

[Prof. Madhu Dandavate]

and it should be made more beautiful, Government accepts this viewpoint. Shri Yuvrajji has raised the question of power. I want to tell him, rather assure him that all the questions relating to policy matters have been heard by the Ministers incharge of various Ministries present here. If Finance Minister starts answering all your questions, it will take the shape of another general discussion on budget. Therefore, I would try to pass on your suggestions to the concerned Ministries. As regards constraint of resources, I would like to assure the hon. Member that as far as possible we will try to mobilise resources.

SHRI HARISH RAWAT (Almora): Will he get his mail or not?

PROF. MADHU DANDEVATE: It will be confirmed when you receive it.

[English]

MR. DEPUTY SPEAKER: The question is:

"That the Bill to authorise payment and appropriation of certain sums from and out of the Consolidated Fund of India for the services of the financial year 1990-91, be taken into consideration."

The Motion was adopted.

MR. DEPUTY SPEAKER: The house will now take up clause-by-clause consideration of the Bill. The question is:

" That Clauses 2 to 4, and the Schedules stand part of the Bill."

The Motion was adopted.

Clauses 2 to 4, and the Schedule were added to the Bill.

MR. DEPUTY SPEAKER: The question is:

"That Clause I, Enacting Formula and the long Title stand part of the Bill."

The Motion was adopted.

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

PROF. MADHU DANDEVATE: I beg to move:

"that the Bill be passed."

MR. DEPUTY SPEAKER: The question is:

"That the Bill be based."

The Motion was adopted

18.27 hrs.

FINANCE BILL*, 1990

[English]

MR. DEPUTY SPEAKER: The House will now take up the Finance Bill. We are going to sit till 8 o'clock and, if necessary, beyond that also, if the Members want. But that we have to decide. Eight hours are there. There can be a comprehensive discussion on this.

Now the finance Minister.

THE MINISTER OF FINANCE (PROF. MADHU DANDEVATE): Sir, I beg to move:

"That the Bill to give effect to the financial proposals of the Central Government for the financial year 1990-91 be taken into consideration."

Sir, I have already explained the main features of the proposals contained in the Finance Bill in my Budget speech. The de-

*Moved with the recommendation of the President.

tails of the specific provisions in the Bill have been explained in the Explanatory Memorandum circulated to hon. Members. I do not, therefore, consider it necessary to cover the entire ground again.

The finance Bill has been before the hon. Members for nearly eight weeks. During the debate on the Budget, various suggestions have been put forward by hon. Members with regard to the proposals contained in the Bill. I have also received a large number of representations from members of the public, trade unions, kisan organisations, consumer bodies, chambers of commerce and other trade and professional associations on the proposals contained in the Bill. I take this opportunity of expressing my gratitude to hon. Members and to all other who have studied the proposals carefully and have made constructive suggestions. On a careful consideration of these suggestions, I have decided to modify some of my original proposals. With the indulgence of the House, I will now briefly explain the principal changes that are proposed to be made in the provisions of the Finance Bill.

I shall first deal with proposals in regard to direct taxes. In recognition of their special role in our economy, cooperative societies have a somewhat favourable tax regime with substantial exemptions and deductions as laid down in Section 80P of the Income-Tax Act. They are also allowed a standard deduction of Rs. 40,000 in the case of consumer co-operative societies, and Rs. 20,000 in the case of other societies. Besides, they are subjected to a graduated scale of tax with a minimum of 15% and a maximum of 40%. In order to provide further encouragement to the cooperative movement, I propose to further reduce the rate of tax by five percentage points at all levels.

Tea industry is subjected to taxation by both the Centre and States. In addition to Corporation tax, sixty per cent of the income of assesses in the the business of growing and manufacturing tea is subjected to tax by respective State Governments by imposition of tax on agricultural incomes. As pro-

ducer of agricultural commodity, its fortunes fluctuate from year to year. To enable this labour intensive industry to raise and conserve resources mainly for the upgradation of plantations, I propose to provide for a deduction for this purpose that is a slightly modified form of what was earlier available under Section 33AB of the Income-tax Act. This is proposed to be done by moving necessary amendment in this behalf to the Finance Bill.

Honourable Members will recall that I had proposed a substantial change in the taxation of inter-corporate dividends. Under the new scheme, deductions for inter-corporate dividend are linked to distribution of dividend by the company receiving the dividend. I had, however, indicated that the new scheme would not apply to scheduled banks and public financial institutions. On the same principle, it is now proposed to treat State financial corporations and State industrial investment corporations on par with public financial institutions for this purpose. As companies registered under section 25 of the Companies Act, 1956 are forbidden by law from declaring dividends, they would also continue to be governed by the existing provisions of Section 80M.

I propose to further liberalise the deduction in regard to expenses incurred on handicapped children which is unduly restrictive in scope. I, therefore, propose to increase the qualifying income limit of the parent or guardian from Rs. 60,000/- to Rs. 1,00,000/-. I also propose to allow the deduction of Rs. 6,000/- irrespective of the handicapped child's or dependent's income. Besides, my proposed amendment would enable doctors etc. working in all hospitals and dispensaries approved under the Central Services (Medical Attendance) Rules to certify the required medical condition. This includes, apart from Government municipal hospitals and dispensaries, a large number of private hospitals also.

There has been some uncertainty in regard to the number of days than a person employed as a member of the crew of an

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Indian ship can spend in India during a particular previous year, without his being considered as resident in India for that year, under section 6 of the Income—tax Act, 1961. This is one of the several reasons for the acute shortage of qualified personnel to man our ships. I, therefore, propose to put the matter beyond doubt by providing that members of the crew of Indian ships would also be covered by Explanation (a) to section 6(1)(c) of the Act. They would thus be resident in India in any previous year only if they are in India for one hundred and eighty two days or more in that year. As in the case of the newly proposed deduction for tea industry, this new proposal is also sought to be implemented by an amendment to the Finance Bill.

The Income Tax Act contains certain provisions for exempting donations for purposes of activities connected with rural development and environmental protection. In my Budget proposals, I had extended these benefits to cover afforestation. I have also received some further suggestions for facilitating participation of voluntary agencies in rural development programmes. This is an area of our priority, and I get the suggestions examined in the light of past experience.

I do not propose to take up the time of the House by dealing with a few other amendments to direct taxes which are merely by way of drafting changes or of a procedural or consequential nature.

I now turn to some modifications relating to indirect taxes.

Honourable Members may be aware that excise duty concession was allowed on high speed diesel oil consumed by large fishing vessels. This was considered anomalous as it did not benefit the smaller fishermen and the concession was therefore withdrawn in December, 1988. In order to help the smaller fishermen it has been decided to reimburse fully through cooperatives the

excise duty payable on the high speed diesel oil used by small mechanised fishing vessels. This measure will provide duty free high speed diesel oil to small fishermen. The details of the scheme will be notified separately.

At present Aluminium containers attract excise duty at the rate of 30 per cent. As a measure of relief to the agricultural sector, I propose to fully exempt aluminium containers used for the packing of liquid pesticides.

I had announced in the Budget an increase in the import duty on waste paper from 20 per cent to 25 per cent. Keeping in view the representations received from the small paper mills, I propose to restore the earlier rate of 20 per cent.

At present only those small paper mills using unconventional raw materials and whose annual clearances do not exceed 24,000 tonnes are eligible for reduced rates of excise duty. In view of the enhanced limits of the minimum economic capacity of such mills, I propose to raise the ceiling limit for the purpose of availment of concessional excise duty from the present limit of 24,000 tonnes to 33, 000 tonnes.

In the Budget I had announced certain increases in the rate of basic excise duty on paste grade PVC mainly as an anti-evasion measure. The excise duty rates on PVC coated textiles were also revised upwards. There have been certain representations from the leather cloth industry. In order to mitigate their difficulties, I propose to remedy the situation by increasing the ceiling limit for the availment of MODVAT in respect of the duty paid PVC resin used in the manufacture of leather cloth from Rs. 3.50 to Rs. 5.25 per sq. metre of the coated textiles and also by revising downwards the rates of excise duty on such coated textiles.

I had proposed in the Budget the imposition of basic excise duty of Rs. 4.40 per kg. on PTA and Rs. 3.60 per kg. on DMT. It has been represented that there should be no differentiation in the rates of excise duty on

these inputs which are used in the manufacture of polyester staple fibre and yarn. I, accordingly, propose to impose a uniform rate of 15 per cent on both DMT and PTA.

In line with the reduction of excise duty on polyester staple fibre announced in the Budget, I propose to reduce the excise duty on polyester waste arising in the manufacture of such fibre to Rs. 5/- per Kg.

In the Budget, I had announced reduction of excise duty on certain specifications of nylon filament yarn used for the manufacture of fish nets. I propose to extend the concession to nylon filament yarn of some more specifications, which are also used for the same purpose.

As an anti-evasion measure, I propose to reduce the excise duty on synthetic woven sacks from 8 per cent to 5 per cent and to increase the excise duty at the tape stage from Rs. 3.70 to Rs. 3.85 per kg. The proposal is broadly revenue neutral.

The metal container industry has represented that they are adversely affected by the increase in costs of inputs as well as competition from other packaging containers. To give relief to this industry, I propose to reduce the excise duty on metal containers made of iron or steel from 20 per cent to 15 per cent.

In the Budget, I had proposed an increase of excise duty on fruit juices from 5 per cent to 10 per cent. However, I am informed that, due to certain classification problems, the rate of duty has gone up to 15 per cent on certain fruit juice based beverages. I propose to rectify the anomaly so that the duty on fruit juice based beverages remains at 10 per cent only.

In order to promote investment and strengthen the capital goods sector, I had proposed in the Budget reduction of excise duty on such machinery on a selective basis by five percentage points. I propose to extend this concession to certain other items of textiles processing machinery by reducing

the excise duty thereon from 15 per cent to 10 per cent.

As a measure of relief to the mini cement industry, I propose to reduce the excise duty on cement made by the mini cement plants Rs. 115/- to Rs. 90/- per tonne.

In this year's budget, blank audio cassettes and recorded audio cassettes manufactured directly from recorded audio tapes have been subjected to excise levy. Manufacturers have represented that the levy has led to certain problems. Taking into account the difficulties expressed, I propose to fully exempt such blank and recorded audio cassettes. However, I propose to revise the excise duty on the magnetic tape used in the manufacture of such cassettes from Rs. 2.10 to Rs. 3.00 per sq. metre.

I propose to extend the concessional rate to excise duty available to enamelled winding wires to PVC insulated winding wires used in submersible motors which find extensive use in the agricultural sector.

Lime is manufactured mostly in the decentralised sector. Accordingly, as a measure of relief, I propose to fully exempt specified varieties of lime from excise duty.

Honourable Members would recall that to encourage aseptic packaging of intravenous fluid, I had reduced the import duty on form fill seal machines to 40 per cent. As a measure of further relief, I propose to reduce the import duty on specified grade of low density polyethylene resin for such aseptic packaging made with the help of form fill seal machines to the level of 40 per cent.

As the Honourable Members are aware, I had proposed in the Budget to levy the Inland Air Travel Tax at 10 per cent on the full air fare instead of the basic fare as currently in force. In order to narrow down the gap between the U. S. dollar fare and the Indian rupee fare for air travel, I am proposing an amendment to the Finance Bill to increase the rate of air travel tax from 10 per cent to 15 per cent of the total fare.

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I am also proposing an amendment to the Finance Bill relating to the import duty on parts of zip fasteners which is of a corrective nature.

The exemption notifications relating to the above changes in the indirect taxes will be laid on the Table of the House in due course.

The net revenue loss involved in the various changes that I have proposed is expected to be relatively small and will be made good by better tax collection.

Finally, let me turn to the announcement made about debt relief for farmers, artisans and weavers in my Budget Speech of 19th March, 1990. A detailed operational scheme for providing debt relief has now been worked out. I am glad to inform the House about the following main features of the Scheme:

- (i) Debt relief will be admissible to farmers who had taken loans for agriculture and all allied activities, like Animal Husbandry, fishing, forestry, etc., landless agricultural labour as also artisans and weavers who had taken loans for their vocational requirements.
- (ii) Relief will cover all overdues on short term and term loans advanced by public sector banks, regional rural banks, cooperatives including and development banks, as on 2.10.1989.
- (iii) Relief will be available to the borrowers whose principal amount from one or more banks, regional rural banks or cooperatives does not exceed Rs. 10,000/- - Once the eligibility of the borrowers for debt relief is established on this criterion, the waiver of the principal and interest amounts will be allowed upto a limit of Rs. 10,000/-.

(iv) Subject to the conditions already indicated, the benefit of debt relief will be available to the following categories of borrowers:-

- (a) Non-willful defaulter farmer by the "Annawari System" applied on the village basis. The farmer who has defaulted in payment of his loan for two or more bad crop years on the basis of the Annawari System, will be treated as a non-willful defaulter, eligible for debt relief.
- (b) Defaulter farmer, artisan and weaver with 'chronic over dues', i.e. overdues which remained unpaid for more than three years at the cut off date, i.e. 2.10.1989.
- (c) the surviving family of a deceased borrower on whom the loan liability has devolved.
- (d) The farmer who had filled insolvency petitions or who has already been declared insolvent.

I would also repeat my earlier announcement through Budget Speech and my statement of 4th May, 1990 in this House, about the compensation for the loss caused to the banks, regional rural banks and cooperatives on account of the debt relief scheme. The Central Government will fully compensate the public sector banks and regional rural banks which are in the Central sector. Though the cooperatives are constitutionally in the State sector and are set up and managed under the State Laws and by the State authorities, the Central Government will bear 50 per cent of the burden of debt relief on cooperatives including land development banks and the State Government will be expected to bear the rest of the burden.

Public sector banks, regional rural banks, NABARD and RBI have been advised to ensure that the lending branches undertaken the operation of providing debt relief according to the scheme in a time abundant manner. We are also advising the State Governments to draw up similar schemes or modify their existing schemes on these lines for the cooperatives.

Our effort has been to make the scheme simple, objective, non-discretionary, and expeditious so that the deserving farmers, artisans and weavers, spread all over the country, get the due and intended benefit, properly and promptly.

I request the hon. Members to lend their support to Finance Bill with the modifications I have proposed.

SHRI K.S. RAO (Machilipatnam): Keeping in view the coming crop season, will you fix any time unit for implementing this debt relief?

PROF. MADHU DANAVATE: Immediately. When the Budget session is over, the implementation starts. Our suggestion to NABARD and every one else has already reached so that there will be no difficulty for the rural farmers at all. (*Interruptions*)

MR. DEPUTY-SPEAKER: We are going to discuss the same for six or seven hours.

MR. DEPUTY-SPEAKER: Motion moved:

"That the Bill to give effect to the financial proposals of the Central Government for the financial year 1990-91, be taken into consideration."

SHRI Y.S. MAHAJAN (Jalgaon): Before I make some remarks on the Finance Bill, I would like to thank the hon. Finance Minister for the concessions, liberalisations he has announced in various schemes which he had announced earlier, and the elaboration of the loan waiver scheme which is a much better version than the one he had

originally propounded. Formerly, he had used the word 'wilful defaulters'. That means giving powers to the bankers to say who is a wilful defaulter. Now he has proposed an objective test which is much better test as it will remove the element of subjectivity in the whole scheme.

PROF. MADHU DANAVATE: I derive benefit from your wisdom.

SHRI Y.S. MAHAJAN: Coming to the Finance Bill, I would like to begin where the hon. Minister left yesterday while dealing with the rise in prices of certain essential commodities. At that time, he dealt with the problem on a short term basis—the management of supply and demand during the short period to see that the prices do not rise steeply.

I would like to deal with the long term durable problems which are almost intractable and which have a tendency to push prices up, a tendency which has been there in our economy for so many years. I may remind the House present Government has said that the first task of the Government is to contain the rise in, prices, and that the management of inflation is one of the priority areas of its programme. Inflation has been one of the key problems of the world during the post world war period. There are certain durable factors. The first is fiscal imbalance which has been created as a result of the deficit of Rs. 7206 crores. I do not know how he can contain the inflation with this deficit in the Budget. This will give rise to a larger amount of deficit financing which amounts to the increase in the short and long term indebtedness of the Government to the Central Bank. And this deficit spending has been going on in our country for a long time and the Finance Minister has not been able to break away from that tradition. But this is not the only point. The deficit financing will be more than what we imagine from the deficit budget. The deficit in the budget is Rs. 7206 crores. In fact the real deficit is much higher. Many critics have said, even the previous Finance Minister has said that the deficit has been under estimated because

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one time payments which should have been debited to the present year have been debited to the last year, for instance, payment of Rs. 260 crores to the Food Corporation of India, Rs. 588 crores for write-off of loans of public corporations, Rs. 100 crores for adjustment of Defence payments. If these payments have been properly put this year the deficit would have been larger.

This deficit along with hike in prices of petroleum and petroleum products coupled with increasing in railway freights, telecommunications, postal charges, rise in specific rates on excise charges have already triggered a rise in prices.

The National Front manifesto has said that the price stability is crucial for removal of poverty and steady growth of the economy. The stable price level is not within sight. In fact, we are groaning under a spiralling price level. So, these promises have not been fulfilled by the National Front Government.

Now, apart from deficit-financing, there is another long term durable factor which has been pushing prices in our country for the last so many years, namely, the existence of black money.

The volume of black money cannot be estimated. But, the experts agree that the amount is vast and it exercises a tremendous pressure on the price level. The existence of black money creates many serious social problems such as great and galling inequalities ostentatious living by the *nouveau riche* and the oppression and the economic exploitation of the poor by the rich.

We agree with the Finance Minister when he says that the black money is a social sin and economic evil. We agree with the sentiments expressed by him. But, he has not explained to us to steps which he proposes to take for bringing down the generation of black money. He says preventing generation of black money is more important than unearthing the black money which is

preventing generation of black money. As far as unearthing of black money is concerned, he has asked for certain suggestions.

I suggest that in preparing schemes for utilizing black money, the highest priority should be given to slum clearance. Millions of our people are living in conditions of dirt, squalor and disease, conditions which are indescribable, which are a blot on our civilisation. How can we call this country democratic when millions of people are living in these conditions, and a few live in palatial houses. So, the first priority should be given to slum clearance in my view. The second priority should be given to the setting up of agro based small scale industries. It is only by large scale rural industrialisation that we can create conditions for employment of millions of young men and women in our country who join the labour market every year. This is the only way available and in no other way we can create large scale employment.

And thirdly, high priority should be given to building houses for lower income and middle income groups. The Finance Minister has said that we need not enquire into the sources from where the money has come. If this done, the problem would be reduced to a considerable extent. I may say interested people specially businessmen have suggested a large number of ways in which black money could be used. But, I think the suggestions are made to improve or help their business activities.

The three suggestions which I have made should be given the highest priority.

The Finance Minister has promised half-yearly review of the budgetary outcome. This is a good innovation.

PROF. MADHU DANDAVATE: I have modified it. It will be quarterly now.

SHRI Y.S. MAHAJAN: It is a good innovation, but I hope this will not be an occasion for another about of taxation.

PROF. MADHU DANDAVATE: That is not for increasing deficit.

SHRI Y.S. MAHAJAN: Thank you.

The large scale imbalance is the root cause not only of inflation, but also the difficult balance of payments position. The main cause of this imbalance has been our dependence on imports of petrol and petroleum products and it has caused a large outflow of foreign exchange and higher foreign borrowing. It is to restrict the consumption and the import of petrol and petroleum products that he has proposed to increase the prices of motor spirit, high speed diesel oil and aviation turbine fuel. This policy is not likely to be successful unless as a result, it dampens the demand for petroleum. Our experience for the last so many years has shown that in spite of increase in the prices of petrol and petroleum products, the demand for petroleum products increases by 8 per cent every year. So, I suggest that instead of resorting to measures for increasing prices, the Finance Minister should concentrate on drilling more wells. A large number of sources of petroleum have been discovered recently. If you can consider all this and increase the domestic production, then it will be possible to reduce our dependence on foreign sources.

In spite of our good performance in the field of exports during the last three or four years, the pressure on the balance of payments is likely to continue during the Eighth Five Year Plan. This is an accepted opinion. The achievement of balance in the near future is critically dependent on the rapid and sustained growth of exports. Such policies should have the highest priority and our trade policy should therefore be so oriented as to discourage import intensive industrialisation and foster economically efficient import substitution. In pursuance of this policy we should not neglect fluctuations in the rate of exchange. A large part of the increase exports is due to considerable depreciation of the rupee in the international money market. During the last ten years the value of rupee vis-a-vis the dollar has fallen so much that

one dollar which used to cost Rs. 7.80 in 1980 now costs Rs. 16.80. Now, the rupee shows similar depreciation in terms of other major currencies such as Pound Sterling, Yen and Deutsoh Mark. Though we express that the external value of the rupee has increased in terms of the basket of currencies, its change in terms of dollar is of great importance because America is our major trading partner. During the last two years alone the rupee had depreciated by nearly 33 per cent in terms of the dollar. Hence it appears that the narrowing of the trade deficit is largely due to depreciation of the rupee rather than to any significant gain in competitive advantage. In considering this matter we should also examine the exchange rate of the rupee in terms of the Russian Rouble. The Russians are hard bargainers in economic matters. Therefore, we should see that we do not lose in the terms of trade while fixing the rate of exchange with the Rouble.

19.00 hrs.

Sir, Small Scale Industrial units are of great importance in the structure of our industrial development. There are lakhs of them; they produce 50 per cent of our industrial Production and they provide employment because they require less capital per head. Therefore, our policy should be to encourage these units, as they widen the entrepreneurial base and make way for decentralisation. The restoration of the central investment subsidy is essential and it should be done. The Sooner it is done, the better. I hope the Finance Minister will soon come forward with the scheme before the House. the Small Scale Industry has so many advantages for our economy. While framing the scheme, I request the Finance Minister to help the units which have suffered, which have applied for investment subsidy in time, whose applications were considered by the State level committees but could not be decided upon because of small procedural matters or because the scheme was withdrawn suddenly. Therefore, I hope this matter will be taken care of, by the Finance Minister while revising the central investment subsidy.

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Then, I would like to say a few words about the public sector in which I am so much interested. The public sector has laid the foundation for our industrial development. It had provided infrastructure not only for our industrial but also for agricultural development. Therefore, increasing the efficiency of the public sector units is of vital importance for further growth of our planned economy. I hope the Finance Minister will soon take steps to give the workers, a share in the ownership and in the management of enterprises, as visualised by him. These units should be able to finance their growth and development through their own resources. As a person interested in the working of the public sector, I would request the Finance Minister to take as much care as possible of the public sector as was done by the previous Government and by Indiraji, to ensure that the public sector continues to occupy the commanding heights of the economy. It is doubtful however, whether the public sector enterprises will be able to provide or generate Rs. 4,506 crore of additional resources next year, as expected by the Finance Minister, without recourse to price increase. The Finance Minister should not fall prey to the widely misleading arguments of people in our country who are now clamouring for privatisation in the form of selling a part of the capital to private individuals or allowing private capitalists to start units in an area which has now been dominated by the public sector. I hope this matter will be considered seriously, because all over the world, there is a talk of privatisation. In Russia and Eastern Europe, there are giving up their old rigid attitude towards Government enterprise.

SHRI TARIT BARAN TOPDAR (Barrackpore): Thank you; you are not opposed to it.

SHRI Y.S. MAHAJAN: While considering these proposals, I hope the Finance Minister will ensure that, whatever changes are made, the commanding heights of the economy will remain in the public sector.

The public sector is a monument to the imagination and conductive ability of Shri Jawaharlal Nehru. It represents our aspirations and desire to see that the society is not exploited by capitalist forces. In the beginning we decided that basic industries shall be in the public sector" it may be noted that at that time private capitalists were not in a position to start these industries with their resources. Therefore, the public sector has rendered very great service to the economic development of our country.

Before I conclude, I want to say something of very crucial importance. Mr. Finance Minister, I want to bring to your notice a general problem which has been neglected. Though we were the first country to start family planning on a national level and though we have made some progress and though the birth-rate is falling, the fall in the birth-rate is rather slow and the number of couples protected is only 35%. Even that figure is not correct. Sometimes the statistics are inaccurate. Sometimes the same couples are reported twice and the couple who undergo family planning operation have already a large number of children i.e., five or six. Our Goal no children for women of more than 30 years of age is far distant. We should catch the couples before they have more than two children. This will go a long way in reducing growth of population.

May I point out, Mr. Finance Minister, that however rich our country may be, we have not got the resources to look after such a vast and increasing population and to give them a decent standard of living. Let the Parties and politicians on both sides, realise that we just cannot do it. Therefore, we need not be afraid of any unpopularity or hostility on the part of the people. People have now realised the value of family planning. Some definite social action in this field is necessary. Therefore, I suggest we take steps to see the programme progresses very fast. We should have a scheme of strong incentives and disincentives, to see that family planning becomes a movement rather than a Government programme. Unless this is done, most of our socio-economic and politi-

cal problems which are intractable because of this crucial difficulty, will not be solved. I have been saying this all these years saying this. No Party can and no Government can solve the problem. The less attention we pay to this subject, the more trouble we pile up for us and for future generations. If our population continues to rise at this rate, then after 40 years, it will not be possible to have a decent standard of living for our people. It would not be possible to maintain even law and order in this country and, therefore, I urge the Finance Minister and the Government to pay adequate attention to this problem of problems before dealing with financial difficulties.

MR. DEPUTY-SPEAKER: Dr. Biplob Das Gupta to Speak now.

DR. BIPLAB DAS GUPTA: I will speak tomorrow not today.

[Translation]

SHRI HARIBHAU SHANKAR MAHALE (Malegaon): Mr. Deputy Speaker, Sir, Hon. Minister had presented General Budget on 31st March and placed finance Bill today. I hope that this Budget will help our economy. It will provide stability and capability to our economy. Earlier 32 per cent of the Budget allocations used to go to agriculture but now 23 per cent additional, allocations have been provided for removal of poverty. This Government has allocated 49-50 per cent of the total budget for the rural development and agriculture. In this manner more money has been allocated for these works. Now 14 per cent additional allocation is available for the projects under rural department. 23 per cent of the budget allocations have been earmarked for loans assistance for the State Plans. A decision has been taken to give Employment Guarantee in respect of a few selected areas and a resolution has also been made for agriculture policy which is a matter of great pride. Hon. Minister has also laid stress on curbing black money, I hope that Government will be successful in curbing the black-money. It is correct that taxes on luxurious items have been raised income

tax structure has been reorganised. Hon. Minister has raised the taxable limit in respect of income tax from Rs. 18 to Rs. 22 thousand, it should have been raised upto 25 thousand. I demand that it should be considered again. Mr. Deputy Speaker, Sir, I am a member of Janta Dal. I want to tell the Government that the programme the party never meant that for loans waiving of initiated by it will expected the loans granted by co-operative Bank only. The Government had promised to waive the loans upto Rs. 10,000. Just now Finance Minister has said that 50 per cent share of the loan liability will be paid by State government and another 50 per cent by the Central Government. I have conferred with a few Chief Ministers and also with the chief Minister of Maharashtra. He said that it is the Centre's baby, we are not concerned with it.

PROF. MADHU DANDAVATE: Hon. Mahaleji, assemblies of many States have proposed upto 12 to 16,000.

SHRI HARIBHAU SHANKAR MAHALE: I demand that State Government should be pressurised for it and should be made to bear half of the share of loan liability. Our Finance Minister who is a socialist, has ignored a very material thing. Apparently there is lot of difference between hand woven cloth and mill made cloth. The people in handloom industries work very hard and weave lot of cloth. I demand that there should be sufficient distinction in respect of handloom cloth. There should be a steep difference in the matter of rates of tax in respect of handloom cloth and mill cloth and the handlooms should be subjected to comparatively lower rates of taxes. This Bill will be very useful to bring stability to country's economy and will be in the interest of the country. With this hope I support the Bill. Thank you.

SHRI RAGHAVJI (Vidisha): Hon. Deputy Speaker Sir, when a former Professor of Science of the Sidhartha College presented the last budget as an economist, it appeared that through that budget he showed his multi-dimensional personality, not only as a scientist turned professor but also of his experi-

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ence as Railway Minister in charge of transport also, which post he held sometime on between and also remained leader of the opposition party. This budget represents a multi-facet personality. Though his name itself suggests sweetness, this budget shows more of bitterness than sweetness. It has created difficulties rather than comforts. Although it is correct that the situation of Indian economy which has been created by the last Government has made your the present Government difficult, I understand their difficulty. When the present Government took over, the Government had a debt liability to the tune of Rs. 2,60,000 crores. Indigenous and foreign debts taken together, Government has to pay Rs. 17,000 crore annually as interest for it. We have to pay more as interest than what we spend on our defence. The previous Congress Government created this situation in last 40 years.

So far as foreign trade is concerned, situation on this front, is also very critical. In 1950 there was a time where our share of foreign trade amounted to 2-2 per cent to the total percentage of the world trade, but today our in foreign trade stands at 0.45 per cent to the total world trade. Things have come to such a pass during the Congress regime.

So far as deficit financing is concerned, Congress has broken all previous records as a result of which terrible inflation has come. Similarly black money has also increased during the last 40 years, if gives an impression of the presence of a parallel economy.

So far as the poverty of this country is concerned, our number is 21 from the bottom among the poor countries. Our population is 15.5 per cent of the world population whereas our per capital income is only 1.5 per cent of the total income of the world. By this, it can be understood that in such circumstances and background how difficult it is present a bead each. Perhaps this was the reason why Madhuji preferred to give some bitter dose to improve the situation.

The income tax limit has been raised from Rs. 18,000 to Rs. 22,000. This limit of Rs. 22,000 has provided very negligible relief. In 1985 this limit was raised to Rs. 18,000. If we compare the prices prevailing in the year 1985 with existing prices, in view of the 8.7 per cent increase in prices per annum since 1985 we will realise that the value of Rs. 18,000 is now equivalent to Rs. 27,000. Had the limit been raised to Rs. 27,000 then we would have been in the same position that was prevailing in 1985. This limit was RS. 15,000 in 1981, to be in the same position as in 1987 this limit should have been raised to Rs. 32,000. I fail to understand the justification of raising this limit to Rs. 22,000 only. If it had been raised upto Rs. 30,000 Rs 25,000 or even upto Rs. 24,000 it would have provided relief to a person earning Rs. 2000 per month but I do not know why the income tax limit has been raised to Rs. 22,000 only. Therefore, I urge the hon. Minister of finance to reconsider this because limit of Rs. 22,000 will not provide sufficient relief, particularly to those whose income just exceeds this limit. They are aggrieved. If the government can not raise it to Rs. 30,000, at least it should be raised to Rs. 25,000 or 24,000.

Now I would like to make a submission about registered firms. Earlier a registered firm had to pay tax only if its earning was more than Rs 50,000 later on this limit was reduced to Rs. 10,000. Now it has been raised to Rs. 15,000. A registered firm is constituted by two or more than two persons. Suppose there are two persons in the firm they will get relief of tax on their earning of Rs. 15,000 only. It means that each person has to pay tax on the income over and above Rs. 7,500. Besides they will have to pay tax on their personal income also. In spite of all this I cannot imagine why this limit has been fixed at Rs. 15,000 in the case of registered firms. The Government should exempt income upto Rs. 50,000 to make it justifiable. The exemption has been raised from Rs. 18,000 to Rs. 22,000 in case of individual income but in case of Joint Hindu Family, it still stands at Rs. 12,000. It has not been raised for a long time. If this limit is not raised

it will be an injustice to joint Hindu Family.

For the last so many years under sections 80 C certain deductions Rs. 6,000 in excess of the taxable limit stood wholly exempted from taxation and then in case a further sum Rs. 6,000 of the income, 50 per cent was exempted from income-tax. Some modification should have been this provision. The present amendment is scientific, only a professor of mathematics can bring this type of an amendment and he has shown his skill. I have no objection to it but the limit of Rs. 10,000 and 20 per cent should be raised because this provision of Rs. 6,000 has been there for quite some time. Had it been raised from 20 to 30 per cent and maximum limit from Rs. 10,000 to Rs. 25,000 then it would have been justified. Therefore, I request the hon. Minister of Finance to reconsider it.

Mr. Deputy Speaker, Sir, there is a need for simplification of provisions of Income tax Act, Wealth Tax Act and Gift Tax Act. Amendments in this regard are leading to more difficulties. For petty technical offences a person becomes liable pay a penalty upto Rs. one lakh. I would like to cite some examples in this regard and want that amendment should be made in it. Under section 271 A, if a person does not maintain his account books properly he is liable to a maximum penalty of Rs. one lakh, which has no justification. At times account books are not maintained due to sheer ignorance. Therefore, it is highly improper to impose maximum penalty of Rs. one lakh in such cases. Therefore I propose that this maximum penalty of Rs. 1,00,000 should be reduced to Rs. 10,000. Similarly a person who has turn over of more than Rs. 40 lakhs, per annum is required to get his accounts audited. If a person's annual turnover has generally been less than Rs. 40 lakh but has exceeded in a particular year due to certain reasons and he has not got his accounts audited due to ignorance you will be surprised to know that he then has to pay one-half per cent of total sales, turnover or gross receipt or Rs. 1,00,000 whichever is less as penalty. He is otherwise not a defaulter, he

regularly files his returns, deposit his tax but he has to pay Rs. 1,00,000 as penalty for this technical offence. Only the sufferers can tell how instrumental this provision has been in spreading the corruption. Therefore such provisions should be deleted and the amount of penalty should be either fixed at Rs. 1000, or Rs. 2000 or at the most Rs. 5000 instead of Rs. 1,00,000.

Similarly under section 271 D if a person makes a payment of Rs. 20,000 in cash instead of making the payment through cheque, either he does so inadvertently or for the first time, he has to pay Rs. 20,000 as penalty. The word 'shall' is there and it should be substituted by 'May' likewise there is section 271 E. I would like to draw the attention of the hon. Minister of Finance to section 272 A (2) of Income Tax Act. There is a provision that a person who pays interest and dividend, has to deposit 10 per cent of the amount by way of tax with exchequer. The businessman is required to fill up a form and submit it in the Income Tax office within 30 days. If he does not complete this formality i.e. if he does the fillup form 26 A and 27 A he will be liable to a fine of Rs. 200 per day although he may have deposited the money with the exchequer and if he does not complete this formality for three or four years he will have to pay penalty of Rs. 1,50,000 or Rs. 2,00,000. Therefore it is necessary to make amendment in these provision.

Now I would like to make a submission about indirect tax. The Government has increased the prices of diesel and Petrol. The common man will have to bear the brunt. The prices of other items are also increasing due to it. Transportation will become more expensive Common man travels by bus or uses scooters. He will have to spend more on petrol. The hike in trains' fare will also affect common people. Diesel is used in most of the vehicles about 80 per cent vehicles belong to the Government. The expenditure of Government will increase due to it so the Government should reconsider it. This price hike will adversely affect the economy of the country. The farmers, the commuters, the industries and the consumers all

[Sh. Raghavji]

will suffer on account of this petrol price hike. The Government should reconsider this issue.

If the Government adopts the same tax structure as was prevalent in 1989 for match box industry, the ten thousand small scale industries manufacturing match boxes will get benefit thereby. The Government has increased import duty on tin being used by the food processing industries and excised duty has also been raised on their products. This matter should also be reconsidered. The price of tyre has increased exorbitantly. I welcome the announcements made by the hon. Minister of Finance in regard to waiving off loans. The Central Government and the cooperative bank should bear the burden and each should pay fifty per cent of the waived loan but if 'Annawari' system is introduced, nobody will be benefited. It is only a deception because only 5 per cent farmer will get the benefit. Those who are not covered under 'Annawari' system they will be get the benefit. Those who are not covered under Annawari system they will be considered as defaulters. If this scheme is implemented on the basis of Annawari system it will be of no use. The system of Annawari should be abolished. In the system of Annawari possibilities of defaults are minimum. The Central Government should approve the scheme presented by the Government of Madhya Pradesh. It will be of much help to the farmers. The Government of Madhya Pradesh has evolved a formula that relief will not be given to any such person who has other source of income beside agriculture even Government employee is not spared. The farmers, who had taken loan in lakhs for purchase of tractors and sprinklers, their loan will also not be waived. If the hon. Minister of finance accepts the same formula that will be better because 'Annawari' system will not prove helpful for farmers. With these words I conclude.

SHRI K.D. SULTANPURI (Shimla): Mr. Deputy Speaker, Sir, I don't think that the finance Bill moved by the hon. Finance

Minister on behalf of the Government will be able to give a new direction to the country. Since the day this Budget was presented in the House, there has been unprecedented rise in prices, as a result thereof commonmen are suffering from it. The Government is doing nothing to arrest this whopping rise in prices. The most significant feature is this that the entire country is reeling under the rising prices when a person like Shri Dandavate is holding the charge of Finance Ministry. Everywhere people are taking to agitation in protest against the rise in prices which are increasing by leaps and bounds. Prices of diesel and petrol have been increased by the government, as a result of which prices of other items have increased. I would like to reiterate that the poor are suffering from price-rise in the country. Mr. Deputy Speaker, Sir, I oppose the Finance Bill moved by the finance Minister. The National Front made false promises to the people that they would take steps to remove poverty and upliftment of the poor if they were voted to power. Government wanted to woo the people with false slogans. With false promises, poverty can not be removed. Nor is this Government capable to do this.

As regards waiver of cooperatives loans, it has been stated by the government that 50 per cent of the burden will be borne by the Centre and the rest 50 per cent will be borne by the concerned State Governments. I know that as usual this year also, all the State Governments have presented a deficit Budget. No provision of taxes has been made in any of the Budgets this year. When there is no proposal for fresh taxation, I fail to understand as to how the State Governments will meet this expenditure. Only such persons who misutilise the funds will take benefit of it. Genuine farmer will not take benefit of waiver of loans scheme. They will be benefited, only if their economic condition is improved. Some of the Members have apprehended that loans of even rich farmers who own as much as 50 acres of land take benefit of this waiver of loan scheme. Members of their families have lions share in civil services, such as I.A.S. and I.P. S. and other services also. Such farmers will get their

loans waived. We want that the poor should get the benefit of this scheme. As per the criteria laid down by the Government, people having annual income of more than Rs. 7000/- are considered to be above the poverty line. But even a poorest man has an annual income of Rs. 7000/-. This scheme of waiving loans upto Rs. 10,000 will make the people resorting to dishonest means. Only a few will get the benefit and the poor will not be benefited.

If you really want to work for the welfare of the poor, the loans of agricultural labourers and the people belonging to Scheduled Castes, Scheduled Tribes and small farmers should be waived. Prices of tractor and petrol have been increased as a result of which farmers have to suffer losses. An amount of Rs. 1000 crore has been earmarked for waiver of loans. This amount is not adequate. A promise was made to the people by your party before the elections that all kinds of loans upto Rs. 10,000 would be waived. had you stuck to your commitment, I think that the Government had done something good for the people. But the poor living in urban areas have been ignored. It was stated that afforestation programmes will be started and funds would be allocated for this. It was also assured that funds would be provided for the upliftment of farmers and fishermen. Tax concession for fishermen was announced. The country will accrue a lot of benefit from the ongoing hydel power projects in the hilly areas of Himachal Pradesh. The big dams constructed on the different rivers in hilly areas are causing soil erosion in those areas. In order to check soil erosion, fruit bearing trees should be planted in these areas. Afforestation is done every year but nothing is achieved. The State Government misutilise these funds. All the funds go waste and no plantation work is carried out. If the Government wants to strengthen the economy of hilly areas and stop soil erosion, a survey of all forest land should be undertaken by the State Government or Central agencies. Then mass afforestation programmes should be launched with the funds released by the Central Government, I would like to suggest that these funds should be

provided directly to the farmers for planting fruit bearing trees, so that they could be able to supplement their income. As regards the pension of defence personnel is concerned I would like to suggest that the one rank, one pension scheme should be implemented and there should be no discrimination in matter of granting pension, no matter one has retired now or long back ago or is retiring today.

Now, I would like to submit about power position in Himachal Pradesh. Where a number of big dams are under construction. But the necessary funds have not been provided. Nathpa Zakhri is one such project, which will generate 1500 megawatts of electricity. This will strengthen the economy of Himachal Pradesh as well as neighbouring states. Funds should be allocated for the said project. More funds should be allocated for the centrally approved projects in Himachal Pradesh. The Centre should provide more help to the hilly areas.

I would like to submit that the number of persons who evade taxes are quite large but their arrears of taxes are written off. Raids should be conducted on their premises and tax-arrears should be realised from them, so that this money can be utilised on the development of this country. Otherwise, these rich people will continue to gobble up tax money. They have crores of rupees and have invested the amount for promoting their own interests. In order to evade taxes, they plea helplessness with the government. I would like to submit that the industrialists and big landowners are the richest persons in the country. Special attention should be paid in this regard. Only then the country can progress.

SHRI HEMENDRA SINGH BANERA (Bhilwara): Mr. Deputy Speaker, Sir, while supporting the Finance Bill, I would like to congratulate the hon. Finance Minister for presenting a balanced Budget. The economy, which he inherited from the previous regime was in a bad shape, but in spite of that he presented a very good Budget and Finance Bill without imposing any heavy taxes

[Sh. Hemendra Singh Banera]

on the poor masses. I would like to draw the attention of the Government towards the assurance of waiver of loans upto Rs. 10,000 given during the elections. Six months has gone by but nothing has been done by the Government except some assurances. Whenever we go to our constituencies, we are asked at the first instance why that scheme has not been implemented as yet. I expect that the Government will solve their problems by taking the necessary steps and by framing the rules for waiving the loans at the earliest possible time. This work should be done immediately for providing immediate relief to those farmers and artisans, who are in actual distress. I would like to submit that the cultivators and artisans still have to repay their loans they have taken through the Government institutions. The Government should look into this issue.

The loans which have been taken by the landless farmers in particular have been taken through the cooperatives. I am emphasising this matter because in Rajasthan the cooperatives are still under the control of the opposition and, in order to embarrass the Government, notices for repayment of loans are issued every 15 days to them. These helpless people have taken loans worth Rs. 15,00 to Rs. 2000 and strictness is being observed in their recovery. My request is that until all the relevant rules are framed, orders should be issued for the immediate withholding of recovery of loans.

Mr. Speaker, Sir, Rajasthan is facing acute scarcity of water with the result that it is under the threat of being affected by famine conditions. I have mentioned repeatedly about the water crisis my state is going to face in the month of June. The Central assistance provided to meet the requirements is very insufficient. In order to supply water in the villages of Rajasthan, it is necessary to provide more funds from the Centre to the State Government.

Mr. Deputy Speaker, Sir, now I would like to mention 3 points about the Finance

Bill and I would like to put special emphasis on them.

Firstly, there is a country-wide demand to raise the income-tax limit to Rs. 30,000. I cannot understand as to how an income of Rs. 30,000 has been considered to be quite a big amount for the purpose of income tax relief. Therefore, it is my submission to the Government that the income tax limit should be raised from Rs. 18,000 to at least Rs. 30,000.

Secondly, the point which has its direct bearing on the common man is the price of rationed wheat which has been recently increased by the Government. Who is the main consumer of this wheat? Which are the areas where such a wheat is supplied and where it is genuinely required by the people. Is the poor people, the agricultural labourers and farmers who take it. In the States, like Rajasthan in particular, where no wheat could be produced for the last 6 years and which is struck by famine conditions, the supply of this wheat is necessary. The price of this wheat required mainly by the poor people, has been revised to cost them more. One can easily imagine how it will affect the poor and the helpless people and therefore, I would like to request the Government to bring down the price of this wheat to the pre-revised level and withdraw the recent price increase.

I would like to make one point regarding the estate duty. Estate duty is charged from the successor of the property. The underlying intention is to recover taxes from the people who inherit a property worth crores. of rupees. I would like to request the Government and the Finance Minister to fix a limit in this regard. If property is worth 10 to 25 lakhs, a limit should be specified and taxes should be realised accordingly. However, in case of properties worth Rs. 4 or Rs. 5 lakhs the assessed has to face much hardship in the payment of estate duty. It is necessary to pay attention in this direction.

Mr. Deputy Speaker, Sir, the announcement made by the Government regarding

one rank, one pension is an important and a revolutionary step which has won countrywide appreciation. Now it should be implemented. Alongwith that, I would also like to submit that the rate of pension allowed to the ex-servicemen who had retired from Army or Navy a long ago has been very meagre because their salaries were very low. Therefore, it is essential to increase the rate of their pension. The officer who retires now, gets his pension on the basis of his present salary. Hence, the rate of pension of the ex-servicemen should be increased. If they are given pension at the present rate, it would provide much relief to them. It would be a right step.

With these words, I would like to thank you for giving me time to make my submission.

[English]

MR DEPUTY-SPEAKER. Mr Ram Naik,

if you want to speak, I hope you can finish within 10 or 15 minutes.

SHRI RAM NAIK: I will start today, and will continue tomorrow.

PROF MADHU DANDAVATE: You will then have to stand on your legs for the whole night.

MR. DEPUTY-SPEAKER: No, Mr. Naik. If you are ready to speak and finish today, it is all right. Otherwise, we will see who starts tomorrow.

I hope there is no other Member willing to speak. The House now stands adjourned.

19.47 hrs.

*The Lok Sabha then adjourned till Eleven of the Clock on Thursday, May 17, 1990/
Vaisakh 27, 1912.*