

THIRD REPORT
STANDING COMMITTEE
ON FINANCE
(1993-94)

TENTH LOK SABHA

THE PUBLIC DEBT (AMENDMENT)
BILL, 1991



सत्यमेव जयते

Presented to Lok Sabha on 20 August, 1993
Laid in Rajya Sabha on 20 August, 1993

LOK SABHA SECRETARIAT
NEW DELHI

August, 1993/Sravana, 1915 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON FINANCE (1993-94)

Dr. Debiprosad Pal — *Chairman*

MEMBERS

Lok Sabha

2. Shri P. Chidambaram
3. Shri Magunta Subbarama Reddy
4. Prof. K.V. Thomas
5. Shri Chandulal Chandrakar
6. Dr. K.V.R. Chowdary
7. Shri Chhitubhai Gamit
8. Shri Prithviraj D. Chavan
9. Shri S.B. Sidnal
10. Smt. Maragatham Chandrasekhar
11. Shri P.C. Chacko
12. Shri Prakash V. Patil
13. Shri Mahendra Kumar Singh Thakur
14. Shri B. Akbar Pasha
15. Shri Sushil Chandra Varma
16. Shri Jeevan Sharma
17. Shri Chetan P.S. Chauhan
18. Shri Declipbhai Sanghani
19. Shri Manabendra Shah
20. Shri Sartaj Singh Chhatwal
21. Shri Harin Pathak
22. Shri George Fernandes
23. Shri Abdul Ghafoor
24. Shri Srikanta Jena
25. Shri Satyapal Singh Yadav
26. Shri Nirmal Kanti Chatterjee
27. Prof. Susanta Chakraborty
28. Shri T.J. Anjalose
29. Shri Bhogendra Jha
30. Shri Kadambur M.R. Janardhanan

Rajya Sabha

- *31. Shri Jitendrabhai Labhshanker Bhatt
32. Shri Krishna Kumar Birla
33. Shri Trilokinath Chaturvedi
34. Shri Gurudas Das Gupta
35. Shri K.R. Jayadevappa
36. Dr. Shrikant Ramchandra Jichkar
37. Shri Ghulam Rasool Matto

*Ceased to be a Member of the Committee consequent upon his retirement from Rajya Sabha
w.e.f. 13.8.1993.

38. Shri Chimanbhai Mehta
39. Shri Kamal Morarka
40. Shri Rajubhai A. Parmar
41. Shri Ashis Sen
42. Shri Surinder Kumar Singla
43. Shri Arangil Sreedharan
44. Shri S. Vidhuthalai Virumbi

SECRETARIAT

1. Shri G.L. Batra — *Additional Secretary*
2. Shri Satish Loomba — *Deputy Secretary*
3. Shri Ram Autar Ram — *Under Secretary*

INTRODUCTION

I, the Chairman of the Standing Committee on Finance, (1993-94) to which the Public Debt (Amendment) Bill, 1991 was referred by the Speaker under Rule 331 E (b) of the Rules of Procedure and Conduct of Business in Lok Sabha for examination having been authorised to finalise and submit the Report on their behalf, present this Report.

2. The Bill was introduced in Lok Sabha on 9th September, 1991 and published in the Gazette of India, Extra-ordinary, Part II—Section 2 dated 9th September, 1991. The Bill *inter-alia* intends to prescribe period of limitation for redemption of the Special Bearer Bonds, 1991, issued in 1981-82 in the form of Government Security, so that exemption from Income Tax, Wealth Tax and Gift Tax and other immunities do not continue indefinitely.

3. The Committee considered and adopted this Report at their sitting held on August 17, 1993.

NEW DELHI;
August 20, 1993
Shravana 29, 1915 (Saka)

DR. DEBIPROSAD PAL,
Chairman,
Standing Committee on Finance.

REPORT

The black money has posed a serious threat to the national economy. In order to channelise black money for productive purposes and to secure effective economic and social planning, the Special Bearer Bonds (Immunities and Exemption) Act, 1981 was passed by the Parliament. In terms of this Act, bonds were issued in 1981-82 under the Special Bearer Bonds Scheme 1991. These bonds were in the form of Government Security as prescribed under the Public Debt Act, 1944. Each bond had face value of Rs. 10,000 and were issued at par with maturity period of 10 years. The holders of bonds were entitled to receive Rs. 12,000 for every bond on maturity. There was no limit on investment in the bonds. The bonds were transferable. There were immunities for the original subscriber or the possessor of bonds or about Source of the money from which the bonds were acquired. The mere fact of possessing the bonds did not make the person liable to pay tax, penalty or prosecution under the direct tax laws. The premium payable on the redemption of bonds was free from the Income Tax and the value of the bonds was exempted from the Wealth Tax. Transfer of bonds on re-sale did not attract liability towards Capital Gains Tax. Transfer of bonds by way of gift was free from Gift Tax under the Gift Tax Act. The Special Bearer Bonds Scheme was completely independent of Tax System. No holder of the bonds entitled to claim any set off or relief in any proceedings under the direct tax laws on the ground that he/she had subscribed to or otherwise acquired the bonds. The holders of the bonds were not entitled to demand reopening of any of his or her completed assessment on the ground that he/she had subscribed to or has otherwise acquired these bonds. It was not permissible for any tax payer to claim in his or her Wealth Tax assessment proceeding that any asset owned by him or her, whether or not liable to Wealth Tax had been converted into the bonds.

2. The Committee have been informed that the Government did not intend to allow the holders of these bonds to continue to enjoy the aforesaid immunities and exemptions available under the scheme for an indefinite period after the maturity of bonds. The Public Debt Act, 1944 did not provide for any period of limitation for redemption of Government Security, as specified under the Act. There were apprehensions of bonds being misused for converting black money. The repayment of bonds commenced from 2nd February, 1991. Till the end of the April, 1991, out of Rs. 386 crores of matured bonds, only Rs. 58.28 crores of bonds (i.e. around 15%) were tendered for the repayment. The Public Debt (Amendment) Bill, 1991 which provided for limitation period for redemption of the said bonds, was introduced in September, 1991. Since then, the repayment picked up fast and out of total value of Rs. 964.26 crores of Special Bearer Bonds that were sold, repayment amounted to Rs. 908.71 crores. i.e. 94.24% as on June 30, 1993.

3. The Committee have been informed that the Public Debt Act, 1944 is proposed to be amended by inserting a new clause viz. 24 A in the Public Debt (Amendment) Bill, 1991. The Bill provides that every person holding Special Bearer Bonds, 1991 shall present the bonds for payment within the period of 180 days from the date on which the Public Debt (Amendment) Bill, 1991 receives the assent of the President or the date of the maturity of the bonds whichever is later. It stipulates that if the Central Government are satisfied that the person holding the bonds was prevented by sufficient cause from presenting the bonds within the said period of 180 days, it may allow such person to present the bonds within such further reasonable period as it may deem fit. It further provides that the Central Government before making any order in this regard against the person holding the bonds shall give him a reasonable opportunity of being heard.

4. The matter was considered by the Standing Committee on Finance at this sitting held on 17 August, 1993.

5. The Committee note from the Public Debt (Amendment) Bill, 1991 referred to them that there was no period of limitation for redemption of the Bonds in the Public Debt Act, 1944. The Committee also note that the Special Bearer Bonds (Immunities and Exemptions) Act, 1981 too did not provide for any time limit for presenting Special Bearer Bonds. The Committee further note that the Government have brought the present Bill before Parliament to put a time limit of 180 days from the date on which the Public Debt (Amendment) Bill, 1991 receives the assent of the President, or the date of the maturity of the Bonds, whichever is later. The intention of the Government is not to allow the Special Bearer Bonds holders to continue to enjoy the immunities and exemptions available under the Special Bearer Bonds Scheme 1991 for an indefinite period after their maturity. The intention is also to see that the Bonds are not misused for converting black money.

6. The Committee find that till 30 June, 1993 out of total value of Rs. 964.26 the bonds to the tune of Rs. 908.71 crores have been redeemed and the balance bonds of Rs. 55.55 crores value are yet to be presented for redemption. Thus the balance amount required for redemption works out to 5.76% only.

7. The Committee conclude that the Bill seeks to impose a period of limitation for redemption of the said Bonds so that tax exemption and other immunities do not continue indefinitely. The Committee, therefore, support the Bill without any amendment.

NEW DELHI;
August 17, 1993

Sravana 26, 1915 (Saka)

DR. DEBIPROSAD PAL,
Chairman,
Standing Committee on Finance.

Statement of Conclusions/Recommendations of the Standing Committee on Finance Contained in the Report

S. No.	Reference Para No. of Report	Conclusions/Recommendations
1	2	3
1.	5.	The Committee note from the Public Debt (Amendment) Bill, 1991 referred to them that there was no period of limitation for redemption of the bonds in the Public Debt Act, 1944. The Committee also note that the Special Bearer Bonds (Immunities and exemptions) Act, 1981 too did not provide for any time limit for presenting Special Bearer Bonds. The Committee further note that the Government have brought the present Bill before Parliament to put a time limit of 180 days from the date on which the Public Debt (Amendment) Bill, 1991 receives the assent of the President, or the date of the maturity of the Bonds, whichever is later. The intention of the Government, is not to allow the Special Bearer Bonds holders to continue to enjoy the immunities and exemption available under the Special Bearer Bonds Scheme 1991 for an indefinite period after their maturity. The intention is also to see that the Bonds are not misused for converting black money.
2.	6.	The Committee find that till 30 June, 1993 out of total value of Rs. 964.26 the bonds to the tune of Rs. 908.71 crores have been redeemed and the balance bonds of Rs. 55.55 crores are yet to be presented for redemption. Thus the balance amount required for redemption works out to 5.76% only.
3.	7.	The Committee conclude that the Bill seeks to impose a period of limitation for redemption of the said Bonds so that tax exemption and other immunities do not continue indefinitely. The Committee, therefore, support the Bill without any amendment.

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON
FINANCE HELD ON 17TH AUGUST, 1993

The Committee sat from 1630 hrs. to 1730 hrs. in Committee
Room No. 50, Parliament House.

PRESENT

Dr. Debiprosad Pal — *Chairman*

MEMBERS

Lok Sabha

2. Shri Chandulal Chandrakar
3. Shri Chhitubhai Gamit
4. Shri Prithviraj D. Chavan
5. Shri Mahendra Kumar Singh Thakur
6. Shri B. Akbar Pasha
7. Shri Sushil Chandra Varma
8. Shri Chetan P. S. Chauhan
9. Shri Harin Pathak
10. Shri George Fernandes
11. Shri Nirmal Kanti Chatterjee
12. Prof. Susanta Chakraborty

Rajya Sabha

13. Shri Krishna Kumar Birla
14. Shri K. R. Jayadevappa
15. Shri Arangil Sreedharan
16. Shri S. Vidhuthalai Virumbi

SECRETARIAT

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|-----------------------|-----------------------------|
| 1. Shri Satish Loomba | — <i>Deputy Secretary</i> |
| 2. Shri Ram Autar Ram | — <i>Under Secretary</i> |
| 3. Shri Mange Ram | — <i>Assistant Director</i> |

2. The Chairman welcomed the Members of the Committee and invited their attention to the Public Debt (Amendment) Bill 1991 referred to them under Rule 331 E of the Rules of Procedure and Conduct of Business in Lok Sabha. The Committee discussed the Bill and decided to support it without any amendment as the intention of the Government was to put a limit of 180 days for redemption and to check the growth of black money. The Committee authorised the Chairman to finalise the Report on the above lines proposed by the Committee and present it to the House on 20th August, 1993.

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The Committee then adjourned.

THE PUBLIC DEBT (AMENDMENT) BILL, 1991

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BILL*further to amend the Public Debt Act, 1944*

BE it enacted by Parliament in the Forty-second Year of the Republic of India as follows:—

1. This Act may be called the Public Debt (Amendment) Act, 1991. short title.

18 of 1944. 5 2. After section 24 of the Public Debt Act, 1944, the following section shall be inserted, namely:— Insertion of new section 24A.

10 “24A. Notwithstanding anything contained in this Act or in any other law for the time being in force, every person holding the Special Bearer Bonds, 1991, issued by the Central Government, shall present the bonds for payment within a period of one hundred and eighty days from— Time-limit for presenting Special Bearer Bonds, 1991.

(a) the date on which the Public Debt (Amendment) Bill, 1991 receives the assent of the President, or

(b) the date of the maturity of the Bonds, whichever is later:

Provided that if the Central Government is satisfied that the person holding the Bonds was prevented by sufficient cause from presenting the Bonds within the said period of one hundred and eighty days, it may allow such person to present the Bonds within such further reasonable period as it may deem fit: 5

Provided further that the Central Government shall, before making any order under the preceding proviso against the person holding the Bonds, give him a reasonable opportunity of being heard.” 10

STATEMENT OF OBJECTS AND REASONS

The Special Bearer Bonds, 1991 were issued in 1981-82 in the form of Government security prescribed under the Public Debt Act, 1944. No period of limitation for redemption of a Government security is specified under this Act. The Special Bearer Bonds (Immunities and Exemptions) Act, 1981 provided general immunities and exemptions to persons who had subscribed to or otherwise acquired the said Bonds. It is now considered necessary that period of limitation may be specified for redemption of the said Bonds, so that exemption from income-tax, wealth-tax and gift-tax and other immunities do not continue indefinitely.

2. The Bill seeks to achieve the above object.

NEW DELHI;
The 5th September, 1991

MANMOHAN SINGH.