am happy that the Government, at least after ten years, is coming forward to cure the lacunae and loopholes.

My submission is that the Government should be very vigilant so far as the foreign exchange position is concerned. We are importing several goods which are not necessary for the country. I know so many things that are being imported. We must import only such goods without which we cannot do for our industries which will encourage other industries, but we are importing other things and so we are losing our foreign exchange. I would submit that the amendment will not help the country in any way. It is only proper administration that will help the country, and if Government is vigilant, I am sure we can have more foreign exchange and pass through the critical position we are in.

So far as the punishments are concerned, I am of the opinion that the persons who play with our foreign exchange are the first enemies of the country as our present difficulties are because of foreign exchange and our merchant community, in order to pocket some money for themselves, are playing with our exchange. When any such case is found, I think they should be punished sufficiently and well.

However, I take strong objection to the proposed section 23F which says:

"If any person fails to pay the penalty imposed by the Director of Enforcement... he shall... be punishable with imprisonment for a term which may extend to two years, or with fine, or with both."

Failure may be due to so many reasons. A man may not be able to pay the money; he may not be in a position to pay the money. Should we punish him for that? If a rich or well-

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to-do man does not pay, that is a different question, but we find that in business circles, a man may be worth crores today and tomorrow he may be poor and because of his poverty he may not be able to pay. Should he be sent to jail? I think this provision is not desirable.

Another objectionable thing is that if a man fails to comply with any of the directions or orders, then also he may be imprisoned for a period of two years. Should all directions and orders, whether legal or illegal, be followed? Whatever be the directions, should a man follow them? After all, the direction may be against the law. There is nothing in this section which says that a man is bound to follow only the legal directions or legal orders. It is a very general term, and any direction or any order to be followed means dictatorship. The dictator is there and his direction or order if not followed, the man has to go to jail. I think this is too much, and this provision is not necessary in law. It does not bring credit to our democracy.

Then I find that there is another tendency. I do not know why we are losing trust in our judiciary and wherever possible we try to, avoid our judiciary and have special courts, special tribunals and special things. This is not a good sign. This tendency may in the end harm our democracy. I think in a democracy the judiciary should be very strong and powerful, and wherever there is a dispute between the subjects and the Government, the judiciary should be the proper authority to decide the matter, and not a tribunal. So, I strongly object to these things in the amendments.

We have reached this critical position in regard to our foreign exchange because of so many reasons, among which food is an important one. Because we have to import food we are in this critical position and so we want to make some amendments in this law. Otherwise, if we are able to produce food that is sufficient for the country and if we are able to export

something outside, our exchange position would be better than what it is today. So, along with this, I think the Government should consider the question of improving production in food. It cannot be done by the Mehta Committee or by an enquiry regarding the prices. The Government should look to the obstacles coming in the way of more production, and remove them. Then we can be in a very sound position in regard to foreign exchange.

My last submission is about imports. I see in the market so many things without which the country will not die, and I am told by my friends that imports have been increased because of some persons who had some influence in the administration, and the persons in the administration wanted that these persons should make money by these imports. My submission is that the Government should be very careful. I think there is a section in the company law, and there is a long list of relatives of directors. So a long list of the relatives of Ministers and high officers in the State should be maintained, and when an import licence is asked for by any such relatives, some special inquiry should be held. Unless we do that, I think our position will not be improved.

Shri Jhunhunwala (Bhagalpur): Most of the points have already been made.

Mr. Deputy-Speaker: Therefore, he will be very brief.

Shri Jhunhunwala: I shall be very brief, unless you interrupt me.

Mr. Deputy-Speaker: I will only interrupt to stop the hon. Member.

Shri Jhunhunwala: The difficulty we have is that the Government comes forward with a Bill without stating any reason for doing so, except saying that there has been a lacuna and due to that the exchange position has got worsened, and therefore it should be rectified, by putting special provisions, which according to my hon. friend, Pandit Thakur Das Bhargava, may not be necessary and are not necessary and might entail more expenditure.

As such, I would like the Finance Minister to let us know how due to this lacuna the position has got worsened and in how many cases we have lost foreign exchange and to what extent.

Shri V. P. Nayar gave two instances which were also in my mind, namely, of over-valuing and under-valuing the invoices. I have gone through this Bill not very thoroughly, but I do not see how that lacuna is going to be filled, how he will get over the practice of over-valuing and under-valuing.

As I said in the very beginning, I have nothing much to say. But the Finance Minister should enlighten us as to what has happened in the past due to the lacuna so that we may be in a position to know. Whenever the Government brings in a measure providing for deterrent punishment, it does not fall on the real culprit but it falls on—I do not call them innocent—those people who might be doing something unconsciously. They are the people who are punished.

So I would like the Finance Minister to give us the grounds and cite the instances in the past on account of which the foreign exchange position has been affected due to this lacuna and how he is going to remove them, particularly the instances of over-valuing and under-valuing.

Shri Supakar (Sambalpur): Most of the points I wanted to make have been made out by the hon. Member for Hissar. Some points against his contention were made by another hon. Member, to which I wanted to reply in very brief terms.

So far as the Director of Enforcement is concerned, he cannot be compared to an administrative tribunal. He is, as a matter of fact, the officer who conducts the investigation and prosecution and gives judgment so far as the provision in section 23 of the principal Act, covered by clause 16 of the Bill, is concerned. Therefore, the analogy is not apt. We have reason to apprehend that justice will not be properly meted out if such large power is given to the Director of Enforcement. The provision in section 23

of the original Act is quite adequate and there is no justification whatsoever for amending it. Unless Government is able to convince us that there has been a large amount of evasion and offence, there is no reason why this should be done. If the hon. Minister says that there has been evasion on a large scale, I fail to understand how one officer, the Director of Enforcement, will be able to dispose of so many cases promptly and do justice in time. That is what intrigues me.

So far as the justification for extension of the Act for an indefinite period is concerned, I submit that it would have been better if it were extended for a further period of five years. A few days ago the Minister told us that our foreign exchange position was likely to improve by 1959 and we might turn the corner as days went by and within a year or two the foreign exchange difficulties might not be so acute as they were today. This foreign exchange difficulty is there for a very long time. It is not so much the evasion and offences by evaders that are responsible for our difficulties and depletion of foreign exchange as the failure of government policy in this regard. I think unless Government reorientates its policy in this matter, our position may not improve, in spite of stricter control in the matter of foreign exchange.

I would submit that the best course for Government is to divert the course of our commerce and have greater commercial relationship with those countries with which these foreign exchange difficulties are not likely to be acute. That may solve the problem to a greater extent than by other means. Therefore, may I submit, with due respect, that the Government instead of looking west, may look in the direction of east, south and other directions and try to develop our commerce with those countries with which our commerce is undeveloped?

Shri T. T. Krishnamachari: I am very sorry that I had not given a little more thought in regard to supplying background material to hon. Members in regard to this Bill. One point every hon. Member seems to have missed is

[Shri T. T. Krishnamachari]

that this is not a new measure. I think Shri Jhunjhunwala asked, why should this measure be brought before the House without even a justification. The main reason is, if I did not bring this measure before the House and if the House did not pass it, then on the 31st December, 1957, we shall not have any foreign exchange control regulation in operation in this country.

That is a point which is the primary provocation for my bringing this measure before this House.

The second point which I mentioned was the somewhat unsatisfactory nature of its working, because up to 1952 even the question of gold smuggling was being handled by the Reserve Bank, and thereafter the question of offences against Foreign Exchange Regulation was being largely handled by the Reserve Bank. The Reserve Bank itself felt that it is not possible for them to continue to handle this, and therefore we have opened a section in the Economic Affairs Department with a Director to deal with this particular matter whom we call the Director of Enforcement. That is the background about the administration.

Hon. Mehmers asked why, what is the difficulty that we have, how many prosecutions have we launched, how many ended in convictions and in how many cases action could not be taken. There is one point of view, namely, that where we knew the difficulty in meeting these cases, where the facts, normally facts of executive direction were clear enough, we had even people to agree that they had made a breach. But, so far as the prosecutions launched are concerned, 66 were launched, 60 ended in convictions with a varied fine from Rs. 100 to Rs. 25,000.

Shri Supakar: Is that the figure for one year?

Shri T. T. Krishnamachari: I am speaking of the entire period.

Shri V. P. Nayar: What was the total amount involved, can we have an idea?

Shri T. T. Krishnamachari: I am afraid I have not got that figure. The point is, it is rather difficult to give the total amount involved, because the amounts involved might be considerable but what we get to know and of which we can have even a modicum of proof happens to be a small amount. Oftentimes prosecutions have been launched, where prosecutions need not have been launched, they were of trivial nature, and where prosecutions could be launched and pushed through we find that there is no evidence. It is not quite so easy, as my friend Pandit Thakur Das Bhargava mentioned, for us to prove cases. I can tell you an instance where for a very severe offence the court gave a simple imprisonment punishment. We appealed against the court's sentence, but the court felt that there was no case for it. The offence was of an extremely severe nature. How the court will act is what we do not know. 140 cases which came up before us were not taken to court, because we were advised that proofs were not such as could be taken to court where they could be dealt with.

So—I will re-state the position again.—I have to come before this House in order to keep the Act alive, and that is my main provocation. The second thing is that the administration itself has changed its character. Originally, up to 1952 the Reserve Bank dealt with all cases including gold smuggling. Later on they gave it up and said that they will only deal with cases in regard to Foreign Exchange offences. From April 1949 till last year, April 1956 they were handling it. Now, we had to take it over because the Reserve Bank felt it is not possible for them to carry on.

In actual operation we find that it is very difficult to operate unless certain powers are given to this Director of Enforcement, whom we have appointed. It is only a question of nomenclature. My friend Pandit Thakur Das Bhargava said that he does not want to have the name: Director of Enforcement. We can have some other name. I have no objection in accepting

an amendment to that effect. Call him a Controller or some other name. That is what has happened.

The second point, and that is why we have taken over this responsibility, is that we have to get into the matter and see how it works. We found, naturally, that the procedure, the precedent of the Sea Customs Act did provide us a method by which we could operate this.

So far as the basic issue is concerned, whether these matters which are quasi-judicial should be dealt with by executive bodies or not, is a matter which should be considered. I myself am of the view that there must be judicially minded and judicially experienced persons to deal with this matter, but who could, at any rate, deal with cases summarily. My hon. colleague the Law Minister and I have been discussing about this question, the present set up of administrative tribunals and how they can be improved upon with a larger injection into the element that is now functioning of judicial talents. That, perhaps, will mean some circumscribing of the past course, and that might provoke a certain amount of opposition, because I have already seen leading articles about this particular matter. That is a matter which we may have to consider afresh, and not in this narrow aspect of foreign exchange control but over the wide sphere of governmental activity where we find that people are a sort of evading the law and sometimes summary justice has to be dealt with.

My hon. friend said that he believed in imprisonment where there has been an evasion of income tax. I am glad he does. I think we should be in a position to make some kind of alterations in the present sections of the Income Tax Act, sections 37 and 38 even, to see that a person could give a statement on oath which would normally be accepted, and if he gives a false statement he will attract penalty under the law. It might be possible for us, probably after a year or two, to put the entire matter before the House and

get judicially minded people to deal with this matter.

I am not perfectly satisfied with the way in which the penalty provisions are being dealt with under the Sea Customs Act I think we should have somebody more competent to deal with them than what we have at the present moment. But that does not mean that my hon. friend is quite right in taking a purely, shall I say, lawyer's point of view of the Sea Customs Act, taking certain provisions and saying that these provisions do not fit in.

I think, by and large, in general the Sea Customs Act and this particular measure have a large amount of relationship. Section 182 of the Sea Customs Act, which he mentioned, is certainly relevant, and that is the basic similarity between the two measures. Then there is section 191 which says: "If the Central Government could exercise powers of review..." We have those powers here. We have created an Appellate Tribunal for that purpose. Then he goes on to say that hon. Members should go into the provisions, various details of offences which are categorised under section 167. I would like to sit down with the hon. Member and I would be able to point out similarities between the type of offences contemplated under section 167 of the Sea Customs Act and also the type of offences contemplated here. Maybe, in some cases this is less heinous than what is being done in the Sea Customs Act.

But the point that my hon. friend forgets is—and sometimes it is quite possible for us to forget it when we think of a particular thing as being right—that under the Sea Customs Act normally in 99 cases out of 100 you have goods which you can seize and, at any rate, that provides enough cause. Confiscation itself is enough deterrent, and then there is a penalty possible in the case of a person who has some stake. Naturally, if he has no stake then if you refer the matter to court what would happen is that it probably ends in a term of imprisonment, which means nothing.

[Shri T. T. Krishnamachari]

In fact, the provision which we have got here—23(f)—to which he objected is the very thing that will help us to deal with the categories of persons enumerated by my hon. friend opposite, Shri V. P. Nayar. If 23(f) is not there the big fish would not mind it and I am not interested in small fish. In fact, the reason why I have suggested that the Director of Enforcement can deal with many of these matters is, if supposing somebody had borrowed £10 when he goes abroad from some friend who had money with him both the people have committed an offence, and in a case like this I think a very nominal fine is enough. The intention to defraud is not there, it is merely a matter of convenience. When I go abroad I, probably, have little money and if I get ill and some of my friend—if he is in London and he gives money there is no harm—from my party, who has saved a little money from his allowance, spends some money on me, technically both of us have committed a breach. That kind of technical offences which would normally come to light, and we know them, would perhaps be dealt with a very minor fine. And it would act as a deterrent even in regard to technical offences which could not be dealt with now merely because you say you have got to go to the court of law and we cannot deal with it administratively. That is one category, the category of big offenders; provided we are able to get at them and we get a certain amount of proof, it will not certainly stand the test of assaults by eminent lawyers like Pandit Thakur Das Bhargava. The point is we have put in the provision in section 23F. If that happens, if there is a *prima facie* enquiry and the Director of Enforcement feels that heavier punishment is needed or if they recommend that he may not take the decision, he can refer the matter to the court and let it take a chance.

But there is also this aspect. If the case is referred to, because the Director of Enforcement feels it is a serious one—there is a *prima facie* examination of the case—I do think, as a link

in a particular type of quasi-judicial process, that my hon. friend may perhaps commend what we have attempted to do rather than condemn it. And section 23F is a vehicle. You give a charter to the big fish to do as they like. When we go to the court, we find that this is a matter where there has been a flagrant violation of the normal rules and regulations, and therefore, it merits some severe punishment or, if the man is prepared to defraud and he transfers his property, we cannot get anything out of it. I think section 23F is a section of that nature and sections of that nature are necessary.

There was another point which, to my mind, is very important and about which I do not like to lay much stress upon, however, and perhaps that is one of the reasons why I wanted the House to consider it this session and not consider it next session which would have been adequate for my purpose, for the Act can be kept alive till 31st December, 1957. That is a matter in regard to enfaced securities being presented for payment. I do not want any advertisement about it; between now and the time that the Bill will become law, there may be another seven or eight days. Even then, that much mischief can come in, but that is a lacuna that we found. We found that these things have been presented from time to time and it is claimed by people who want to take advantage of it, and perhaps naturally. I do not say there is any fraud about it, but it does dispossess us of certain dues which we should get from another country and which we should normally get in the ordinary course by transfers and assets, not by transfer by the back-door of securities which we have enfaced for payment in that country, because of an agreement that we have had at the time of partition. These are the three points on which the whole matter is based.

I am very happy and grateful to my hon. friend Shri Hajarnavis for having explained the position as he understands it, and I suppose, he is a younger man and has not got the ex-

perience of my esteemed friend Pandit Thakur Das Bhargava, but he is also nonetheless, a lawyer with a large amount of practice and all that I can tell Pandit Thakur Das Bhargava is, "yes, when lawyers differ, what shall I do?"

Shri V. P. Nayar has made some points. He touched on a number of issues, and I shall not attempt to answer again this question of our restriction in regard to foreign exchange position. That has nothing whatever to do with this. If it is true that we do not have this control, no control can be exercised in regard to the transactions in respect of foreign exchange. But this is, as he himself stated, in regard to certain policies which are pursued deliberately undoubtedly, and I do not think I can agree with my hon. friend when he said that Rs. 11,47,73,83,452 worth of goods which have been imported should have been avoided over a period of five years. Even as, what are called, consumer goods, they are essential. In fact, there have been criticisms from various countries about this blanket ban on drugs, medicines, etc. which are important and which, at any rate, psychologically, are extremely important. These come under the category which might be considered not very essential but in a way, important. But that is not a point which I am going to deal with now. I cannot carry conviction to my hon. friend Shri V. P. Nayar, and he must have been convinced of that. I can leave it at that.

Shri V. P. Nayar: If I do not make any accusation, you provoke me.

Shri T. T. Krishnamachari: I have no intention of provoking the hon. Member. I shall not do it at all, but what I am saying is, I have dealt with that matter before, but the hon. Member might think that I have not dealt with it effectively. If that is so, the hon. Member cannot however deny that I have dealt with it both here and elsewhere.

Another point that arose was with regard to the control by Reserve Bank. My hon. friend quoted from the Reserve Bank Manual—section 4(2) of

the Foreign Exchange Regulations Act,—which, in section 12, says that all transactions in foreign exchange in India shall be done, as authorised by the Reserve Bank of India. I am afraid that Shri Prabhat Kar, who gave him this quotation, did not give the corrected version of para. 12 of the manual. I do not say it is any great variation of the previous one, but there is a slight difference. Section 1, para 12, of the manual says:

"12. Section 4(2) of the Foreign Exchange Regulations Act 1947 lays down that all transactions in foreign exchange shall be done at rates for the time being authorised by the Reserve Bank. In pursuance of the above provision, the Reserve Bank of India has authorised that (i) the rates of exchange governing transactions in or relating to U. S. dollars, Canadian dollars, sterling and Pakistan rupees, shall be those published by the Exchange Banks Association, Calcutta, in respect of such currencies." etc.

The point really is this. It is not a blanket power given to the Exchange Banks Association. It is because the Exchange Banks Association had this function and they do it in consultation with the Reserve Bank and the Reserve Bank is able to approve of them. The reference made by the Member was to a particular publication which was a pre-publication occurrence of the recent Bill.

The point that my hon. friend must bear in mind is this. Any quotation given by a bank in regard to exchange, particularly in regard to sterling rupee ratio, has for the time being, to vary under the conditions. It can vary to an extent of one-eighth of a pence. It can be one-fifteenth or it can be one-sixteenth. If they look into the quotations, the hon. Members will generally find that it is often $1/31$ or $1/32$, either way. So far as these rates are concerned, there are different rates in different periods, depending on the term of contract. If it is forward contract, naturally, the rates

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vary according to the assessment of the particular bank. Undoubtedly, the exchange rates also vary in regard to the quantum of transaction. Supposing I ask a bank to give me a draft for £2 for sending the money for a magazine which I subscribe for, the rate that he will quote will be the highest and it will vary. If I have a business where the total transaction would be of the order of about £200,000, I get the very best rate possible, because the total amount of money that they would make in that exchange commission is a very vital factor for them to quote the rates. But it is quoted within a very narrow sphere and that kind of latitude is certainly given and it is given with the full knowledge, because, without that latitude no bank can make a forward contract and determine different rates for different kinds. Of course, it depends on the standing of the parties. One cannot say that one party gets it and the other gets less. It depends upon how much money the bank can give to the party, because, it is ultimately the relationship inter se which counts between the parties, and on the valuation that the bank makes, and on it depends the better terms that it may give. I do not think that is an infringement or even an attempt at evasion of the foreign exchange regulations.

The point that the hon. Member made in regard to the probable exporters in respect of whom there is the consignment sent and the residue is left in foreign countries is a thing which is not always known. It is a thing which, even though we know, we are not in a position to find out exactly. Perhaps in some cases we can get a certain amount of proof and we can deal with it departmentally. Suppose these things are conceded, I was told we will be putting an end to all that kind of transaction and that is a matter which runs practically all over the world.

Some hon. friend here, the other day, in asking a question, quoted

Pick. Pick is the expert in regard to what you call free currencies—to put it in respectable language. It is really blackmarket currency, he makes, and shows how much of black-market money in each currency will be there and how this free market operates. So long as human beings are what they are, they know how to make money and they operate like this. I know some people in India. They go to Ceylon, and a man in Ceylon will be able to give a larger number of rupees and any money from Ceylon cannot come to India, and it goes to Hong Kong. From Hong Kong you can get any amount of sterling at a price, maybe Rs 15 in a pound, and people can live on that.

When I spent about eight weeks in Geneva one of the persons there told me—he is not an Indian he is a gentleman of the continent—that he just lived on changing Swiss francs into French francs and French francs into German marks. Human ingenuity is something which no law can ever beat. But the points that Mr Nayar mentioned are undoubtedly true. All that I can say is that they could not be wholly covered either by these amendments or by the provisions of the amending Bill that I have brought forward. We can perhaps see a little more light. As far sitting together and finding a way out, I am always prepared to sit together. So far as my hon. friend is concerned, he is a very agreeable person outside this House and I realise it. So, it is not a question of his opinion being ever discarded. The hon. Member also knows that as a matter of policy we must agree to differ, though it is quite right on the part of the hon. Member to condemn us in regard to our policy. But we have our policy and we go according to that policy.

So far as this Bill is concerned, we are taking a step in the direction indicated by Mr. Nayar, not in the reverse direction. So, I would like to tell the House that I am grateful for criticism, even the criticism of Pandit Thakur Das Bhargava. We may call it narrow, but he is always on the

side of what is called individual liberty. But unfortunately in our country and in many countries in the world individual liberty means licence, just to exploit the weakness of Government and weakness of other individuals. On that point, whether individual liberty should dominate or we should make the individual conform to what you call ordinary codes of citizenship, there may be much difference of opinion. I feel in a planned economy the risk we can take is not very great. He feels that individual liberty, planned economy or un-planned economy, has got to be given the pride of place. That is a matter on which we have to differ. But basically, I do not think that this measure is one which takes away individual liberty. It is just a slight variation on what it was before and the main provocation for my bringing it before the House is that it expires at the end of this year. There is one other provision in regard to encasement of securities about which I wanted the House to change the law. And thirdly the organisation that I have created for the enforcement, consequent on the Reserve Bank not being willing to continue to handle this matter is more or less in the air and has to be given some support.

I hope I have attempted—at any rate my *bona fides* would be appreciated by my hon. friend—to answer the points to the extent I am capable of.

Mr. Deputy-Speaker: The question is—

“That the Bill further to amend the Foreign Exchange Regulation Act, 1947, be taken into consideration.”

The motion was adopted.

Clauses 2 to 5 were added to the Bill.

Clause 6.—(Amendment of Section 9)

Mr. Deputy-Speaker: Is Mr. Nayar moving his amendment?

Shri V. P. Nayar: I am not moving my amendment.

Mr. Deputy-Speaker: The question is—

“That clause 6 stand part of the Bill”.

Clause 6 was added to the Bill.

Clause 7.—(Amendment of Section 12)

Shri V. P. Nayar: Sir, I beg to move:

Page 3, lines 16 to 19—

Omit “unless such transfer is confirmed by the Reserve Bank on an application made to it in this behalf by the transferrer or the transferee.”

I do not want to speak on this.

Mr. Deputy-Speaker: Amendment moved:

Page 3, lines 16 to 19—

Omit “unless such transfer is confirmed by the Reserve Bank on an application made to it in this behalf by the transferrer or the transferee”

Shri T. T. Krishnamachari: I owe it to my hon. friend to explain that this will have the effect that a person resident outside India will not be able to transfer any share at all, because here we make him ask for the permission of the Reserve Bank. They might refuse it. And maybe that there are some small people who would like to sell and write to the Reserve Bank to obtain permission. That is why I am not accepting the amendment. I hope my hon. friend will not press it. The persons affected may not be very big people. They may even be small people.

Shri V. P. Nayar: How does it affect the question of transfer of shares of a company registered outside India to a company inside India? Will it be covered by it?

Shri T. T. Krishnamachari: That will be covered by the existing regulations. A company registered in India for that purpose is a resident. That will be a transaction between a resident and a non-resident. The Reserve Bank will have to know. Where today persons are non-resident and they transfer shares we will not know about it. All that we want is notice, and maybe in many cases it

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may be a small amount. For instance, a retired civil servant's wife may not be able to collect the amount and she might transfer it to somebody else. I do not think it is the intention of the hon. Member to prevent this.

Shri V. P. Nayar: I was not very certain about the other rule. I only want to prevent any transfer of interest in India held by outsiders to anybody either in India or outside without the consent of the Reserve Bank.

Shri T. T. Krishnamachari: If a person happens to be here we are covered; if both of them happen to be outside, then we want notice.

Shri V. P. Nayar: We are covered by which section.

Shri T. T. Krishnamachari: By the existing provisions. Any transaction between a person who is resident and a non-resident in regard to a matter which involves a question of capital which would mean ultimate transfer has to be done with the concurrence of the Reserve Bank.

Shri V. P. Nayar: I do not press it, though I have moved it.

Shri T. T. Krishnamachari: My hon. friend may say that vigilance is not exercised and that permission is given normally. That is possible. That happens in many cases. Sometimes even when we are not inclined to give permission we are compelled by various circumstances to give it.

Shri V. P. Nayar: I shall give my case when the particular clause comes.

Mr. Deputy-Speaker: I shall then put the hon. Member's amendment.

The question is:

Page 3, lines 16 to 19—

Omit "unless such transfer is confirmed by the Reserve Bank on an application made to it in this behalf by the transferrer or the transferee."

The motion was negatived.

Mr. Deputy-Speaker: The question is:

"That clause 7 stand part of the Bill."

The motion was adopted.

Clause 7 was added to the Bill.

Clauses 8 to 12 were added to the Bill.

Shri Supakar: There is no quorum.

Mr. Deputy-Speaker: The bell is being rung. Now there is quorum. 15 hrs.

Clause 13— (Amendment of section 18).

Shri V. P. Nayar: I beg to move:

(i) Page 4—

after line 25, add:

"Provided that no such transfer shall be confirmed by the Reserve Bank if such transfer involves any foreign exchange in the matter of such transfer."

(ii) Page 4, line 26—

Omit "general or".

This is a controversial question and again I want to pose this difficulty to the hon. Minister. This clause reads:

"(3A) Notwithstanding anything contained in any other law, no transfer of an interest in any business in India made by a person resident outside India to any person also resident outside India shall be valid unless such transfer is confirmed by the Reserve Bank on an application made to it in this behalf by the transferrer or the transferee."

That is the position. Even now I am unable to find out the particular provision which controls the transfer by a non-resident company of its interests in India to a resident company, which would involve foreign exchange. If a company A registered in London with sterling capital controls certain business in India and that business is to be sold to a company resident in India, with a

rupee capital, necessarily the company with the rupee capital has to pay to the company which sells the business an amount calculated in sterling. I could not find out from this Bill whether such a transaction can be controlled by any of these provisions.

I may point out a specific instance which has been agitated in the Press and also in this House on a previous occasion. Maybe it is not very strictly relevant to this clause, but I could not find out which particular section or rule controls it. For example, there was one company which was working in Salem on magnesite mines. That company in Salem was having the mines worked and that was a company registered in London with sterling capital. Its name is Magnesite Syndicate Limited. Under the mineral concession rules, the lease for mining has to be extended from time to time by the State Government concerned. It has come out in the Press that this particular company has sold its assets in India, has transferred its lease to another company, which is a resident company, by the name of Messrs Burn and Company Limited, Calcutta. It was reported in the Press that the consideration paid was in sterling to the extent of £100,000. I want to know whether in such a case, the Reserve Bank can have any control over the matter.

If you will permit me to point out one instance, because it will be helpful to the hon. Minister, it is a case where a decision taken by the Government of Madras at the Cabinet level has been interfered with by the Centre. I do not want to go into those details; I am only concerned with the foreign exchange aspect of it. If Magnesite Syndicate Limited in London operating certain mines in the district of Omalur in Salem can transfer the rights for leasehold to a company with a rupee capital in India and get the consideration in London without reference to the Reserve Bank, it means that this particular company which operates in India has a private sterling balance in London.

If the hon. Minister is keen on getting the details, I can read out an extract from a letter which has gone from the Secretary to the Ministry. It is in a public document, namely, the review petition filed by Messrs Burn and Company on the decisions of the Madras Government under the mineral concession rules. An appeal for review lies with the Government of India. I can give him the number of the letter.

Mr. Deputy-Speaker: He can pass it on.

Shri T. T. Krishnamachari: I will explain the position. The position is covered by an earlier section; not necessarily this particular section. Messrs Burn and Company or whatever the company's name may be, cannot transfer any fund in payment of the purchase except with the previous consent of the Reserve Bank. Secondly, if Burn and Company has got some money there, it must be in direct contravention of the Act, because the company's resources in London must be notified to the Reserve Bank and should be at the call of the Reserve Bank whenever they want. It is likely that the Reserve Bank has permitted Messrs. Burn and Company to have some sterling account for the purpose of purchases; but if that money is being used for any purpose other than the purpose for which permission has been obtained or a clearance certificate is being given, they would have committed an offence.

It is not necessarily in this particular section. It is the general provision of the entire law that Burn and Company could not undertake any foreign transaction. Section 4 would be all right for this purpose. If they do anything, if what the hon. Member said is true that they did not obtain the permission of the Reserve Bank, they have committed an offence. Section 4 is adequate for this purpose.

Shri V. P. Nayar: I just wanted to know whether all such transactions would be covered, even if they hold certain private sterling balance in the name of somebody else. It need not necessarily be in the name of Messrs Burn and Company Limited.

[Shri V. P. Nayar]

It can be from the private account of one of the directors of the company who may happen to be there in London.

Shri T. T. Krishnamachari: That would be in contravention of the Act—if they have a private account which is not disclosed to the Reserve Bank. If actually these matters have come to light, there might be an enquiry and the company may be asked to explain wherefrom the money came; was it remitted from here with the knowledge of the Reserve Bank or were there balances in London used for this purpose with the knowledge of the Reserve Bank. If there was something without the knowledge of the Reserve Bank, they are open to prosecution.

Shri V. P. Nayar: The hon. Minister has not very correctly understood my doubt, I do not say that I am correct, but I have a very genuine doubt. The doubt is, Messrs Burn and Company or a Company X—I do not want to mention the name—has a director in Mr. Y who is residing in London. He has a private account and he pays from his private account in London. Later on, over a period of years, he can recoup the amount from the company in India.

Shri T. T. Krishnamachari: That is prevented by the amendment we are making because it is a case of one non-resident passing on to another non-resident in respect of an asset in India.

Shri V. P. Nayar rose—

Mr. Deputy-Speaker: Perhaps it will not be possible to convince the hon. Member.

Shri V. P. Nayar: It is a very serious matter involving Rs. 13 lakhs....

Mr. Deputy-Speaker: I do not minimise the seriousness or importance of it. But what to do?

Shri V. P. Nayar: If there is an enquiry, I am satisfied.

Mr. Deputy-Speaker: The hon. Minister has said that if an offence

has been committed, an enquiry would be made. The hon. Minister feels that we have sufficient provisions in the original Act by which we can catch any offender who commits such offences.

Shall I put his amendments Nos. 8 and 9 to the House?

Shri V. P. Nayar: It can be decided by a voice vote.

Mr. Deputy-Speaker: I am putting amendments Nos. 8 and 9 to the House. The question is:

Page 4—

after line 25, add:

"Provided that no such transfer shall be confirmed by the Reserve Bank if such transfer involves any foreign exchange in the matter of such transfer."

The motion was negatived.

Mr. Deputy-Speaker: The question is:

Page 4, line 28—

Omit "general or".

The motion was negatived.

Mr. Deputy-Speaker: The question is:

"That clause 13 stands part of the Bill".

The motion was adopted.

Clause 13 was added to the Bill.

Clauses 14 and 15 were added to the Bill

Clause 16—(Amendment of Section 23).

Shri Hajarnavis: I have given notice of amendment No. 3, which I now withdraw because the provisions have been explained to me. Instead I seek your permission to move amendment No. 17.

I beg to move:

Page 6—

for lines 20 to 25, substitute:

"(IA) whoever contravenes—

(a) any of the provisions of this Act or of any rule, direction or order made thereunder, other than those referred to in sub-section (1) of this section and section 19, shall, upon conviction by a Court,

be punishable with imprisonment for a term which may extend to two years, or with fine, or with both;

(b) any direction or order made under section 19 shall, upon conviction by a Court, be punishable with fine which may extend to two thousand rupees."

I am asking the amendment to be made, so that section 19 may be separated from the rest of the offences mentioned in (1A), because, as was clear from the general discussion on the Bill, an alternative procedure is now being prescribed. Previously, as the Act stood, there was only one. Any one who contravened any of the provisions of the Act was liable to be prosecuted. Then came the amendment of 1952 by which certain offences which are mentioned in section 23A could be compounded. I had lost sight of that section when I had given notice of my previous amendment. Now, it is found that by this amendment in clause 16, nearly all the contraventions of this Act are to be covered by both the procedures. That is to say, Government have the option Under section 23D, the Director of Enforcement has the option to proceed under (a) or (b). Clause (b) is, according to section 23D a procedure to be followed where the procedure under (a) is inadequate. That is to say, prosecution, no doubt, is supposed to be a more severe punishment. I do not understand why for breach of section 19 which has been excluded ought to be proceeded against in the court. Because, he only offence that section 19 discloses is of a very minor or ancillary character: failure to make a return when required or failure to produce the account books. For that, to compel the Director of Enforcement to prosecute in the court and also make that offence punishable with fine or imprisonment extending to two years is somewhat unreasonable. Therefore, I have given notice of my amendment.

Shri V. P. Nayar: Two years is the maximum. It is not incumbent on the court to give it.

Mr. Deputy-Speaker: Yes. Two years is the maximum prescribed. The court can award any punishment.

Shri Hajarnavis: Therefore I have said that the maximum should be only Rs. 2,000.

Mr. Deputy-Speaker: Amendment moved.

Page 6—

for lines 20 to 25, substitute:

"(1A) Whoever contravenes—

(a) any of the provisions of this Act or of any rule, direction or order made thereunder, other than those referred to in sub-section (1) of this section and section 19" shall, upon conviction by a Court, be punishable with imprisonment for a term which may extend to two years, or with fine, or with both;

(b) any direction or order made under section 19 shall, upon conviction by a Court, be punishable with fine which may extend to two thousand rupees."

Shri V. P. Nayar: I beg to move amendments 10, 11, 12 and 13. Amendment No. 14 is that of my friend, Shri Hajarnavis.

(i) Page 6, line 14—

for "more" substitute "less".

(ii) Page 6, lines 18 and 19—

for "two years" substitute "five years".

(iii) Page 6, line 24—

for "two years" substitute "seven years".

(iv) Page 7, line 4—

for "two thousand" substitute "fifty thousand".

My idea is only to have more punishment than what is prescribed. I want only to have the upper limit. As you know, when you prescribe an upper limit, it is not incumbent on the court to award that punishment. The court always takes into account the gravity of the offence, the circumstances which might mitigate the

[Shri V. P. Nayar]

offence, etc. We can better leave it to the court. In our desire, in our anxiety to bring the offender to book and punish him, the court should have the adequate powers to inflict that punishment. Considering the gravity of the offence and the ultimate harm which such offence might create in the country, I think that the courts should be empowered to punish any serious offences at least to the extent which I have prescribed in my amendment.

In one amendment, I find myself in a very peculiar position. Certainly, the amendment was not given with a view to have that word incorporated. It was only given with a view to get a chance to focus my views. The section says: he shall

"be liable to such penalty not exceeding three times the value of the foreign exchange in respect of which the contravention has taken place or five thousand rupees whichever is more...."

My amendment says, whichever is less. Of course, in both the cases the effect is the same.

Shri Bimal Ghose: No. How can it be the same?

Mr. Deputy-Speaker: The effect is not the same.

Shri V. P. Nayar: If three times the value is more, only Rs. 5000 would apply if the wording is, whichever is less. That was not what I really intended. I only wanted to focus this point that in calculating this, there need not be any limit at Rs. 5000. If three times the value exceeds more than Rs. 5000, you must be able to impose that.

Mr. Deputy-Speaker: Amendment No. 14 is also moved? I do not think it has been moved.

Shri V. P. Nayar: I request the hon. Finance Minister to consider this matter. He thinks—he said so in his concluding remarks—that his object was to inflict punishment. If the punishment is to be of any use in preventing a person from continuing

an offence, I submit that Rs. 2000 will not be of any use. Nor will this term of two years be a deterrent for such professional evaders. It is a habit with them to prefer to go to jail and make Rs. 25,000. They do not worry about it. For such people, it is not deterrent at all if you prescribe simple imprisonment. He may walk into the jail for a month or two. When it becomes seven years, it will serve as a deterrent. The object of the hon. Minister is to inflict punishment. In order to serve as a deterrent and prevent him from repeating his crime, I request him to consider why it is not possible for him to raise the punishment.

Mr. Deputy-Speaker: Amendments moved:

(i) Page 6, line 14—

for "more substitute "less"

(ii) Page 6, lines 18 and 19—

for "two years" substitute "five years".

(iii) Page 6, line 24—

for "two years" substitute "seven years".

(iv) Page 7, line 4—

for "two thousand" substitute "fifty thousand".

Shri Supakar: May I say a word, Sir?

Mr. Deputy-Speaker: There is no time. We have already exceeded.

Shri Supakar: Regarding amendment No. 10, may I suggest that it is just the reverse of what the hon. Member....

Mr. Deputy-Speaker: The hon. Mover himself has realised it. He knows it. He says, it was given to focus the attention of the House.

Shri V. P. Nayar: There was no other possibility of bringing up the matter.

Mr. Deputy-Speaker: Is the hon. Minister prepared to accept any of these amendments?

Shri T. T. Krishnamachari: I will accept amendment No. 17. I think it is important.

Pandit Thakur Das Bhargava: May I say a word or two, Sir? On page 7, you will kindly see, clause (b) says:

"in sub-section (2) for the words "one thousand" the words "two thousands" shall be substituted;"

If you see the original section, you will find, the words are:

"(2) Notwithstanding anything contained in section 32 of the Code of Criminal Procedure, 1898, (Act V of 1898), it shall be lawful for any magistrate of the first class, specially empowered in this behalf by the State Government, and for any presidency magistrate to pass a sentence of fine exceeding one thousand rupees on any person convicted of an offence punishable under this section".

This section authorises the magistrate to inflict a punishment of more than Rs. 1000. I understand Rs. 2,000 is also more than Rs. 1,000. My humble submission is that this should not find a place and it should be omitted. Already the provision is there.

Shri T. T. Krishnamachari: If the hon. Member would have an amendment, to delete it, I will accept it.

Pandit Thakur Das Bhargava: There is no question of amendment. If you like you can do it.

Shri T. T. Krishnamachari: It serves no purpose. It is a case of omission.

Pandit Thakur Das Bhargava: The other point is—I have not much time—may I refer the Finance Minister to section 187 of the Sea Customs Act where his view finds support? In such cases, in a summary way, the thing should be decided. What I contend is this. Unfortunately, if you see the scheme of the Sea Customs Act, only certain kinds of breaches which are technically called offences, where

confiscation, increased rate of duty, are involved, are decided by these officers. The reason has been given by the Finance Minister himself. I could not think of that. He has given very good reasons. All the proof is there at hand and there is nothing to try. As soon as he comes across it, the concrete proof of the matter is obvious, everything is there. No court need pass any judgment. The thing is obvious from the nature of the offence. Any person without the assistance of a court can come to the conclusion that this man is guilty. I am very sorry, the Bill has been brought at such a time when I do not want the passage of it to be delayed by a minute. It is absolutely necessary. At the same time, I would request the hon. Finance Minister to see that such a kind of injustice is not perpetrated under this Act. He is a man who framed or was responsible for framing a part of the Constitution. If he says thus and wants to give these powers of dispensing justice to Public Prosecutors or persons in the position of public investigators, the Director of Enforcement will be just like a Public Prosecutor to bring cases before the court in respect of infractions of law. It is not a question of quoting Dicey which I do not quote. I am however thankful to the Hon. Member for his expounding the law. But the question involved is not of that nature alone. The question is this. You want to make the Investigating Officer the judge in his own case. It is entirely wrong; it is basically wrong. Whatever the hon. Member may say that I take interest in matters relating to the liberty of the individual, I should not expect him to ignore the point I made on this score. I am rather perturbed that our hon. Finance Minister, who is also responsible for the Constitution, and who is perhaps a better lawyer than myself or any other member of this House, thinks the principle of this provision to be right. If he can digest all these and yet tell us that he is right. I think it is too much. So, I would respectfully beg of him to kindly reconsider the position and bring an amending measure to the Bill soon.

[Pandit Thakur Das Bhargava]

Otherwise, we might land ourselves in difficulties. The Sea Customs Act applies to a different set of circumstances. Now you are making those very officers who are charged with investigating, the judges in those cases. This should never be taken as a precedent. My fear is that this will be taken as a precedent. He says that only 130 or 140 cases are brought to the court but we have no proof. My humble submission is that I am not satisfied with this provision in section 23(f).

Shri T. T. Krishnamachari: I would like to submit that my legal advisers tell me that the amendment has been made in tune with the amendment to the Criminal Procedure Code. Of course, I am not a lawyer. They say that the amount in the Criminal Procedure Code is Rs 2,000 and that is why they have made it here also. We have not done anything arbitrary. We have made it in tune with the Cr. P.C.

Pandit Thakur Das Bhargava: May I know the section or authority in the Cr. P. C. whereby an Investigating Officer is given the powers of the Judge.

Mr. Deputy-Speaker: That can be done leisurely. The hon. Member just now said that he might later on do it leisurely.

Pandit Thakur Das Bhargava: My request is that this amendment should not be taken as a precedent for the future.

Shri V. P. Nayar: May I suggest that all the other amendments may be put to the vote?

Mr. Deputy-Speaker: Do Government accept any of the amendments?

Shri T. T. Krishnamachari: I accept the amendment of Shri Hajarnavis, that is, amendment No. 17.

Mr. Deputy-Speaker: I will now put amendment No. 17 to the vote of the House.

The question is:

Page 6—

for lines 20 to 25, substitute:
“(1A) “whoever contravenes—

(a) any of the provisions of this Act or of any rule, direction or order made thereunder, other than those referred to in sub-section (1) of this section and section 19 shall, upon conviction by a Court, be punishable with imprisonment for a term which may extend to two years, or with fine, or with both;

(b) any direction or order made under section 19 shall, upon conviction by a Court, be punishable with fine which may extend to two thousand rupees”

The motion was adopted.

Mr. Deputy-Speaker: We will now take up amendments Nos 11, 12, 13....

Pandit Thakur Das Bhargava: Has my amendment been accepted.

Mr. Deputy-Speaker: He has not accepted it. He said that this has been done to bring it in consonance with the amendment to the Criminal Procedure Code.

Pandit Thakur Das Bhargava: That is a different matter, if he is making the provision in view of the amendment of the Criminal Procedure Code. Here 32(1) says.....

Shri T. T. Krishnamachari:not exceeding Rs. 2,000

Pandit Thakur Das Bhargava: Then don't amend this.

Mr. Deputy-Speaker: I will now put amendments Nos 10, 11, 12 and 13 to the vote of the House. The question is:

Page 6, line 14—

for “more” substitute “less”.

The motion was adopted.

Mr. Deputy-Speaker: The question is:

Page 6, lines 18 and 19—

for "two years" substitute "five years".

The motion was adopted.

Mr. Deputy-Speaker: The question is:

Page 6, line 24—

for "two years" substitute "seven years".

The motion was negatived.

Mr. Deputy-Speaker: The question is:

Page 7, line 4—

for "two thousand" substitute "fifty thousand".

The motion was negatived.

Mr. Deputy-Speaker: The question is:

"That clause 16. as amended, stand part of the Bill".

The motion was adopted.

Clause 16 as amended, was added to the Bill.

Clause 17 was added to the Bill.

Clause 18.—(Amendment of section 24.)

Amendment made:

Page 9, line 35—

for lines 20 to 25, substitute:

"Sub-sections (1) and (2)".

—(Shri Hajarnavis)

Mr. Deputy-Speaker: The question is:

"That clause 18, as amended, stand part of the Bill"

The motion was adopted.

Clause 18 as amended, was added to the Bill.

Clause 19 —(Amendment of Section 27).

Shri Harish Chandra Mathur: I beg to move:

Page 9—

after line 43, add:

"(ii) After sub-section (2) the following sub-section shall be added, namely,—

'(3) All rules made under this section shall be laid for not less than thirty days before both Houses of Parliament as soon as possible after they are made and shall be subject to such modifications as Parliament may make during the session in which they are so laid or the session immediately following.'

Shri T. T. Krishnamachari: I am prepared to accept this amendment, only with one variation, namely, for the word 'section' the word 'Act' may be substituted.

Shri Harish Chandra Mathur: That is perfectly all right with me.

Mr. Deputy-Speaker: I will now put amendment No. 16, in the modified form, to the vote of the House.

The question is:

Page 9, after line 43, add:

"(ii) After sub-section (2), the following sub-section shall be added, namely,—

'(3) All rules made under this Act shall be laid for not less than thirty days before both Houses of Parliament as soon as possible after they are made and shall be subject to such modifications as Parliament may make during the

[Mr. Deputy-Speaker]

session in which they are so laid or the session immediately following."

The motion was adopted.

Mr. Deputy-Speaker: The question is:

"That clause 19, as amended, stand part of the Bill".

The motion was adopted.

Clause 19, as amended, was added to the Bill.

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

Shri T. T. Krishnamachari: I beg to move:

"That the Bill, as amended, be passed".

Mr. Deputy-Speaker: Motion moved.

"That the Bill, as amended, be passed".

Pandit Thakur, Das Bhargava: On the last occasion when we were discussing the Wealth-tax Bill, we did not do justice to that Bill. On this occasion also the same thing has happened. We had discussed only six clauses of that Bill. When the Bill was brought forward we found that we were in a very great difficulty. This Bill must be passed today. Otherwise there would have been a proposal to send it to the Select Committee. I would respectfully ask Government to bring measures in such time that there may be time enough for the measures to be sent to the Select Committee. Now our hands are tied. We cannot do anything. I am very much dissatisfied with the manner in which this Bill has been rushed through, because enough attention has not been given, which was due to be given, to this Bill for want of time. If it had been referred to the Select Committee, they would have leisurely considered the various

provisions. So, I again request the Government to kindly go through this Bill again and bring an amending Bill when they consider it necessary. There is no use rushing through and passing Bills. We cannot do justice to these measures, if we rush them through like this.

Mr. Deputy-Speaker: He might suggest that there was no time for reference to the Select Committee. But so far as the other question is concerned, that it is being rushed through, that may not be justified because the hon. Member himself was a member of the Business Advisory Committee.

Pandit Thakur Das Bhargava: We always find that after the Business Advisory Committee has fixed the time than whenever more time is required to be devoted and the Chairman feels that it is necessary to put more time then necessary more time is devoted to it. If you guillotine Bills like this at the end of six clauses, I do not know whether justice can be done to those measures and the House can be said to have discharged its duty properly.

Mr. Deputy-Speaker: There was no guillotine today at least.

The question is:

"That the Bill, as amended, be passed"

The motion was adopted.

EXPENDITURE-TAX BILL

Mr. Deputy-Speaker: The House will now take up the Expenditure-tax Bill, 1957 for which 10 hours have been allotted. As the House is aware, 4 hours have been allotted for the general discussion, 5 hours for clause by clause consideration and one hour for the third reading stage.

The time-limit for speeches will, as usual, be 15 minutes for the members and 20 to 30 minutes if necessary, for Leaders of Groups.

The Minister of Finance (Shri T. T. Krishnamachari): I beg to move:*

"That the Bill to provide for the levy of a tax on expenditure, as reported by the Select Committee, be taken into consideration."

As the House is aware, the Bill was introduced on the 15th of May 1957. After the general discussion, it was referred to a Select Committee consisting of 35 members on 17th July, 1957. The Committee has submitted its report on this Bill to this hon. House on the 26th of August.

This is the first tax of this kind anywhere in the modern world. The Select Committee considered carefully the general principles which should govern a tax of this nature and then examined the Bill clause by clause. The Committee considered the various points raised by the Members of the House during the general discussion of the Budget as well on the motion for reference to Select Committee. The observations of the Committee with regard to the principal changes proposed have been detailed by them in the report. The Committee have recommended a number of amendments to the original provisions, both of a substantive and procedural nature. Copies of the Bill are in the hands of the hon. Members of this House. On the whole, the Committee have approved of the objective of the tax which is to check *inter alia* personal expenditure and to encourage savings. They have also approved the scheme of the tax which is to charge all expenditure of a personal nature irrespective of the source from which it is met, whether from current income or past savings or from any other source.

The substantive changes recommended by the committee are in regard to clauses 3, 4, 5, and 6. I shall deal with these in some detail.

The amendments suggested to the other clauses are mostly of a procedural nature, and follow the pattern of the corresponding clauses in the Wealth Tax Bill.

As the House is aware, the proviso to clause 3 in the original Bill provided that no expenditure tax would be payable if the total income under the income-tax did not exceed Rs. 60,000. The House will recall that at the time of referring the Bill to the Select Committee I had suggested that they might consider whether the proviso should be changed or dropped. The obvious reason for this is that the criterion of income has no relation to tax on expenditure. The Committee have given careful consideration to this provision and have finally come to the conclusion that in the initial stages of the working of a new measure like this, a provision of this kind is necessary to prevent harassment of assesseees and to make the administration of the Act somewhat easier. They felt, however, that no distinction was necessary between income liable to income-tax and that which is not so liable. They were of the opinion that the criterion should be not the taxable income as understood in the context of the Income-tax Act, but income or accruals from all sources including receipts of a casual and non-recurring nature. Accordingly, the Committee have recommended that the proviso should be so amended as to restrict the levy of expenditure tax to such persons whose net income, that is income after taxation, from all sources during the relevant previous year exceeds Rs. 36,000. To remove any doubts that may arise, a new sub-clause has also been introduced to make it clear that no expenditure which has been taxed in any one year on the basis of accrued liability is taxed again in a subsequent year when the liability is actually discharged by cash payment or otherwise.

The existing clause 4 has been recast by the Committee and subdivided into two clauses. Sub-clause (i) is

[Shri T. T. Krishnamachari]

almost the same as the original clause excepting that it has further provided that only such expenditure incurred by others for the benefit of the assessee as is in excess of Rs. 5,000 shall be included in computing the taxable expenditure of the assessee. The provisions will ensure that the tax authorities are not unduly meticulous about comparatively small amounts spent by others but at the same time it will ensure that in cases where such expenditure adds up to a sizable sum, it is not ignored. The "Explanation" to the clause clarifies that any expenditure of a trivial or inconsequential nature or by way of customary hospitality, say, the acceptance of a dinner or lunch is not included in the taxable expenditure of the person accepting it.

The new sub-clause (ii) as recommended by the Select Committee provides that expenditure incurred by one's wife or children from out of the gifts or trusts created by the assessee is included in his taxable expenditure. To some extent this is already covered by sub-clause 4(i) but the Committee felt that a further extension is necessary as a measure of abundant caution.

The original clause 5 exempted certain kinds of expenditure from the purview of the tax. The Committee felt that the list of items detailed in the original clause should be expanded to cover expenditure of various kinds which are of a somewhat impersonal nature, and should not, therefore, be taxed. They are items relating to matters like expenditure on the purchase of products of cottage industries, payment of premia on educational and marriage insurance policies, purchase and maintenance of livestock, expenditure for any public purpose of a religious or charitable nature, certain types of entertainment allowances, expenditure out of Privy Purses in certain cases and election expenses to the extent they are allowed in law. It will be recalled that during the earlier discussions in

this House, Members had suggested one or the other of these exemptions. Expenditure incurred outside India by non-resident non-Indian nationals from any source has also been recommended for exemption by the Committee, as also similar expenditure incurred from sources outside India by Indian nationals, who are not resident or who are not "ordinarily resident" in India. This is necessary to obviate hardship to Indian nationals living abroad and visiting India occasionally.

Clause 6 provides for deductions which are to be made in computing the taxable expenditure of an assessee. Sub-clauses (a), (b) and (c) of the original clause have been retained with certain minor modifications, and the main change is really in sub-clause (h) which prescribes the basic allowance. Members will recall that the corresponding sub-clause in the original Bill provided a basic allowance of Rs. 24,000 to every assessee with a further allowance, if claimed, of Rs. 5,000 in respect of each dependant, there being no ceiling on the total basic allowance admissible to an assessee. Under the scheme of the new clause as recommended by the Select Committee, an individual is to be allowed a basic allowance of Rs. 30,000 and in the case of a Hindu undivided family the basic allowance will be Rs. 30,000 for the Karta, his wife and children, plus Rs. 3,000 for every additional coparcener, limited to a ceiling of Rs. 60,000 for the family as a whole. Consistently with the recommendation for limiting the basic allowance, the Committee considered it necessary to allow deductions in respect of certain types of obligatory or quasi-obligatory expenditure incurred by the assessee such as expenditure lawfully incurred in respect of civil or criminal proceedings to which the assessee is a party, medical expenses for any member of the family including the assessee's parents, expenditure on the education of children abroad. In order that these con-

cessions are not abused, the Committee have recommended certain limits, e.g. Rs. 5,000 for medical expenses and Rs. 8,000 for educational expenses abroad. Provision has also been made by the Select Committee for the deduction of expenditure incurred on one's parents subject to a limit of Rs. 4,000 per year.

It will be remembered that during the earlier discussion, some Members, I believe Pandit Thakur Das Bhargava and Shri Shree Narayan Das, had pointed out the need for making such a provision. The Committee felt that expenditure incurred outside India by persons who are not citizens of India but are resident in India should be allowed to be deducted, subject to a limit of Rs. 10,000. The Committee also felt that, Expenditure Tax being a new levy, persons who have been accustomed to a high standard of living in the past should be allowed some time to adjust themselves to the new standards. The Committee have, therefore, recommended that an option be given to such persons to claim an allowance equal to 75 per cent of the average annual expenditure of the last three years or Rs. 75,000 whichever is less, but those who claim the higher allowance under this sub-clause will not be allowed any other deductions, say, for medical expenses or educational expenses of children or legal expenses admissible under the other sub-clauses. I may also add that a provision for the gradual lowering of this limit of Rs. 75,000 to the normal allowances admissible has been made.

Another point that was brought to the notice of the Committee was in respect of the taxes paid by an assessee in a foreign country, and the Committee have proposed a new sub-clause to provide for the deduction of such taxes.

I have explained at some length the more important changes made by the Select Committee. The amendments proposed to the remaining clauses are

of a procedural nature. As I have already stated, these clauses follow closely the corresponding clauses in the Wealth Tax Bill which has since been accepted by the House. I would, however, like to draw the attention of the House to the new clause 20 recommended by the Select Committee providing for the settlement by the Central Government of the Expenditure Tax payable in the case of ex-Rulers. The Committee felt that having in view the concession allowed under clause 5(q), it will be difficult to administer the Act in these cases without a provision of this nature. Hence they have suggested this new clause.

The Expenditure Tax being a new measure, doubts have been expressed here and elsewhere as to the feasibility of administering such a tax. The Select Committee have, therefore, been particularly anxious to see that the administrative difficulties are reduced to the minimum and the measure as a whole emerges, in a workable form. At the same time, they have been careful to ensure that individual hardships are reduced to the minimum possible, particularly as this measure, more than any other tax, is capable of leading to harassment or what is considered as harassment by people who are in authority. There may be differences of opinion about a particular concession here or there, but by and large, the Bill, as it has emerged from the Select Committee, is a good compromise between divergent opinions.

Regarding the estimates of yield from this tax, hon. Members have repeatedly asked me to hazard an estimate. I have not quoted Prof. Kaldor so far, though he has been oft quoted by several Members. But I will quote him now and point out that even he has refused to hazard a guess. In fact, in his report on page 47, he has stated:

"It is however, impossible in this case to make even a rough guess of the magnitude of the probable yield".

[Shri T. T. Krishnamachari]

The basic difficulty in this case is that we cannot be sure even to what extent personal expenditure will be reduced as a result of this measure. If that could be done, then we can envisage the income. Unlike income and wealth which everyone likes to have in as large a measure as possible, a normal person would like to reduce his expenditure, if he could possibly do so without suffering much inconvenience.

Then there is the growing tendency to pass on one's expenditure to somebody else to the extent that it can be done. As hon. Members are aware, this line of demarcation between personal expenditure and business expenditure is a very thin one. It is so not only in this country but it is also so abroad, and in certain countries, the term 'expense account' has come to have a special significance. Apart from this, the very introduction of this measure and the comparatively high rates of taxes proposed will compel a person coming within the scope of this tax to restrict his expenditure as much as he can. We cannot possibly estimate the effect of this factor, but I will say that I will not be sorry if the revenue from this measure is not as large as it is expected. I will not be sorry even if it becomes nil. Then the purpose of this Bill would be served because to the extent the revenue from this measure is less, to that extent it would have fulfilled its primary objectives of putting an effective check on personal expenditure and diverting the surplus towards savings and productive investment so necessary in the circumstances in which we are placed today.

So much has been mentioned about the novelty of this measure, and I have been told that I have copied Prof. Kaldor, who has no experience of this country. Sometimes I have been accused that I have not copied him fully, though he can take no administrative responsibility for anything that is being done. I would there-

fore want to do something which I usually do not do, namely, to quote, and I cannot do better than quote Kautilya. While enumerating the duties of a revenue collector, he says, (it is in Shyama Sastry's book, page 159, chapter 35—Duties of revenue collectors):

"He shall also keep an account of the number of young and old men that reside in each house, their history (*charitra*), occupation (*aajivika*), income (*aaya*) and expenditure (*vyay*)".

Then he goes on to say that they should also ascertain the total number of men and beasts as well as the amount of income and expenditure of each family.

I am glad that Kautilya had thought of this, though we are recapturing his imagination in the year 1957 for the purpose of taxing.

Shri Narayanankutty Menon (Mukandapuram): We are not counting the animals.

Mr. Deputy-Speaker: By and large, we have to go slowly.

Shri T. T. Krishnamachari: The hon. Member there has made me a beast of burden and, therefore, we have to count

There is also a special provision in this book for agents of the Collector-General who are deputed for checking the validity of these accounts of the village and district offices. After verifying the area, type of produce, right of ownership etc., it says:

"they shall also ascertain the total number of men and beasts as well as the amount of income and expenditure of each family".

The tax collectors checking expenditure of families is therefore not much of a sin that has been followed by an unfortunate Finance

Minister; something had been thought of even in the old days by Kautilya. That provides me with some staunch justification. I know in this House quotations of this nature have been rather popular, and that is why I ventured on one myself. I hope the House will after consideration, approve of the Bill in the form in which it has been presented by the Select Committee.

Shri H. N. Mukerjee (Calcutta-Central): Mr. Deputy-Speaker, Sir, when at an earlier stage of the proceedings on this Bill before reference to Select Committee I took part in the discussion, I had some hope that perhaps the Select Committee, mindful of its responsibility in regard to a Bill of this description, would improve upon its provisions. I regret to have to say, with great respect, that the Bill comes back to us from the Select Committee in very much worse shape than it had been sent by the House. This has actually given a handle to those among us who do not want this Bill at all, and they have actually made the suggestion that the Bill should be dropped.

My hon. friend, the Maharaja of Bikaner, has appended a note of dissent in which he says that it should not be added to the Statute-book of India. I am sorry that this handle has been given and I say that in spite of certain deficiencies, we have to go ahead with this Bill. But there is no doubt about it that this Bill, as it has come back to us from the Select Committee, bristles with so many deficiencies that sometimes some of us have felt like saying that perhaps it was better to drop it. But I do not say it because something like this ought to be put on our Statute-book.

Our friends who have appended notes of dissent have referred to the factor of what they call harassment. This question of harassment must have been raised in very acute form when the income tax, for example, was first instituted. This harassment

argument is bound to recur from time to time. But on this occasion, some of those among our Members who have appended notes of dissent, have almost become lyrical in their attack on harassment. One Member, for whom I have great respect says that this Bill is to be 'a parent of harassment'. Another says that there is an element of 'inquisition' about the whole proceeding. Anyhow, I am sure in these days when the country has made up its mind about a socialist pattern of society, we need not worry much about these absolutely outdated arguments about harassment and the inquisitorial aspect of legislation of this sort. A certain amount of inquisitorial activity is absolutely necessary if we are going to have the State undertake projects essential for the sake of the country. I find my hon. friend, Shri M. R. Masani, making a note on this point and I am sure we shall hear a diatribe about the inquisitorial propensities of the modern State, with particular reference to certain countries for whom he has developed a peculiar allergy. He will give us a great deal of very interesting material, but I am sure that when we have made up our mind about having a socialist pattern of society and when the State is the only instrumentality that we have in order to achieve that pattern, we have got to put up with a certain amount of harassment; but we have only to make sure that that harassment is minimised as much as it can be and we have only to make sure that whatever little harassment happens comes to be borne by the presently fortunate members of society.

Sir, I would also like to say that, by and large, the clauses which are likely to be affected have made such a fine art of evasion, and they would have a little more practice in regard to that business so that we need not really worry very much on their score. As a matter of fact, Sir, I discovered in a British Judgement in 1920 an obiter by a Judge called Lord Clyde in a case called *Ayrshire Pulman Motor Service vs. IRC 1920*. He

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said in his judgment: "No man in this country" —England—"is in the smallest obligation, moral or other, so to arrange his legal relations to his business or to his property as to enable the inland revenue to put the largest possible shovel into his stores." Here I find a judicial pronouncement on the fundamental right to evade taxes and to take shelter under legal sophistries and accounting tricks. My friends over there have access to all these legal sophistries and accounting tricks in such a way that we need not really shed too many tears for the attitude which they are expressing in their notes of dissent.

This Bill has two major objects. One is to curtail conspicuous expenditure, and the other is to increase savings. Conspicuous consumption, if it is un-redeemed by the graces of good living is not only vulgar, it is also a kind of demoralising factor as far as the life of the country and its economy is concerned. Therefore, we do not want conspicuous consumption, which is another name for vulgarity and another name for the continuation of disparities in our economy, which we are not going to tolerate.

The second object is increased savings. My fear is that this Bill as formulated will not accomplish this twin objective. The objectives are all right. But they could have been achieved, perhaps, better if we had gone ahead a little more courageously. After all, the Finance Minister has shown a great deal of courage in putting forward this kind of suggestion, because after all this Bill is almost unique in the history of legislation in the kind of country with which we are familiar. So, he has shown a certain amount of commendable courage. I wish he had taken courage in both hands and gone further ahead in stopping the whittling down of the original provisions and helping the improvement of certain of these provisions.

It has been said that there is no theoretic justification for the linking up of liability to pay a tax on expenditure with the income of an individual. Actually, Professor Kaldor has pointed out in his report how it is sometimes much easier to catch a man who is spending conspicuously. It is not so easy for a man who has been spending conspicuously to give in his return figures which are fantastically out of relation to the actual sum which he has spent. But, in the case of income tax, Kaldor points out, all kinds of statements are made. Even if the Finance Minister requires these statements to be made on oath they would continue to be made, which have not the slightest relation to truth.

There is some point in saying that we should try to catch the thief when he is trying to deprive the country of its legitimate dues when we have an expenditure tax. But perhaps, it is necessary in our present state of things to have a kind of criterion which can only be the income tax criterion in order to spread our net as wide as we ought to and, therefore, there should be some kind of income tax limitation which we should agree to.

In regard to this there have been differences in the Select Committee. Our friends Shri Menon and Shri Prabhat Kar have suggested that we should have this tax entirely on expenditure irrespective of whatever incomes these people might have made, and a compromise has been suggested by my friends Shri Bimal Ghose and Shri Khadilkar who have proposed that we should have as a criterion Rs. 24,000 as net income from all sources.

Now, for myself I am not happy about this figure. I personally would have suggested a lower figure. I understand in the Select Committee the figure of Rs. 18,000 had also been seriously discussed. As I said I am not happy about this figure of Rs. 24,000 myself, but as I am interested in making this Bill as good as it possibly

can be made, I urge the House very seriously to consider this matter carefully and to bring down the figure which has been promulgated by the Finance Minister as a result of the deliberations of the Select Committee.

I would like also to say that in view of the exemptions—exemptions are very generous—we should alter the basis of taxation which has been suggested to be on annual expenditure of Rs. 12,000 per assessee. This is the suggestion made by Shri Menon and Shri Prabhat Kar. And, very much more generously Shri Ghose and Shri Khadilkar have suggested an upper figure of Rs. 24,000. But I shall not suggest a specific figure now. These different alternatives are before the House. I feel that, perhaps, Shri Ghose and Shri Khadilkar have gone a little too far, but I know I shall be crying in the wilderness if I wish to press my point of view with any hope of its acceptance. But, in any case, I feel that some lowering of the figure suggested by the Select Committee should be done by this House, and a suitable amendment of the crucial clause, clause No 3, is therefore called for.

In clause No. 4, sub-clause (1) an addition has been made by the Select Committee which to my mind, appears to be rather gratuitous. Clause 4 (1) says:

“...the following amounts shall be included in computing the expenditure of an assessee liable to tax under this Act, namely:—

(i) any expenditure incurred, whether directly or indirectly by any person other than the assessee in respect of any obligation or personal requirement of the assessee or any of his dependants which, but for the expenditure having been incurred by that other person, would have been incurred by the assessee, to the extent to which the amount of all such expenditure in the aggregate exceeds Rs. 5000 in any year;”

This last clause is an addition by the Select Committee. My point is that this expenditure envisaged in sub-clause (i) of clause 4 is obligatory on the assessee. It is expenditure which, but for its having been incurred by any other person, would have had to be paid by the assessee. Therefore, it is not expenditure which the assessee can legitimately shove over to another shoulder. I feel that this is not just incidental expenditure that is being envisaged, it is obligatory expenditure by the assessee. If that is so, I feel that the addition of the particular clause towards the end by the Select Committee is an open encouragement to benami transactions which are such a blot on our economic system and which in these days, when we try to go ahead, are being set up as so many hurdles in the way of our collecting a most necessary taxation. I feel, therefore, that the addition made by the Select Committee to this sub-clause should be removed.

In clause 5 I find that the exemptions are magnified to such an extent by the Select Committee that sometimes one feels whether it is the idea of the Select Committee that only grocers and tailors and, perhaps, stationers' bills should require to be included for the purpose of computation of the expenditure. I am sure that is not what the House wanted. I am sure that the Finance Minister, if he is serious in regard to this expenditure tax proposition cannot want it. But I find that the majority in the Select Committee have amplified the exemptions.

For example, clause 5 (a) is much too omnibus for my taste. It says:

“any expenditure, whether in the nature of revenue expenditure or capital expenditure, incurred by the assessee wholly and exclusively for the purpose of the business, profession, vocation or occupation carried on by him or for the purpose of earning income from any other source;”

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This is a little too much. After all, this kind of provision might be interpreted by legal casuists in a fashion which would enable the person who wants to evade taxation to get away with it. Therefore, I feel that this is much too omnibus a clause and the addition made by the Select Committee should be deleted. I understand that if it is expenditure for capital purposes; if it is expenditure which will result in production, then surely we are going to allow it some relief. I am not going to say that expenditure for the purposes which would bring about some productive results for the economy should come under a kind of penalty. I do not say that. But I should not word this clause in the way that the Select Committee has chosen fit to do.

16 hrs.

Then I come to sub-clause (b). It says:

"any expenditure incurred by the assessee, or on his behalf by his employer, wholly and necessarily in connection with the discharge of duties arising out of the assessee's employment;"

Now, I want to point out something which I feel is very usually ignored. Personal expenditure is often covered up by being shown as the expenditure made by the company. We all remember, those of us who were in the House in the last Parliament, how the Finance Minister—in those days, it was Mr. Deshmukh—said openly that he found that so many of our leading industrialists do not seem to have either house of their own or cars of their own or any kind of amenities, while, as a matter of fact, we find them living in Babylonian luxury. You cannot touch them anywhere because there are all kinds of loopholes which they utilise. What happens is, I find, for example, under our income-tax law, the perquisites are now taxable, but new dodges have been devised and I am sure the Finance Minister knows all about it. For example, there is a car

allowance. The car allowance is subject to taxation, but the cars are bought in the name of the company, registered as a property of the company; but they are always to be at the disposal of an individual and everything is found for them—petrol and the driver and everything. Under these covers, perquisites are taken away, so to speak, from the ambit of taxation.

Similarly, I find that if we say "any expenditure incurred by the assessee, or on his behalf by his employer wholly and necessarily in connection with the discharge of duties arising out of the assessee's employment" then, we are leaving a loophole. I cannot suggest, and of course I was not in the Committee, I cannot suggest any detailed modification, but I wish the House applies its mind to it and plugs the loophole, because I am sure the loophole is there. There is no doubt about it.

Then I come to sub-clause (e). This, I feel, should be confined only to acquisition of immovable property. It says:

"any expenditure incurred by the assessee in connection with the acquisition of any immovable property or in the construction, repair, maintenance or improvement of any immovable property belonging to him".

Upto "repair and maintenance", I accept, but it is to the continuation of these words that I object. What I feel is, on occasion, those who are going to be affected by this law, make luxurious additions to their residences. For example, I know a Member of Government who was a very successful person in Calcutta, and he has a residence which is air-conditioned. Now, I know people who add marble floorings to their houses. It is good; I do not object to that at all. But suppose, in the year of grace, 1957-58, somebody wants to air-condition his entire house, or if somebody wants marble floorings and if somebody wants that kind of

ornamentation which, in the normal course of things he should pay for, then, we would like to say that if you are going, in your wisdom, to have that kind of ornamental addition to the residential amenities which you wish to have, surely be good enough to pay a few rupees to the country. Therefore, I say that to keep these words, "repair, maintenance or improvement"—is not good. "Improvement", especially, is a very, very omnibus kind of expression and I am sure lawyers would gloat over interpretations to the expression, I say it with all respect to my friend Pandit Thakur Das Bhargava, who, I know is a fighter for all good causes. But I know that efforts would be made by those who have a particular kind of talent to interpret things in the wrong way which would really detrimentally affect the interests of the country.

Then I come to sub-clause (f). I was flabbergasted to see the Select Committee adding "bullion, precious stones or jewellery". The sub-clause reads thus:

"any expenditure incurred by the assessee by way of investment in deposits, loans, shares and securities, or in bullion, precious stones or jewellery".

I can allow exemption up to "securities"—up to that limit, but they have chosen to add "bullion, precious stones or jewellery". Even those who have put in notes of dissent, from the point of view of the right wing, have said, "What on earth is meant by this kind of thing? I cannot spend money for medical reasons or for the education of my children." I am coming to that later on. But I shall put it from my point of view. They say we are not being permitted to spend what we should legitimately spend for medical reasons or for purposes of education, but you are permitting people to put their money in bullion, precious stones or jewellery. Are we living in the middle ages or are we trying to ape the splendour of ages which have gone, never to return

again? what is the point? I cannot understand how such a very distinguished committee can put in an addition of this sort.

In clause 5 (g), I shall object not to cottage industry products but to the other things, to other luxury purchases. The clause says: "...any work of art". Well, I like it very much, if I can walk into the parlour of some of our good friends here and see the works of art. As a matter of fact, I want to go to Rajputana and go to certain Maharajas' palaces to see the works of art which are there. I do not mind it in the least, and I do not say it is anybody's fault that one, accidentally, becomes an inheritor of works of art which were collected by one's forefathers. But I say this very strongly. If today anybody is going to make luxury purchases, if today anybody is going to buy works of art for his own delectation, then surely, apart from paying the salesmen, he should pay something to the State. I do not understand why he should grudge this little contribution to the State. As a matter of fact, at one time, the artists required the patronage by the wealthy, by the feudal patrons of the old days, and the ancestors of some of our friends here did a good job by patronising the artists and other people who had no other way of selling their work. Now, things have changed altogether. If today, I want to acquire a work of art, I have no right to have it for myself and hang it in my parlour. I may have a very good collection already and I might like to add to it. Some people are passionate art collectors. Some of my friends here also are so. I admire them very much. But they have no right today to go before the country and say "I should be enabled to purchase these things which cost a very great deal and keep them in my parlour and not pay a single pie by way of taxation to the State". All these works of art should be in the national public galleries. I advise my friends who are inheritors to artistic treasures to give them over—everything over—to the State so that

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everybody, the public, would have a right to look at those things. So, there, I cannot allow, I cannot agree, to the permission given to the people to exempt moneys spent for purchase of works of art from the orbit of taxation.

I now come to sub-clause (h). I have some objection. The clause says:

"any expenditure incurred by the assessee by way of contribution as capital to a firm or other association of persons in consideration of a share in the profits of the firm or association,"

I fear that this includes speculation on the stock exchanges, and the stock exchange, as we know very well, thrives on financial manipulations. It is by no means a productive process; it is by no means a productive sector of the economy and if we cannot keep the stock exchanges' operation out of the picture, I for one would not agree to this provision.

Then I come to clause 5(q) This relates to the former princes and certain exemptions are being sought to be given to them.

Sir, I do wish to say and I do not make any apology for it, that we know some of these princes personally in this House. Some of them we like very much. As I said before it is not their fault that they were born with a platinum spoon in their mouth. Certain considerations in regard to them should not be forgotten. I say all that I am quite willing, to exempt them to the extent of the maintenance of relatives who are dependent upon them, because maybe they have inherited a feudal system which at, one time, perhaps irrationally in our eyes, implied one's having to maintain a lot of dependents. I certainly do not mind expenses for the performance of ceremonies. I do not really mind their being given certain facilities, because they have to keep up certain appearances. Unfortunately, Sir, for the time being we have not expro-

priated them altogether. If we had done so that was a different matter. If we had a revolution in this country they would have been expropriated. Whether that would have caused some unpleasantness or not is a different proposition. But we have not had a revolution of that sort. Therefore, I am prepared to treat them with every consideration.

But I say at the same time that they have got certain advantages guaranteed by the Constitution. They have got their privy purses which are not subject to income-tax, and, therefore, I should go very slow, I should be very careful in permitting them any further exemptions. As a matter of fact, we have been asking for the imposition of income-tax on privy purposes. We have been asking the princes to disgorge much of those, I do not know, bullion or gold or treasure of what description, which perhaps for long ages have been stowed away in their coffers. But since they did enjoy certain exemptions already guaranteed by the Constitution, I would not give them any further exemptions. I am prepared to treat them fairly and squarely. For the time being the country does not want them to go altogether. For certain reasons we are having an economy where there is a co-existence of all kinds of things. We do have amongst us sometimes persons who behave very much worse than many of these feudal exemplars, because capitalist degeneration is perhaps of a worse type on account of the sophistication with which capitalist generation carries on its practices. But I feel in regard to the princes certain exemptions are being given which ought not to be allowed. Certain exemptions they are entitled to have; certain other exemptions they should not have.

Then, Sir, I want to refer also to clause 5 (1) where expenditure incurred by the assessee in the purchase or maintenance of livestock is referred to. My hon. friend the Finance Minister referred to race horses in

regard to livestock. But I do not understand why the moneys spent in purchasing race horses should not be computed. I should think that would be one of the first items to be computed. I do not have that kind of feeling which certain puritans among us have in regard to racing. I have never witnessed racing. But I do not mind people enjoying racing; I do not mind it at all. But if I own a race horse, I must pay for it, not only to the man who has sold me that horse, but to the country, because we are having an expenditure tax. I have certain particulars which I have passed on to the Finance Minister. Unluckily for me my letters seem to hurt him, because I begin my letters "I am sorry to intrude on your time, but here you are." I have sent him some material about race horses. I do not know anything about them myself. But somebody in Calcutta who knows about the operation in Calcutta, Bombay, Bangalore, Poona and Madras, these five places, sent me a note on race horses. I sent it on to him saying, that he perhaps knows more than I do. Race horses are an asset. My correspondent says that as long as these race horses are in active service they are very valuable, but later when they are put out of commission they are sent to some stud-farms where also they can be transferred with some benefit to the transferor. If anybody is going to have the luxury of buying a race horse, surely we are not going to exempt him from the expenditure tax.

Then I come to the next clause, clause 6 (1)

Mr. Deputy-Seaker: The hon. Member has exhausted thirty minutes, and he has reached only clause 6, while there are 41 clauses and one schedule.

Shri H. N. Mukerjee: I shall finish in five minutes.

Under sub-clause (1) of clause 6 exemptions on medical and some other expenses are proposed to be given. Rs. 5000 is the amount proposed to be given for medical expenses and

Rs. 8,000 is the amount proposed to be given for educational expenses. A point has been sought to be made that this is necessitous expenditure. I have great respect for that argument. But as a matter of fact in our country most people have not the advantage of the most elementary medical service. Believe it or not, yesterday I got a letter which says that a young student has been sent to Calcutta National Medical Institute and the doctor tells him: "recommended admission in a two-rupee paying bed." He has not got the money, he writes to me. Most of our people have not got the money for the most elementary medical treatment. If somebody has the money to provide medical treatment for himself or his dependants, surely he is very welcome. But if you are going to spend beyond a certain limit, then surely he ought to pay to the State. If you are paying Rs. 20,000 to doctors and to other people associated with the work of medical service, surely you can pay a certain sum to the State.

Similarly in regard to education, I do not want people to be stopped from going abroad for purposes of education. But surely if somebody can spend Rs. 8,000 on a child's education, he can pay ten per cent of it, Rs. 800 to the State. Why should not this be done? As a matter of fact when the working class budget is to be drawn up when there is a labour dispute and the Tribunal has to decide how much money should be paid to the worker, then it is a job to get the tribunal to agree to Rs. 30 as the basic salary, and they say that Rs. 30 must include provision for medical expenses also. We see in the case of labouring people that it is a job to get the tribunals to agree to 2.5 or 3 units for the family, while here we give exemptions to all kinds of people. Why have one kind of ethics for the poor and another kind of ethics for others. Therefore, I feel that this Bill requires many changes.

We find that there is an attempt at blackmail. Here is a document published by the Forum of Free Enterprise which points out how since-

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November 1956 on account of certain new taxes investment in companies has dropped. They have given some figures. They may or may not be true; I am not concerned with that. This Forum of Free Enterprise obviously has access to very expensive paper and sends us all these documents, and it tries in a kind of way to blackmail us into submitting to their demand. We are not going to be frightened by this kind of statement that capital investment has declined. We know very well that certain interests are trying to fight wealth tax and expenditure tax. If you have these measures, then we will hold the pistol at you. That is what they are trying to do. But the country has to go ahead in spite of these intimidatory tactics on the part of big money. It is because the country has declared war on big money, it is because the country has made up its mind, that we are all going to have a socialistic sector of economy, whether the big moneyed interests like it or not. It is for that purpose that Government is making some halting efforts from time to time to achieve that desire. I am sorry that the Bill is not as good as it might have been. I do hope that the Select Committee had done its job a little better, but even now I have some hope that perhaps during the course of the discussion in the House certain changes will be brought about which will make the Bill more acceptable than it is at present.

Shri M. R. Masani (Ranchi-East): Mr. Deputy-Speaker, I suppose it will be agreed that one of the tests by which a taxation measure should be judged would be that it brings in substantial revenues needed for the country, without an undue dislocation of the economic mechanism and without undue inroads into the liberties of the citizen. When I joined the Select Committee, I had an open mind about this particular measure. I had no particular pre-conception whether a tax on expenditure as opposed to tax on income was a good or bad thing. Having met Prof. Kaldor and appre-

ciated his intelligence, I thought this might be an interesting experiment. But having listened to the evidence laid before the Committee, having studied the Bill and its implications, having read the Kaldor report I have reluctantly been dislodged from that position into one of having considerable scepticism as to whether a tax of this nature passes the test which I suggested in the very opening sentence of my speech.

The Finance Minister himself has conceded that not only is he not in a position to estimate the yield, but he also is quite prepared for the eventuality that no revenue whatsoever may be forthcoming from this impost. He says that in any event, certain other aims will have been achieved, namely, to stop people from conspicuous waste and extravagant expenditure. On that point, therefore, we have to be clear that this tax is not really a necessary tax. It is not a tax which brings in revenue which we need. It is a speculative tax, which may or may not bring any revenue. It will certainly bring along a certain measure of expenditure in the collection of the tax, which already has been referred to in the memorandum attached to the Bill. We will hope that the income will exceed that amount.

On the other hand, the psychological dislocation that will be caused by this Bill is considerable. The subject of harassment has been referred to Prof. Kaldor himself, in order to guard against harassment, had suggested a formula which at least, if the Bill is accepted and the tax applied, is a reasonable one. He has calculated expenditure in the following formula: Cash and bank balances at the beginning of the year plus all receipts including gifts, bequests etc. plus borrowings plus sale proceeds of investments minus loans made plus investments purchased plus cash and bank balances at the end of the year. He says that having established the gross expenditure during the year, the onus should be on the assessee to claim exemption for certain cate-

ries of expenditure which are allowable under his scheme. If he does not come forward with the claim for exemption, then he will be taxed for the whole amount. Unfortunately, this scheme has not been accepted by Government nor by the Select Committee and the door is left wide open, therefore, for the burden of proof to be thrown on the assessee. He will have to keep a complete and detailed itemised account of all expenditure undertaken throughout the year, whether by himself, or by the members of his family

Even middle-class people like ourselves must shudder at the thought of having to prove every single item of expenditure including our daily bazaar, our odd purchases, transport, bus rides, and so on. Not only this but we should be able to prove that this was all the expenditure that we undertook. We must also prove a negative, which is almost impossible to prove in law. We must prove that we did not spend more than Rs. 30,000 in a year. It is very difficult even for ordinary people to be able to prove that they did not do something. We can certainly prove what we did. The least we should have to do is to show a complete account and say nothing more than this was spent. I would be a bold man if I put on affidavit at the end of the year a statement that I really have not spent a single anna more than this expenditure. We spend odd amounts here and there so often that it is impossible for us really to say at the end of the year that we can swear that nothing else was spent. I had no intention of going into this in detail, but I would not like to disappoint my friend, Mr. Mukerjee. I was not altogether surprised, though it comes from a gentle person like him, that this inquisitorial method should be taken so cheerfully and lightly in this quarter. After all, from those who for 30 years swallowed every misdeed and every crime of one dictator blindly and with adoration and then, when a second dictator came, and denounced the first as a monster, equally cheerfully follow him with the greatest

amount of complacency and smugness, what can we expect from people like them? We certainly cannot expect any moral indignation at any sort of inquisition.

I am not prepared to agree that having accepted a socialist pattern of society, this country has done anything like accepting the dictatorial methods that certain people would like to see enforced in this country. I do not believe that the Praja Socialist Party or the Socialist Party of India would for a moment support, in the name of the socialist pattern of society, the inquisitorial methods that would gladden certain people's heart. Twentieth century socialists have outgrown these juvenile delinquencies of communist dictatorship. If one reads the book of Mr. Crossland, one of the finest flowers of the British socialist intelligentsia, or another book called Twentieth Century Socialism published by the Socialist Union, with which hon. Members on this side are familiar.....

Shri Goray (Poona): Will the hundred flowers be allowed to grow?

Shri M. R. Masani: They would not be allowed to grow under Prof. Mukherjee's dispensation. The socialist pattern of society the Indian people are going to tolerate is a different kind of socialist pattern, something which we may be proud of and that socialist pattern will not tolerate the inquisitorial methods that the Communist Party and the others of that kind would like to be enforced in this country. A socialist pattern does not, in the mind of our Prime Minister and the Government, I make bold to say, mean interference, beyond a certain legitimate measure that they might consider reasonable, into the private life and the sacredness of the personality of the individual. I do not for a moment accept this statement that the socialist pattern that this country is prepared to accept has any resemblance to the horrors of the Soviet or Chinese dictatorship.

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Apart from harassment, there is the question of administrative efficiency. We have in this country a creaking machinery, a machinery, as the Finance Minister admitted a few days ago that is unable to combat evasions, unable to recover crores and crores of rupees of public money which is slipping through their fingers, because they have not developed their efficiency as they should have. He admitted quite frankly that we on this side might preach to him about stopping evasion, but he is frankly unable to do anything very much about it.

Is this the kind of machinery which is now going to be asked to collect a tax much more hard to collect than the income-tax? Prof. Kaldor himself has described this expenditure tax as "administratively more difficult to handle than the present income-tax." When our administrative machinery is incompetent to collect effectively the income-tax that is due to them, we are now saddling them, for a footling revenue which we hope to get, with the complicated administrative task which has to be undertaken and which they do not seem to be in a position to cope with. When machinery is not up to scratch in dealing with an administrative problem, the possibilities of corruption and harassment increase, because what you cannot do in a scientific way, you are apt to do by third degree methods.

When the police in our country are not capable of having detecting machinery they should have, they beat up a man and extort a confession. If we apply that analogy, if the tax-gathering authorities suspect there is a leakage somewhere, they will be driven to harsh methods and inquisitorial methods, because they have not got the technique by which without those methods, they can recover the tax that might be escaping. That is why very big names in the economic firmament like Professor Pigou, Professor Keynes and Dr. Dalton at various stages rejected a tax on expenditure

or consumption as administratively impossible.

Another reason why I for one find it difficult to accept this measure is that this is not the machinery even its author, Prof. Kaldor, has recommended. Prof. Kaldor is very clear in his report that you cannot have a substantial income-tax at a higher level and a substantial expenditure tax. He has said that if you combine both, you get an intolerable burden of taxation which will kill incentive and hamper production. His argument is that it is much better not to tax income when it gets into a man's pocket, but to tax it when it goes out because if he puts it in investment, he is performing a constructive economic function. Unfortunately, his advice that nothing over 7 annas in the rupee need be levied on income has been ignored. We have got 85 per cent of the income as the ceiling and simultaneously, we have added to it the expenditure tax, flouting completely Prof. Kaldor's own idea that one should replace the other and not be added to the other. Therefore, this failure to reduce the supertax and income-tax proportionately makes this tax something that is inequitable, something that, in the words of its own author, would do more harm than good.

Now, Sir, Rs. 30,000 sounds a big amount when one thinks of it in the abstract. But, Rs. 30,000 broken down into monthly expenditure for a family of three people—because it is a family unit expenditure and not an individual one—what does it really amount to? What is the rupee worth today? Let me mention just a few indices of wholesale prices that prevail as compared to what they were in 1939. Taking the year ending August 1939 as 100, we get 562 as the index of the price of rice in January, 1957; wheat 584; tea 500; coffee 603; tobacco 809. These are some of the ranges of the rise in prices not in luxuries, but in the daily necessities and comforts of life. If you take an alround figure—because, I have selected a few items

and it is fair that I should give over-all indices—it comes to this:

Food articles all put together	392.1
Textiles	416
Manufactured articles	387.1
All commodities put together	422.1

In other words, the rupee today buys less than four annas worth of the 1939 rupee.

It is on the basis of such evidence that Dr. Appleby has made a remark in his report to Government on the administrative services that an official who draws a salary of Rs. 4000 today is really getting no more than Rs. 750 a month in 1939 terms. On the basis of these statistics, the best equivalent I can give for Rs. 30,000 a year today is a pre-war income of Rs. 500 a month. When we talk of these very rich people who indulge in extravagance, we really are beginning to tax people who would be drawing Rs. 500 a month and spending it on themselves, on their wives and children. I ask whether that is the kind of person about whom we should speak with the animus and envy that some people seem to do. Five hundred rupees before the war was a very middle class income. It was not a very luxurious income; nor was it one of the highest incomes in the country.

Shri Nagi Reddy: Will these figures apply in the case of wages of workers also?

Shri M. R. Masani: Certainly.

Even Mahatma Gandhi, with all his concepts of austerity, which most of us were unable to follow in our lives, conceded that Rs. 500 per head was a legitimate top income for this country despite all the disparities to which my hon. friend referred. Now, that Rs. 500 per head has become Rs. 500 for a family and we are treating as a potential criminal, an anti-social element one who spends Rs. 500 of pre-war purchasing power. I am mentioning this to show how we are losing

sight of the real purchasing power of money and getting blinded by high figures. We may as well say, after the war in Germany, that a man who spent a million marks was a black-marketer, was living an extravagant life. The purchasing power of one million marks after the war was far less. Yet it was one million. Let us consider what money buys and let us not get involved in high figures. Let us have a little sympathy for the middle class people who work hard, who want to educate their children and who want a little freedom to spend their money in the way they like and not in the way in which Shri H. N. Mukerjee would like them to use their money.

I come to this point in conclusion. The whole philosophy underlying this Bill is wrong. It is wrong from the point of view of the economic development and prosperity of our people. Luxury consumption in our country is already heavily taxed. Import duties on luxury articles are tremendously heavy in this country. On top of that, we have quantitative import controls by which certain things you cannot get at all even if you are prepared to spend a reasonable amount of money. Take motor cars. We know how restricted these luxuries are and how the prices have shot up. For an ordinary car which you could buy for Rs. 9,000 ten years ago, you have now to give Rs. 22,000. Most brands of cars you cannot get at all.

The present ratio of saving in this country without these penal measures is already high. Let me give the figures of fixed deposits and savings in our banks which is a very good evidence of the rate at which those with money are saving in our country today. Economists have held that time deposits and savings in banks are a kind of residual investment which rich people make after they have bought their shares and securities. They give a good idea of the trend. The Reserve Bank has published a publication called, "Trends in the Pro-

[Shri M. R. Masani]

gress of Banking in India'. On December 31, 1952 the fixed deposits were of the order of Rs. 135 crores. At the same time next year, they rose to Rs. 141 crores, in 1954 to Rs. 153 crores, 1955 to Rs. 174 crores, 1956 to Rs. 201.9 crores. Savings in banks rose—

1952 Rs. 131 crores,

1953 Rs. 133 crores,

1954 Rs. 140 crores,

1955 Rs. 140 crores,

1956 Rs. 158.4 crores.

Here is evidence that those who have the wherewithal to save are in fact diverting their earnings and their capital to productive enterprise and productive investment by putting the money in the hands of the banks so that that money can be passed on to constructive and productive purposes. When this process is spontaneously taking place, we are now trying to add a bit of harassment, a bit of irritation, as if a little prodding was necessary for poor beast of burden to push forward. When an animal is performing its function, it is a cruel, stupid owner who goes on hitting it, with a stick from behind. It seems to me that the whole concept of bullying people into doing what they are doing voluntarily today is wrong. The only effect will be to put people off, to irritate them, to make them feel crossgrained. If you induce that harassed mentality and persecution complex in people, you are not going to get out of them what you wish.

[SHRI MOHAMMED IMAM in the Chair]

The entire concept that we should stop the people from spending is a luxury which we in an under-developed country cannot afford. We want in this country an expanding economy. We want the people to earn more and enjoy life more. I take it that that is the ultimate purpose of the Second Plan. But the first step towards the ultimate purpose is to ask the people to spend less and live an austere life, even without the modest amenities

and comforts of life to which they are accustomed. This is not a process which will succeed. It has not succeeded in Soviet Russia. It will not succeed here. People like to see a little bit of what they are going to get in the future. If you are going to ask them to work hard, they want to have at least one anna into rupee of the comfort that they are going to get in the future at the present time, for themselves and for their children. They are not prepared to be told that at the end of the Sixth Plan, may be, you may have a richer life for your grandchild. That is not enough, human psychology being what it is. What does this kind of tax try to do? It tries, in the interests of long term prosperity, to aggravate poverty in the immediate.

On the other hand, what we need in this country is more purchasing power to be put into the pockets of the people. We want the people to spend the money in their pockets so that a bigger market can be created. When a bigger market is created, fresh employment is created. Because every time a man spends a rupee to buy something, that something has to be produced and a man has to be put on the job of producing that article. That is how the man who spends gets a more comfortable life and in doing so he creates more employment and more well being in the country. This is the process of an expanding economy which we see in the prosperous countries of the world. We are trying to thwart this process through a false sense of austerity and a false sense of equality.

I have no quarrel with those who are genuine Gandhians. I have great sympathy and respect for the point of view of those like my hon. friend Shri Jayaprakash Narayan or Acharya Vinobha Bhave who want people to live a simple life. They believe that happiness does not come through material comfort or riches. That philosophy is a sound one for those who can practise it. But that is not the philosophy of

the present Government of India. That is not the philosophy of the Second Plan. The philosophy of the Second Plan is a pure materialist philosophy of saying that people become happier when they spend more, when they have more food, more shelter, better clothing better education and better medical relief. That is another kind of philosophy. I am not quarrelling with it. A materialist philosophy has something to say for itself although, I believe, it is not complete. Other values have as much importance in making people happy as their physical comforts. But it does not lie in the mouth of those who have made a religion of economic development, whose hearts throb when they see the indices of steel production going up, who measure the country's well being by how much steel or cement it produces, to preach austerity, denial and less consumption in the same breath. There is a mixture of logic here which falls between the two stools. You neither get the simple life of Gandhiji, nor will you get the prosperity of the United States. You will fall right between the two stools in trying to emulate the prosperity of America when, at the same time, you are trying to squeeze people, who will not produce more unless they are given a foretaste of the prosperity. There is a fundamental lack of logic and intellectual confusion in the provisions of this Bill, and it has no place in an economy which is undeveloped and which we want to see developed. Gandhiji has a right to challenge us on this, but nobody else has that right certainly, least of all the people who believe in the material advancement of the country.

I was happy in this context to see a speech by Mr. Morarji Desai, the Minister of Commerce and Industry, which he delivered at the Central Advisory Council, while inaugurating that body in July. I think he got hold of the right end of the stick in that speech. He said that a large cut in consumption was not a possible solution to this country's problem. The problem before the country, said he, was to bridge the gap between pro-

duction and consumption, not negatively through austerity in consumption, although it was necessary and useful, but positively through greater production. The real and only answer to the problem, said the Minister, lies in greater production. That is an emphasis with which I wholeheartedly agree. But I think the Bill goes against it. This Bill acts as a disincentive to greater production. By taking away consumption, you are taking away more production, which this country needs. You are asking people to work hard, take more risks and earn more. But having earned more a man wants to have the right to decide how much to spend and how much to save because nobody is going to earn if you are going to tell him in advance what he is to do with it. When a man earns, he wants to have the freedom to decide what to do with his earnings. That being so, this measure will defeat the very object, production and greater production, which we all desire.

So, Sir, I have very reluctantly come to the conclusion that I, for one cannot be a party to this measure at all and, in my view in the best interests of the country, this Bill should not be proceeded with further.

Shri Jaganatha Rao (Koraput): I rise to support the Bill, as it has emerged from the Select Committee. Certain objections have been raised by my hon. friend, Mr. Masani, regarding the propriety of such a measure. His main objections are administrative difficulties and the harassment that will be caused to people. Regarding administrative difficulties envisaged by my hon. friend, I say it is a matter for the department to see. As a matter of fact, there will be no administrative difficulties because the officer who assesses the individual to wealth-tax would be the same officer who assesses him to income-tax and expenditure-tax. The whole assets of the assessee, including income, expenditure and wealth, is before him. So, it will be all the more convenient for him to assess correctly the income of the individual. It will also avoid evasion of tax.

[Shri Jaganatha Rao]

Regarding harassment, which was referred to by my hon. friend, there will be absolutely no harassment because the individual knows from the provisions of this Bill that any expenditure incurred by him over and above Rs. 30,000, which is allowed as the basic allowance (plus certain deductions allowed to him under clause 6) will come under the purview of this Act. So, where is the question of harassment. It is open to the individual to see that his expenditure does not exceed Rs. 30,000. Then, certain deductions are also allowed. Only when his expenditure exceeds that limit, he will be liable to tax. If he crosses that mark, he will be taxed; if he does not cross it, he will not be taxed. So, I feel there is no question of harassment. It has been clearly stated in the Bill that persons who have a net income of Rs. 36,000 and above will come and above within the purview of the Act. Strictly speaking, the income has no relation to expenditure. This figure has been put there so that persons who have an income of Rs. 36,000 and above know that they would be liable to pay tax if their expenditure exceed the prescribed limit. So, I feel that the grounds adduced by my hon. friend for harassment do not stand.

Then, my friend Mr. Mukerjee has referred to the Bill as it has emerged from the Select Committee, and said that the exemptions that have been given are so large that they have reduced the Bill to a sham. One of the objects of the Bill is to inculcate the habit of savings in the individuals so that they will not waste their wealth. If they do not waste their wealth, their savings form part of the wealth of the nation and it can be used for productive purposes. So, even if no tax is realised under this Act, it does not mean that this Act is not doing any good to the country. If the expenditure is curtailed because of this Act, which deters them from spending, then there will be savings, which will form part of the wealth of the nation. Further, that wealth is taxed under the Wealth-tax Act.

So, we need not be sorry that this Bill has failed to achieve one of the objects mentioned by the Finance Minister, namely, it will yield a sizeable income.

The other point raised by him is that this Act fails to remove the disparities between person and person. True. Disparities in income cannot be removed by taxation all of a sudden. It can be done only in course of time. Every measure of the Government is aimed to achieve an egalitarian society. But it is lengthy process. It can be done only by a long process. We cannot progress very quickly. It is not possible.

Further, we cannot quickly remove these disparities because our society is based on the concept of private ownership of property. That is guaranteed by the Constitution. Every person has got a right to enjoy private property, subject, of course, to certain restrictions. As long as that provision is there, we can remove the disparity only by taxing the people. We cannot straightway see that disparities are removed overnight. We cannot just say that all the wealth shall be State-owned. This has to be done by a process of legislation.

There is the other view expressed, which I find from the notes of dissent, where Mr. Masani and others say that every person has a right to enjoy his property and so the State cannot impose a restriction because, he says, it is a fundamental right. I respectfully submit that is not the correct position. Every person, of course, has the right to enjoy his property subject to reasonable restrictions under article 19. Further, the fundamental rights enumerated in Part III of the Constitution are subject to taxation measures enumerated in Part XII of the Constitution. Where a measure of taxation is introduced, fundamental rights certainly do not arise.

We have embarked upon a Plan which requires resources. Wherefrom is the money to come? Money does

not fall like manna from Heaven. The State has to raise the money. Every citizen has a duty to the State to contribute his mite. The State has a right to demand of the citizens to contribute by way of tax to the success of the Plan. Therefore, my hon. friend would not be right in saying that the State cannot ask the people to curtail their expenditure so that they would not be able to lead a life they were accustomed to. What the Bill intends is to curtail wasteful expenditure. All reasonable necessities required by a person have been provided for. A person may be accustomed to live according to a particular standard, is allowed to do so for his medical expenses a sum of Rs. 5,000 is allowed. He can send his child to a foreign country for education. Taking into consideration that there are persons in various strata of life, reasonable figures have been fixed. It is a compromise between two extreme views—the view that every person owning wealth should give away the wealth to the State or that the State has the right to take it away from him, and the other view that the State has no right to take it away in any shape or form. So, I would say that all the Bill aims at is curtailing of wasteful expenditure. To that there can be no objection from my friends.

When we have embarked upon a Plan, a certain amount of self-abnegation is necessary. Shri Masani was talking about the philosophy of the Bill. The philosophy of the Bill, according to me, is that every citizen is required to undergo a certain amount of self-denial and self-sacrifice. That is why the Finance Minister said and I also feel that if all the people in this country, because of this Bill, from tomorrow lead an austere life, not in the sense of denying to themselves the bare necessities of life but do not indulge in wasteful expenditure, it will be a step in the right direction because they would be reforming themselves and become useful to society.

My submission is that there can be no valid objection to this Bill on

either side, either from the rich or those who hold the other extreme view that there should be no rich people, or no people in the higher income brackets.

I shall not go into the provisions of the Bill in detail, but my hon. friend Shri Mukerjee has raised certain objections stating that there is much scope for evasion. I would say there is no scope for evasion because all steps have been taken to see that any person does not take advantage of the concessions given to him. Clause 5 enumerates certain items of expenditure which do not come within the purview of the Bill. Clause 6 gives certain items of expenditure which are deductible in calculating the expenditure.

Objection has been raised that this sum of Rs. 36,000 has been fixed as the net income of the person to attract the provisions of this Bill. As I said, it is not necessary to connect a person's income with his expenditure, and this has been introduced on grounds of expediency so that people with an income of Rs. 36,000 and above would come within the orbit of the tax.

I commend the Bill as it has emerged from the Select Committee. I have given notice of an amendment to sub-clause (m) of clause 5 which deals with the expenditure incurred by the assessee for any public purpose of a charitable or a religious nature in India. I shall deal with it in detail when the clause by clause discussion takes place.

Shri Bimal Ghose (Barrackpore): I also happened to be a Member of the Select Committee, heard the evidence and participated in the discussion, and I had come just to the opposite conclusion to which my friend Shri Masani has come. I think that this is a good Bill and that it introduces a good measure, though I agree with my friend, Shri Mukerjee, that it has unfortunately been watered down to a

[Shri Bimal Ghose]

considerable extent in the Select Committee.

The objections to the Bill may be grouped under various heads, but the main ones are that there would be more harassment, that we have not the machinery to collect this tax and that it would have a disincentive effect and a few others, but I may say a word about the philosophy of the Bill to which Shri Masani referred. His philosophy appeared to be that we should create more purchasing power in the hands of our people so that the market for all sorts of consumer goods may grow and the people may enjoy fuller employment and a more comfortable life. We have no quarrel with that, we all want that. He went on to say that he did not understand what a Plan was like if it meant stinting, if people could not spend as they liked. But surely everybody knows very well that in an under-developed country in the early stages of a Plan, there will have to be stinting. Somebody has to stint in order that the Plan may succeed. Further, he seems to feel that it will have an undesirable restricting effect.

I turn over the pages of the Minutes of Dissent and I come to my friend Dr. Krishnaswami, and I find that he is of the opinion that it will have no effect whatsoever because it will not affect the common people. It will not affect the ordinary people and the middle classes, and therefore it will have no restricting effect or ameliorating effect on the inflationary process in the country. The two are contradictory opinions. Dr. Krishnaswami may, to a certain extent, be right, but I would be happy if Shri Masani were right and this measure has a disinflationary effect.

Let us come to the question of harassment. Any tax measure will mean some measure of harassment. The question arises whether that should be the main ground for opposing a tax measure. Income-tax itself causes a lot of harassment, but I believe nobody would propose that we

should abolish income-tax. The ground of harassment cannot be the only ground for opposing any particular tax.

16.59 hrs.

[MR. SPEAKER in the Chair]

Of course, I do not deny that harassment is a serious matter, and I hope that the Government will give due consideration to it so as to see to it that no undue harassment takes place or that harassment is reduced as far as possible. But just because there may be harassment, I do not think it will be right for us to oppose a taxation measure.

And then, who are the people who will be harassed, and what will be their number? We have to realise that so far as the ordinary people are concerned, or even the middle classes, for whom it appeared Shri Masani was speaking, they are not at all affected by this Bill. I do not think that any middle class people would come within the purview of the wealth or expenditure tax, because I do not think that a middle class man has an income of about Rs. 2000 or Rs. 2500 per month. Therefore, we need not be so anxious to safeguard the interests of what we call the middle class people. There may be harassment, and I believe the number of assesses would total about 8000 or so and we have taken some care to reduce harassment. For example, we have related it to income on this ground; otherwise, there may be undue harassment to many.

17 hrs.

Then about our tax machinery being able to bear the burden of such a tax measure, that is something on which I am not competent to say. It is for the hon. Minister to say whether he feels that he has the administrative machinery to carry through this tax measure. I believe the burden is not so great that the income-tax department—I believe it will be entrusted to

that department—will not be enabled to undertake this.

Then we come to the question of incentives. A lot is said about incentives. We examined this argument also when we were discussing wealth-tax. I maintain that it cannot be demonstrated that this tax will necessarily have a disincentive effect.

There is one point I should like to place before you and that is this. Only recently a delegation of industrialists has gone abroad. That delegation left after these wealth and expenditure taxes were introduced in this country. The delegation left before these relaxations were known to it. I should like to know as to what this delegation will tell people abroad. Are they going to say that private enterprise is doomed in India, it has no future and there is no incentive to work, and therefore, foreigners should invest more money in this country? Whenever a tax measure is brought forward, I know that the people who are affected will always oppose it; whether it is increasing the income-tax or the corporation tax or any tax measure, those who are affected will oppose it. But I do not think it will be true to say that this measure will have a very serious disincentive effect.

Having disposed of the arguments urged against this measure, I should like to state one or two points on which I differ from the measure as it has emerged from the Select Committee. I feel that it has been watered down. There is this question of the income level which has been fixed. The limit of income liable to this tax has been placed at Rs. 30,000. My hon. friend, Shri M. R. Masani, has asked: why are you so much worried about this Rs. 30,000 figure? It is only Rs. 500 per month compared to pre-war prices. That comparison was absolutely unreal. Why should we compared with pre-war figures today? What we have to consider is, what is the position of a person today with Rs. 2000 or Rs. 2500 income per month? Do we consider that he is a man

who goes without the necessities of life, who has to stint himself too much? What is the position of a man in society today who earns Rs. 2000 or Rs. 2500? Whatever may be the price level, we are saying that the highest salary that should be paid should not exceed, let us say, 2000 or Rs. 2500. That is the highest salary we are thinking about. In this context, we have to decide what should be the limit that we should fix either for income or for exemption in respect of the liability to tax. From that point of view, I think Rs. 2000 per month is a very safe figure. Rs. 2000 is not too little. My hon. friend, Shri H. N. Mukerjee, felt that it was on the higher side. There may be some justification for that, but I feel that we should not in any case go beyond Rs. 2000 which will also be within the limit of 20 times or 25 times the lowest income. We have also to consider that. I feel therefore that we shall amend that provision and bring down the figure from Rs. 30,000 to Rs. 24,000.

For the same reason, I suggested that persons who spend more than Rs. 24,000 a year should pay tax. We have given a lot of exemptions under the Bill and I maintain that those exemptions are very generous. Even with those exemptions, Rs. 2000 consumption per month should be considered sufficient. Therefore, I feel that it is not proper that the exemption limit should be placed at Rs. 30,000 there also.

Then there is a point with regard to persons who have responsibilities and persons who have not, persons with dependents and persons without. Everybody has been given an exemption limit of Rs. 30,000. I feel it is not fair that a married man and a bachelor should have the same exemption limit. A bachelor certainly should be quite well off with an exemption limit of Rs. 24,000. At the same time, a family with dependents certainly would need more for expenditure of the family.

[Shri Bimal Ghose]

Therefore, the provision which lumps everybody in the same category is wrong in principle. I feel there should be a distinction between bachelors and married people and people with dependents. I have suggested an amendment in my minute of dissent, namely, that the lowest exemption limit should be Rs. 24,000 Rs. 3,000 for each dependent with a maximum limit of Rs. 30,000. The definition of dependents in this Bill extends only to sons and daughters; it does not extend to other relatives who really have to be supported in our joint family system. We were told in the Select Committee that it would not be possible to define dependents, that if we extended its scope, it would bring in loopholes for evasions. I was not really convinced by that argument that we could not define dependents in such a way as to plug evasion and at the same time give relief to people with a larger number of dependent members. I hope the lawyer Members of the House will be able to offer some definition of a dependent which while doing justice to people, and giving some relief to joint families will also, at the same time, see to it that there will be no large-scale evasion.

This Bill introduces a measure which is a very novel one. It exists in no other country in the world. I believe that is one of the things we should be proud of because we are today experimenting with a tax measure which would help in achieving a society that we desire.

We have to judge every tax measure by the objectives that we set before us. It is not as Shri Masani would like to say, that our objective is that we should make more wealth. Naturally, that may be our one objective. We must also increase our production. That is certainly our objective. But, at the same time, while we are increasing production, while we are increasing wealth, it should also be our objective to see to it that inequalities do not widen, do not become worse, that we assure to everybody a minimum standard of life.

Even Professor Kaldor, who is quoted by every section of the House, came to the conclusion after reviewing our tax structure that the inequalities were too great, and that it was not good for the economy or for raising the finances for the Second Plan. I should like my friend Shri Masani to read those portions of Kaldor's report, and to agree that a measure which has the effect of minimising inequalities is good and will help the objectives of the Second Plan. And, particularly, when it is also our desire that we achieve a socialist society where there should be less inequalities, it is all the more desirable that (1) we should try to evolve an integrated tax structure which will bring in more revenues, (2) stop evasions as far as possible—I am sure that all these measures along with the gift tax when it will come will help to check evasion, and (3) reduce inequalities, and therefore help in the objectives that we have set before us.

पंडित ठाकुर दास भार्गव (हिसार) :
उपाध्यक्ष महोदय, इस एक्सपेंडिचर टैक्स बिल की बाबत पहली बात जो मैं आपकी खिदमत में धर्ज करना चाहता हूँ वह यह है कि मेरी नाकिस राय में जब सरकार को सेकेंड फ्राइव इयर प्लान के वास्ते रुपये की जरूरत है जब सरकार ने साफ़ तौर पर हाउस में यह कहा है कि हम यह दो टैक्स इस वजह से लाये हैं कि सरकार को सेकेंड फ्राइव इयर प्लान को कामयाब बनाने के लिए काफी रकम की जरूरत है और इस वजह से मैं मजबूर सा हूँ कि मैं इस बिल को सपोर्ट करूँ। यह क्लिवाक्या साढ़े सात करोड़ रुपये की रकम बहुत बड़े बड़े लोग जो पहले टैक्स देते थे उनको माफ़ी देने की वजह से कम पड़ गई है और इस वजह से यह बिल लाया गया है कि वह ख़स्रा बसूस किया जाय। इस बिना पर तो मैं इस बिल को सपोर्ट करना चाहता हूँ कि सरकार को सेकेंड फ्राइव इयर प्लान के वास्ते रुपये की जरूरत है। इस वास्ते यू तो मैं इस को सपोर्ट करता हूँ लेकिन बाकी जो बातें मैं इसमें देखता हूँ,

एक्सपेंडिचर-टैक्स बिल और यह जो वेल्थ-टैक्स बिल रखे गये हैं यह सब के सब घोषा देने वाली चीजें हैं। यह एक्सपेंडिचर-टैक्स बिल देश के अन्दर हरमिज यह काम नहीं करेगा जो गवर्नमेंट को डाइरेक्टली करना चाहिए। गवर्नमेंट यह चाहती है कि लोग धराब न पीयें धराब पर रुपया खर्च न करें अगर गवर्नमेंट चाहती है कि शादियों पर और दूसरे काजों पर लाखों रुपये खर्च न हों अगर गवर्नमेंट इस तरह के सोशल रिफार्म्स करना चाहती है तो डाइरेक्टली बिल लाये कि शादियों में इससे ज्यादा धावमी बरातों में नहीं आयेंगे, इससे ज्यादा खाने नहीं दिये जायेंगे। मुमकिन है कि कहीं इनडाइरेक्टली, कहीं रिमोटली इसका असर नजर भी आये, शायद इसका ऐसा असर हो कि लोग कहें कि रुपया ज्यादा खर्च नहीं करना चाहिए और इस वजह से कोई शल्स रुपये खर्च न करे लेकिन मैं इसके डाइरेक्ट रिजल्ट की तौर पर यह नहीं देखता कि लोग इसकी वजह से अपने धरारा-बात में कमी कर देंगे या किसी तरीके से वे सोशल रिफार्म्स के अन्दर फंस जायेंगे।

जनाबवाला, इसमें कोई शक नहीं कि श्री एच० एन० मुकर्जी ठीक तौर पर हमारे फाइनेंस मिनिस्टर साहब को बर्बाई देते हैं। अगर वह सैकेंड फ्राइव इपर प्लान के वास्ते उनको बर्बाई देते तो मैं उसमें उनके साथ कामिल होता। काल्डर साहब की रिपोर्ट के बाद नये नये क्रदम हमारे फाइनेंस मिनिस्टर साहब ने उठाये हैं लेकिन मैं कहना चाहता हूँ कि यहीं काल्डर साहब इस टैक्स की अपने मुल्क में रायज नहीं करा सके, किसी मुल्क में रायज नहीं करा सके और जो चीज कहीं की दुनिया में न हो उसको हम यहां करने जा रहे हैं। मैं अपने फाइनेंस मिनिस्टर साहब को उम्मीद इस तरह का जुरंत का क्रदम उठाने के लिए मुबारकबाद देता लेकिन मैं समझता हूँ कि हमारे देश के जो हालात हैं उनको देख कर मुझे मंत्री महोदय की इस तरह की जुरंत कृत्याविव नहीं अच्छी।

जनाबवाला, यहां हाउस में कुछ हैरेसमेंट का जिक्र हुआ है। अब देखना यह है कि इस से लोगों के ऊपर क्या असर पड़ेगा और धावा इससे कोई रकम भी वसूल हो सकेगी या नहीं, यह दो बड़े सवाल हैं। मुझे यह डर है कि हम जिस वजह से इस बिल को सपोर्ट करते हैं वह बात पूरी नहीं होगी। इसमें धामदनी इस कदर नहीं होगी जिस कदर कि हम चाहते हैं। अगर इसके अन्दर कांफ्रि धामदनी हो सकती तो मैं इस बिल को बड़ी खुशी से सपोर्ट करता।

इसके अन्दर धामदनी जो खर्च करता है उसका वह हिसाब देगा। हम सब लोग इनकम-टैक्स ला से बखूबी वाकिफ हैं और जानते हैं कि कितना टैक्स इवेज होता है। टैक्स इवेजन की शिकायत आये दिन यहां पर मेरे दोस्त श्री एच० एन० मुकर्जी किया करते हैं और वह खुद बतलाते हैं कि १८० करोड़ रुपया इनकम-टैक्स का धमी भी ऐरियर्स में पड़ा है। सरकार किसी के खिलाफ कोई कोभरसिव मेजर्स अक्त्वार नहीं करना चाहती। मुझे कोई शक भीच खुबहा नहीं है कि अगर इनकम टैक्स की बखूबी ठीक तौर पर इस देश में की जाय तो धापकी यह दो छोटे मेजर्स अपनी जेब में रखने की कोई जरूरत न रहे क्योंकि १०, ५ या ४ करोड़ ही धाप इनसे हासिल करने की उम्मीद करते हैं, अगर इनकम-टैक्स ऐक्ट को ठीक तरीके से एनफोर्स किया जाय तो जैसा मैं पहले कई वफे कह चुका हूँ वह सब की सब रकम वसूल हो सकती है और कई गुना १५ करोड़ से ज्यादा धामदनी हो सकती है। धापकी धामदनी डेढ़ गुनी हो सकती है। पहले फाइनेंस मिनिस्टर साहब का यह जवाब था कि ३० करोड़ से ज्यादा का टैक्स इवेजन नहीं होता लेकिन काल्डर साहब के व डिपार्टमेंट के कहने के मुताबिक यह रकम कई सौ करोड़ रुपये की कमती है। देश के अन्दर खेती खड़ी हो और उसको कटने वाला कोई न हो। इस देश के अन्दर जिस तरीके

[वंशित ठाकुर दास भार्गव]

से इनकम-टैक्स डिपार्टमेंट काम करता है, उससे ज्यादा इनएक्सपेंडिचर और करंट डिपार्टमेंट मिसाला मुश्किल है।

पहले फाइनेंस मिनिस्टर साहब ने जो टैक्सेशन लिमिट ३५०० के बजाय ४२०० रखी थी, तो वह कोई एसेसीज की मुहब्बत की बजह से नहीं रखी थी। उनका खयाल था कि ४२०० की रकम रख कर वह ३५०० के बमुकाबले ज्यादा रकम वसूल कर सकेंगे। मैं इनकम-टैक्स ऐक्ट से बखूबी बाकिफ्र हूँ और रोख देसता हूँ कि लोगों की क्या हालत होती है और किस तरीके से इनकम-टैक्स डिपार्टमेंट और उनके अफसरान काम करते हैं। इनकम-टैक्स ला तो इतने असें से रायज है और अब वह फ्रिक्मड और सर्टेन सा है और यह मालूम रहता है कि किस से टैक्स लिया जायगा, बिजनेस और सैलरीज वगैरा पर किस तरह वसूल किया जायगा, वह सब दिया हुआ है, लेकिन यह जो नया एक्सपेंडिचर-टैक्स बिल आया है और जिसके कि ऊपर श्री एच० एन० मुकर्जी ने इस ऊदर वक्त खर्च किया और उसकी हर एक वक्ता को स्कन कर जाता, उसको मुलाहिजा करने से पता चलेगा कि उसमें इनकम-टैक्स आफिसर को कितना जबरदस्त डिस्क्रिशन दिया हुआ है और उसमें करप्शन की कितनी अधिक गुंजाइश है। वह जिस तरीके से चाहे इस ऐक्ट के एक एक लफ्ज को इंटरप्रेट करे। इस ऐक्ट में इतने ज्यादा एनाउन्सेज हैं कि क्या शामिल होगा और क्या नहीं शामिल होगा यह सब फ्रैसला करना उसके हाथ में छोड़ दिया गया है और मैं समझता हूँ कि इस तरह की बाइब डिस्क्रिशनरी पावर्स देकर पैराडिस फोर (Paradise for) करप्शन इनकम-टैक्स अफसरान के लिये बना दिया गया है।

अब जनाबवाला हैरिसमेंट का खयाल आता है। पहले यह नियम था कि ६० हजार रुपया इनकम-टैक्स देने वाला शख्स इसके अन्दर आता था, लेकिन उसके मुताबिक

हमारे फाइनेंस मिनिस्टर साहब क्रमाते हैं कि इसके अन्दर हम ने जो एक बेसिस रखी है वह उचित नहीं है क्योंकि यह ठीक नहीं है कि ६० हजार वाले के ऊपर तो यह टैक्स लगे और ५६ हजार वाले के ऊपर न लगे और उन्होंने इसके अन्दर यह लिख दिया कि जिस शख्स की ३६ हजार रुपये नेट इनकम होगी उससे ज्यादा वाला इसकी जद में आ जायेगा उससे कम के लोग नहीं आयेंगे। अब मैं जानना चाहता हूँ कि ऐसा कौन सा उनके पास बेरोमीटर है और कौन सा ऐसा थर्मामीटर है जिसको कि बगल में लगा कर वह यह मालूम कर सकेंगे कि फर्ना शख्स की आमदनी ३६ हजार है कि नहीं। इसका क्या नतीजा होगा? इसमें यह होगा कि लोगों के प्राइवेट मैटर्स में दखल दी जायगी, और जिसको कि मेरे दोस्त श्री मसानी साहब इनक्यूजिटोरियस कहते हैं, उस तरीके से लोगों के प्राइवेट मैटर्स की और हर चीज की जांच की जायगी और इस तरह एक आदमी को इस बिल से जितना हैरिसमेंट होगा, उसका खयाल मेरे दोस्तों को नहीं है।

मैं खुद आपको अपना केस अर्ज करना चाहता हूँ। मैं ने कभी अपना हिसाब नहीं रखा, मेरी हिसाब रखने की आदत नहीं है और उस हालत में एक इनकम-टैक्स आफिसर मुझे कैसे बिलीव करेगा कि मैं ने इतना खर्च नहीं किया है। हमारे इस देश के अन्दर लिटरेसी बहुत कम है और बहुत कम लोग यहां के हिसाब किताब रखते हैं, जो लोग व्यापार बगैरह करते हैं वे तो कुछ अपना हिसाब रखते हैं लेकिन ज्यादातर ताबाद ऐसे लोगों की है जो कि अपना हिसाब नहीं रखते हैं। आज तक मैंने कभी अपना हिसाब नहीं रखा, पिछले ४५ वर्षों से ज्यादा असें से टैक्स देता आया हूँ और अब इस बिल के अन्दर जो हिसाब रखने की पाबन्दी आयद की गई है तो मैं ने उसके लिए एक अर्मेन्डमेंट दिया है कि हिसाब रखने के बास्ते जो मुनीब हो उसके खर्च

का ऐन्वैप्यमान दिया जाय। अगर आप चाहते हैं कि मैं हिसाब दू तो हिसाब रखने की आवश्यकता होने से नहीं भावेली और मेरे जैसे हजारों पढ़े लिखे आदमी हैं जो कि हिसाब रखने के आदी नहीं हैं, अनपढ़ों का तो चिन्त ही क्या, उनकी क्या हालत होगी।

इस बिल की दफा ४, ५ और ६ जिनमें कि Amounts to be included in taxable expenditure, Exemptions from expenditure-tax in certain cases and Exclusion from taxable expenditure

का जिक्र आया है उनके मुताबिक हर एक आदमी के बारे में यह देखना होगा कि कितनी रकम टैक्सबुल एक्सपेंडिचर में शामिल होनी चाहिए और कितनी रकम टैक्सबुल एक्सपेंडिचर से एक्सक्लूड होनी चाहिए, ऐसी उनकी भाषा है कि काफ़ी गड़बड़ होने की संभावना रहती है इसके अलावा हमारे यहां जो इनकम-टैक्स आफिसर्स होते हैं वे सीधे कालिजों से निकल कर उन जगहों पर आ जाते हैं और मैं जानता हूं कि ऐसे ऐसे इनकम-टैक्स आफिसर हमारे यहां पर हैं जो कि हिसाब किताब ठीक से नहीं देखना चाहते और जो खुद यह नहीं जानते कि किस तरह से सही ढंग से हिसाब रखना चाहिए और यही हाल बड़े इनकम-टैक्स आफिसर्स का है कि वह न हिसाब समझते हैं और न कोई और चीज समझते हैं। आज इनकम-टैक्स डिपार्टमेंट के अन्दर बहुत ज्यादा इनफॉर्मियसी है और अनाबवाला ने वह किताब भी देखी होगी जिसमें एक इसी डिपार्टमेंट के आदमी ने कि विस्तार से बतलाया गया है कि इनकम-टैक्स डिपार्टमेंट की कैसी बुरी हालत है। कलकत्ते के अन्दर इनकम-टैक्स के बारे में सबें हुआ और उसके मुताबिक हजारों आदमियों को टैक्स जमा करने के लिए नोटिस दिये गये लेकिन वह इनकम-टैक्स बसूल नहीं किया गया। जब कलकत्ते जैसे बड़े शहर की जगह पर सबें हो चुका है वहां की यह हालत है तब आप बसूरी समझ सकते हैं कि देश के बाकी शहरों में जहां कि आज तक इस बारे में सबें नहीं हुआ है, वहां की कैसी हालत होगी। मैं समझता हूं कि अगर

इनकम-टैक्स ठीक से बसूला जाए तो वर्यर इस टैक्स के लगावे सरकार की आमदनी कई गुनी बढ़ सकती है लेकिन वह नहीं किया जा रहा है।

अनाबवाला, मैं उस संकट में नहीं फँसना चाहता, जिसका कि जिक्र भी जगन्नाथ राव ने किया है। मैं यह मानने को तैयार हूं कि आज जो हमारा आइडियल है वह यह है कि इस डेवलप एकोनामी में लोग खूब खर्च पायें, और खर्च करें लेकिन ताहम जब तक हमारा फ़ाइव इयर प्लान पूरा नहीं होता, गरीब आदमियों पर रोज़ टैक्स लगते हैं, ऐसी हालत में जब तक कि यह हमारा फ़ाइव इयर प्लान पूरा नहीं होता हर आदमी का फ़र्ज है और सरकार का फ़र्ज है कि सैक्रिफ़ाइस उनसे कराये जो कि सैक्रिफ़ाइस कर सकते हैं। आप गरीब आदमियों पर रोज़ टैक्स लगाते जा रहे हैं। आखिर उस की क्या हालत होगी? वह बेचारा तो पेट भर के खाना भी नहीं खा सकता है। मैं इस बात को मानने के लिए तैयार नहीं हूं कि जो आदमी दे सकते हैं, उन को इस बात की पूरी इजाजत हो कि वे खूब फ़िज़ूलखर्ची करें। अगर इस में हैरासमेंट और दूसरे झगड़े न होते, तो मैं किसी हद तक यह पसन्द करता कि आप पूरा एलाउंस दें, जितना कि एक अच्छे से अच्छा आदमी खर्च कर सकता है। आज हमारे मिनिस्टर साहबान को २,५०० रुपये स ज्यादा नहीं मिलता है। हमारे डिप्टी स्पीकर साहब और डिप्टी मिनिस्टर साहबान को २,२०० रुपये से ज्यादा नहीं मिलता है। सब कुछ टैक्स दे कर उन की क्या आमदनी रहती है? बड़ी मुश्किल से उन का गुजारा होता है। सरकार चाहती है कि वह कार रखें। इस हाउस में कोई भी शक्स, जो कि कार रखने वाला हो, मुझे यह बताये कि क्या कार पर ५०० रुपये माहवार से कम खर्च होता है। १०० रुपये शोकर को दिये जाते हैं, तेल पर खर्च होता है, डेप्रिसियेशन कास्ट होती है। इस तरह ५०० रुपये माहवार से कम खर्च नहीं होता है। मैं पूछना चाहता हूं कि आप क्या चाहते हैं। आप १८,००० ब

[पंडित ठाकुर दास भांबा]

१२,००० रुपये की बात करते हैं। क्या आप चाहते हैं कि सारे हिन्दुस्तान में हमारे मिनिस्टर और डिप्टी मिनिस्टर कर्ज के कर जायें? आखिर वे कैसे गुजारा करेंगे? वे भ्रष्ट करना चाहता हूँ कि वह ठीक तरीका नहीं है। ठीक तरीका तो यह है कि आप एक सीलिंग मुकर्रर कर दें और उससे बढ़ कर जो खर्च करता हो, उस पर टैक्स लगाया जाय। हमारे फिनांस मिनिस्टर साहब ने कहा है कि उन्होंने इस को इनकम-टैक्स से लिंक नहीं किया है, लेकिन मैं पूछता हूँ कि यह ३६,००० रुपये का मीयार कैसे रखा गया है। जिस सक्स की ग्रामदानी ३५,००० रुपये हो, उस को भ्रष्टियार है कि वह लाखों रुपए खर्च कर दे, वह कहीं से लाए, वह चाहे क्या खर्च कर दे, लेकिन उस की कोई पूछ-ताछ नहीं है। इसी तरह ३४,००० रुपये जिस की ग्रामदानी हो, उस की कोई पूछ-ताछ नहीं है। तो फिर इस ३६,००० रुपये में क्या बात है, जो कि इस को रक दिया गया है? अगर कुछ रखना ही था—अगर कोई रेशनल बेसिस बनता है, तो खर्च पर टैक्स रक देते। अगर किसी कास रकम से ज्यादा खर्च साबित हो जाय, तो उस पर टैक्स लगा दिया जाय। तीस हजार या चालीस हजार या कुछ और मीयार रक दिया जाता और उससे ऊपर जो खर्च करता, उस पर टैक्स लगा दिया जाता। यह एक रीजनेबल बात होती, लेकिन आप जो कुछ कर रहे हैं, वह रीजनेबल नहीं है।

एक बड़ी भारी शक्ती यह है कि लोग एक टैक्स तो दे नहीं सकते हैं, लेकिन उन पर तीन तीन टैक्स लगाये जा रहे हैं। आखिर इतने अफ्रिस्तर्ज मुकर्रर करने की क्या जरूरत है? अगर कोई टैक्स लगाना ही था, तो इनकम, सैल्य या किसी भी दूसरे नाम से टैक्स लगा दो, लोगों से, रुपया बसूल करते और पौन को बसूल कर देते। मैं तो इससे भी भागे जाता हूँ। अगर पौन पूरी नहीं होती, तो पांच, दस या बीस हजार पर कैपिटल सबी लगा कर उसको पूरा कर दीजिये। लेकिन ये बहाने-

बाधियां, वे अफ्रिस्तर्ज करना और कहना कि इसकी अपील्व हौनी, वह होना, वह होना ठीक नहीं है। आखिर इतने पाठ हजार अधिमियों का प्रैक्ला कौन करेगा? कहाँ तक उनकी अपील्व जायेंगी? वे सुप्रीम कोर्ट तक जायेंगे।

इस बिस् में जो मुद्दे रखे गये हैं, वे बहुत ही अजीब हैं। मेरे पास इतना वक्त नहीं है कि मैं उन पर बहस करूँ, लेकिन मैं यह भ्रष्ट करना चाहता हूँ कि उन की वजह से इस को बर्क करना निहायत ही मुश्किल होगा। उन मुद्दों पर कुछ न कह कर मैं बन्द जरूरी बातों का जिक्र करना चाहता हूँ। मैंने बैल्य टैक्स बिल के वक्त भी भ्रष्ट किया था और अब फिर मैं निहायत अदब से और जोर से भ्रष्ट करना चाहता हूँ कि अगर इस बिल में कोई चीज असेसी को तसल्ली दे सकती है, तो वह सिर्फ़ एक ओफिसर है और वह है एपिलेट असिस्टेंट कमिशनर। मेरे दोस्त ने अभी जनाब के सामने कौटिल्य को कोट किया है। उस पर मैं पीछे आऊंगा। मैं यह भ्रष्ट करना चाहता हूँ कि किसी भी टैक्स में सब से पहली बात यह है कि असेसी को किसी किस्म की तक्लीफ़ न हो, शिकायत न हो। जिस वक्त वह इनकम-टैक्स आफिसर के पास— या किसी दूसरे मुतासिलका आफिसर के पास—जाय, तो वह यह महसूस करे कि सामने उस का दोस्त बैठा है, सरकार को जितना देना चाहिये, वह उतना ही और मुनासिब टैक्स लगाएगा, वह ज्यादा टैक्स नहीं लगाएगा, वह मेरा दुश्मन नहीं है। यह जरूरी है कि अफ्रिस्तर्जों की तरफकी इस बिना पर नहीं होनी चाहिये कि वह ज्यादा टैक्स लगाते हैं। मैं इस हाउस में पहले दो केसिब सुना चुका हूँ कि किस तरह से इनकम-टैक्स आफ्रिस्तर्ज को कुछ उन के आफ्रिस्तर्ज बताते हैं और उनको रिफ़रत देने और देने के लिये मजबूर करते हैं और किस तरह से बिस्कुल फिमूल बातों पर कम लोगों की तरफकी रोक देते हैं। इस सारे

जिस में एक ही लक्ष्य है, जिस पर हम को एक्-
बार है और जो भूखंडीय को बहुत लक्ष्मी
देता है और यह है एपिलेट प्रसिस्टेंट कमिशनर ।
जहाँ तक इनकम-टैक्स आफिसरों का ताल्लुक
है, एक आफिसर में पुलिस और बच दोनों
कम्बाइन्ड होते हैं — वही तहकीकात करता है,
वही टैक्स लगाता है । ऐसा बहुत दिनों से चला
आ रहा है, इसलिये हम इस बारे में सिकन्दर
नहीं करते । अपिलेट आफिसर वह भूखंडी
आफिसर है, जिस पर इनकम-टैक्स का डिपार्ट-
मेंट काम करता है । लेकिन उस पर भी एक अंकुश
लगाया हुआ है । उसकी प्रमोशन, ट्रांसफर
और बुनिया में सरकार के तारे आसिब बोर्ड
में अपने काम में रहे हुए हैं । बोर्ड उस वक्त
लोक को छोड़ना नहीं चाहता है । बी सी० डी०
बेधमुख ने, जिस वक्त वह फ़िनांस मिनिस्टर
थे, इस सिलसिले में कोशिश की, हमारे साथ
को-ऑपरेट किया, लेकिन बोर्ड नहीं माना ।
मैं गवर्नमेंट की सिद्धमत में अर्ज करना चाहता
हूँ कि अगर गवर्नमेंट चाहती है कि उस के
टैक्स का बहुत बुरा असर न हो और लोग
वह फ़ील न करें कि हमारे साथ जबर्दस्ती हो
रही है, तो सब से पहला काम यह करना
चाहिये कि एपिलेट प्रसिस्टेंट कमिशनर को
बिल्कुल इंडिपेंडेंट रखा जाय । मैं यह पूछना
चाहता हूँ कि देश में सेवान्वय जज के फ़ैसलों
पर पूरी तसल्ली क्यों होती है । इसलिये कि
वह एक इंडिपेंडेंट आदमी है, वह गवर्नमेंट
के मातहत नहीं है । इस सिलसिले में हमारे
कांस्टीच्युशन की दफ़ा ५० कास तौर से
तय्यजह के काबिल है । उसमें लिखा है कि
गवर्नमेंट के सिर्फ़ एक ही महकमे में नहीं,
बल्कि गवर्नमेंट की सारी इन्स्टीच्युसनल में
एग्जैक्टिव और जुगबशारी में संप्रेशन करनी
है । अगर आप चाहते हैं कि आप का महकमा
ऐसा हो, जिस पर कि लोग भरोसा करें और
यह न समझें कि वह हमारी खाल उभेड़ना
चाहता है, तो आप एपिलेट प्रसिस्टेंट
कमिशनर को बिल्कुल इंडिपेंडेंट रखें । ऐसा
करने से यह होगा कि जो कानून बनाया
जा रहा है, उस पर ठीक तरीके से अमल
होगा । अगर कोई कानून कोई है: दफ़ा कन-

सिडर कर के तैयार किया जाय, लेकिन उस
पर ठीक तरीके से अमल न हो, तो हैरतमंज
हो सकती है । अगर आप की मशीनरी
जलत है, तो सब बातें जलत हो जायेंगी ।
असेसीय की तादाद बहुत बढ़ जायगी ।
पहले ही उनकी तादाद सात आठ लाख की ।
अब उस में और इजाफ़ा ३००० के लिमिट
की बचह से होने वाला है । बैल्य-टैक्स में
भी बहुत से लोग आ जायेंगे । मैं सब
जोन ऐसे हूँ जो कि सुप्रीम कोर्ट तक पीछा
नहीं छोड़ेंगे । यह वक्त है कि गवर्नमेंट इस
रिफ़ार्म को मान ले ।

दूसरी बात यह है कि इनकम-टैक्स
आफिसर के सामने आ कर लोग अपना रोना
रोते हैं, उसको समझाते हैं कि इतना टैक्स
लगाओ । वहाँ तक तो ठीक है । इनकम-टैक्स
आफिसर को हमने जल बनाया । हम उस पर
ईमान रखते हैं कि जो कुछ वह सोचेंगा, उसके
मुताबिक वह फ़ैसला कर देगा । लेकिन इनके
पास एक बला है इंसर्पैक्टिंग प्रसिस्टेंट कमिशनर,
जो कि रात को जाता है, असेसी को बुलाता
नहीं है, कान में बात कहता है और बगैर
असेसी को बुलाये मिसल में रिफ़ाई कर देता
है । ऐसा अम्बर आप को किसी भी डिपार्टमेंट
में नहीं मिलेगा । एक ऐसी चीज़ रखी हुई है,
जो कि अम्बर से ही कंट्रोल करेगी, जो
बाहर शकस नहीं दिखाती । मैं इस भूत से कैसे
लड़ूँ ? अगर आप चाहते हैं कि देश में शांति
हो, तो आप इस का फ़ैसला कर दें । मैं यह
नहीं चाहता कि इंसर्पैक्टिंग प्रसिस्टेंट कमि-
शनर न हों । वे बाज दफ़ा डिपार्टमेंट के लिबे
बहुत अच्छा काम कर देते हैं, लेकिन असेसी
को तसल्ली नहीं हो सकती है कि उस को बगैर
बुलाये रिफ़ाई नर लिख दिया जाय कि इतना
टैक्स लगा दिया जाय । असेसी आगे सुप्रीम
कोर्ट तक जाता है लेकिन तो भी इस पीछे
की मार के असर को दूर नहीं कर सकता ।
यह निहायत जरूरी है कि इंसर्पैक्टिंग प्रसिस्टेंट
कमिशनर को यह अस्तित्व न हो कि बगैर
असेसी को बुलाये उस के पीछे से उसकी

[पंडित ठाकुर दास भार्गव]

मिस्र पर हुकूम कर दे, वा चुपचाप इनकम-
टेक्स प्राकिसर के काम में यूँक चार दे और
पीछे से स्टैंड कर दे।

उपाध्यक्ष महोदय : इन निहायत जरूरी
बातों को कहने के बाद क्या माननीय सदस्य
अब सत्य कर देंगे ?

पंडित ठाकुर दास भार्गव : मैं चाहूंगा
कि जनाब मुझे थोड़ा और मौका दें। मैंने
अभी दो तीन बातें ही अर्थ की हैं। अभी
मैंने और कई जरूरी बातें कहनी हैं।

उपाध्यक्ष महोदय : अच्छा, माननीय
सदस्य परसों अपनी स्पीच जारी रखेंगे।

DISCUSSION REGARDING MEDICINAL PLANTS ORGANISATION AND UTILISATION OF CRUDE DRUGS

Shri V. P. Nayar (Quilon): Mr. Deputy-Speaker, I want to raise three points:

(a) The lack of proper co-ordination in the activities of the Central Government regarding the utilisation of crude drugs;

(b) The urgency of a comprehensive scheme for the use of Indian crude drugs to save foreign exchange spent on import of products of vegetable origin; and

(c) The urgency of carrying on researches to utilise the Indian medicinal plants.

Fortunately for us, Sir, the debate is to be replied by Dr. Das who has the equipment to understand the points and the problems. Sir, in this connection it is interesting to note what the Pharmaceutical Enquiry Committee had to say in relation to the matter of crude drugs. Here at page 88 of the Committee's Report they say:

"India abounds in medicinal plants

and more than 75 per cent of the drugs of vegetable origin mentioned in the British Pharmacopoeia are available in the country."

Later on they go on to say—

"This (that is, extraction of the active principles) will add to the economic resources of the State and help to meet the needs of the Pharmaceutical Industry."

The other day when I put a question, I was surprised to find from the answer given by the Commerce and Industry Minister, that this very important product, namely the active principles of crude drugs are not being produced even to a fraction of our requirements. I find also from the answer to Question No. 85, on the 18th July, that the following are the only active principles extracted from crude drugs in India at present. quinine, morphine and codeine, emetine hydrochloride, ephedrine, reserpine and caffeine, and most of them, except quinine are in very very negligible quantities, although it would be said that in addition a number of pharmaceutical works in the country produce extracts and tinctures of vegetable drugs I shall come to that a little later

Then, Sir, I do not have any precise information about the foreign exchange which we spend on the import of these alkaloids, because in the lists, or in the statistics of imports they are not maintained separately. Therefore, I am unable to give the House an idea of the exact amount which we have to spend for importing these in the shape of foreign exchange.

All this happens because our country has so far had no integrated plan, no comprehensive scheme, for the development of this industry which is of vital significance to the entire pharmaceutical industry. We abound in plants of known medicinal value. I do not want to bombard the House with names, but from the Manual regarding the flora and fauna of Kerala I have found that there are so many

plants with known medicinal value. It will be interesting for the House to know that in the rich forests of Kerala we have plants which grow wild with known medicinal value, including emetic, antipyretic, diuretic, antihelmuthic, antiperiodic, tonic, digestive, rubifacient and alliative properties. With all this herbal wealth, what are we doing? We do not seem to have paid any thought.

Mr. Deputy-Speaker: The hon. Member said that he would not bombard the House.....

Shri V. P. Nayar: They are all common words.

Shri Feroze Gandhi (Rai Bareilly): You can make it intelligible to us!

Shri V. P. Nayar: The Government of India has not bestowed any serious thought to this subject. The state of this industry is very primitive. We have necessarily to depend upon imported drugs and these drugs are imported into this country not after being made in other countries from the raw materials which they have. You will be surprised to know, Mr. Deputy-Speaker, that most of the drugs come back in their finished stage, when we export the crude drugs. Take the case of *muxvomica*. We export it in thousands of pounds and it comes back to us at very inflated costs as strychnine. Like that I can point out any number of instances

This particular subject is covered by a number of Ministries. The Education Ministry has something to do with it; Commerce and Industry Ministry has something to do with it; the Ministry of Health has something to do with it. Owing to the multiplicity of controls...

The Deputy Minister of Education and Scientific Research (Dr. M. M. Das): There is also the Agriculture Ministry.

Shri V. P. Nayar: Yes; as my hon friend, the Deputy Minister, has very rightly pointed out, the Ministry of Agriculture has also something to do with it. All these Ministries are controlling a single subject and the net result is that the industry has not progressed. It is to the very serious detriment not merely of our pharmaceutical industry but to our entire industry these plants are not merely used for the extraction of alkaloids, but they are used in many other ways also.

I shall read out with interest what great work one of our scientists had done in the matter of extracting one of the products from a plant growing wildly in the south. I am reading from the *Indian Journal of Medical Science* published from Delhi, where scientists work....

Shri Subodh Hasda (Midnapur—Reserved—Sch. Tribes): There is no quorum.

Mr. Deputy-Speaker: The bell may be rung.

Still there is no quorum. Direction No. 19 on Half-an-hour Discussion reads as follows:

"When half-an-hour discussion under sub-rule (1) of rule (1) of rule 55 is interrupted for want of quorum or when there is no time for the Minister to give a full reply to the debate, he may, with the permission of the Speaker, lay a statement on the Table of the House."

So, the Minister will lay* a statement on the Table of the House. We are adjourning; there is no other alternative.

The House stands adjourned till 11 A.M. on Monday.

17.40 hrs

The Lok Sabha then adjourned till Eleven of the Clock on Monday, the 2nd September, 1957.

*Laid on the Table on 12th September 1957.

DAILY DIGEST

[Saturday, 31st August, 1957]

COLUMN

CONTENTS

PAPERS LAID ON THE TABLE 11056

A copy of each of the following statements showing the action taken by the Government on various assurances, promises and undertakings given by Ministers during the various sessions shown against each was laid on the Table :

- (1) Supplement- Second
ary Statement Session,
No. I. 1957 of
Second Lok
Sabha.
- (2) Supplement- First Ses-
ary Statement sion, 1957
No. II. of Second
Lok Sabha.
- (3) Supplement- Fifteenth
ary Statement Session,
No. IV. 1957 of
First Lok
Sabha.

REPORT OF BUSINESS AD-
VISORY COMMITTEE
ADOPTED.

11064—66

Eighth Report was adopted

BILLS PASSED—

11066—11186

- (1) Further discussion on the motion to consider the Railway Passenger Fares Bill concluded and the motion was adopted. After clause-by-clause consideration, the Minister of Finance (Shri T. T. Krishnamachari) moved that the Bill, as amended be passed. On the motion the House divided : Ayes, 160; Noes, 47. The motion was accordingly adopted and the Bill, as amended, was passed.

- (2) The Minister of Finance (Shri T. T. Krishnamachari) moved for the consideration of the Foreign Exchange Regulation (Amendment) Bill. The motion was adopted. After clause-by-clause consideration, the Bill was passed, as amended.

BILL UNDER CONSIDERA-
TION

11 186—11241

The Minister of Finance (Shri T. T. Krishnamachari) moved for the consideration of the Expenditure-Tax Bill as reported by Select Committee. The discussion was not concluded.

HALF-AN-HOUR DISCUS-
SION.....

11241—44

Shri V. P. Nayar raised a half-an-hour discussion on points arising out of answer given on the 25th July, 1957 to Starred Question No. 336 regarding Medicinal Plants Organisation and Utilisation of Crude Drugs. His speech was unfinished when the quorum bell rang. Lok Sabha adjourned for want of quorum at 5.40 P.M.

AGENDA FOR MONDAY,
2ND SEPTEMBER, 1957.

Discussion on the motion regard-
ing International situation.