tries, even in the Budget we have made an announcement about this, and that is that if the net worth is eroded by fifty per cent, the company will have to call the General Body, and only than it will have the right to manage the factory or the enterprise, and if it erodes hundred per cent of net worth, then it will have to go and they will have no right to manage it and we will have to take action against those people, who for selfish purposes or surreptitiously make these industries sick... (*Interruptions*).

As regards shipping facilities in certain Union Territories, this, I think, will come in the Demands of the Shipping Ministry.

SHRI MANORANJAN BHAKTA : But the finance has to be allocated by you.

SHRI VISHWANATH PRATAP SINGH : But I cannot allocate finance in advance before it comes.

About the drinking water etc. these are schemes which come under the State sector. General allocation is made to the States and the States take up these schemes.

About the pension being equivalent to the wages when the units are closed, I have made a note of it and I will explain the position to the Member.

MR. CHAIRMAN : The question is :

"That the Bill be passed."

**The motion was adopted.**

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16.33 hrs.

UNION DUTIES OF EXCISE (DISTRIBUTION) AMENDMENT BILL, 1985; ESTATE DUTY (DISTRIBUTION) AMENDMENT BILL,1985; ADDITIONAL DUTIES OF EXCISE (GOODS OF SPECIAL IMPORTANCE) AMENDMENT BILL, 1985

MR. CHAIRMAN : The House will now take up items Nos. 14, 15 and 16 together.

THE MINISTER OF FINANCE AND COMMERCE AND SUPPLY (SHRI VISHWANATH TRATAP SINGH) : I beg to move :

"That the Bill further to amend the Union Duties of Excise (Distribution) Act, 1979 be taken into consideration."

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JANARDHANA POOJARY) : On behalf of Shri Vishwanath Pratap Singh, I beg to move :

"That the Bill further to amend the Estate Duty (Distribution) Act, 1962 be taken into consideration."

I also beg to move* :

"That the Bill futher to amend the Additional Duties of Excise (Goods of Special Importance) Act, 1957, be taken into consideration."

All those Bills which have been moved today arise out of the recommendations of the Eighth Finance Commission. The report of that Commission along with Memorandum as to the action taken was laid on the Table of the House on 24th July, 1984, as required under Article 281 of the Constitution.

In terms of article 280(3) on the Constitution, the Gommission is required to make recommendations in regard to :—

(i) the distribution between the Union and the States of the net proceeds to taxes which are to be, or may be, divided between them and the allocation between the States of the respective shares of such proceeds;

(ii) the principles governing the grants-in-aid under article 275 of the Constitution; and

(iii) any other matter referred to the Commission in the interests of sound finance.

The recommendations of the Commission are implemented in the case of income tax and grants-in-aid by an order of President, while those in the case of Union duties of excise, additional duties of excise and the estate duty are implemented by Parliamentary legislation. The remaining recommendations are imple-

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*Moved with the recommendation of the President.

mented by executive orders. The three Bills which I have moved for consideration are for giving effect through Parliamentary legislation to the Government's decision on the recommendations of the Eighth Finance Commission contained in the final report in regard to distribution of net proceeds of Union excise duties, additional excise duties and Estate Duty on property other than agricultural land.

Before I deal with each of these three Bills, I would like to say a few words about the recommendations of the Eighth Finance Commission. Hon'ble members are aware that the Eighth Finance Commission was appointed by Presidents's Order in June, 1982 to make recommendations for a period if five years 1984-85 to 1988-89.

The Commission submitted an interm report for the year 1984-85 on 14th November 1983. The Government accepted the recommendations of the Commission as contained in the interm report and implemented these for the year 1984-85. On 30 April 1984, the Commission submitted its final report to the President, covering the entire five year period of 1984-85 to 1988-89. The Government decided to continue to adhere to the recommendations of the Eighth Finance Commission made in the interm report for the year 1984-85 and to implement the final report of the commission for the four years 1985-86 to 1988-89 only.

The report of the Commission along with the Explanatory Memorandum as to the action taken thereon by the Government was placed taken Table of this House on 24th July 1984. The reason for non-acceptance of the final report of the Commission for the year 1984-85 have been succinctly given in paragraph 4 of the Explanatory Memorandum.

The Report and the Government's decisions thereon were extensively debated in this august House on 8th and 9th August 1984. It is, therefore, needless for me to go into vorious aspects of the recommendations made by the Commission and Government's decisions thereon. However, I would like to highlight some of the important recommendations of the Commission.

The total transfer of resources to the States under the recommendations of the Eighth Finance Commission as indicated by the commission is Rs. 39,452 crores for the five year period 1984-89 as compared to the transfer of Rs. 20,843 crores envisaged by the Seventh Finance Commission over the preceding quinquenuium 1979-84, involving a step up of about 89 per cent. The scheme of transfer confers a surplus of Rs. 26,775 crores on twelve States. On the other hand, grants-in-aid of Rs. 1691 crores have been recommended to cover deficits of eleven States. Additional grants-in-aid have been recommended for the deficit States to provide for sanction of dearness allowance for State Government employees on par with the Central Government employees. Grants of Rs. 967.33 crores to seventeen States have been recommended for upgradation of standards of administration and for tackling special problems. The Commission also recommended as grant-in-aid Centres' contribution of Rs. 602 crores over the five year period 1984-89 representing half of the 'margin money' payable to all the 22 States for financing of relief expenditure.

While the share of States in income tax has been retained at 85 per cent, their share out of Union excise has been increased from 40 per cent to 45 per cent. The extra 5 per cent of the States' share of Union excise is earmarked to 11 deficit States, to be distributed in proportion to their assessed deficits. For the first time, a uniform formula for distribution of States' share of Union excise and bulk of income-tax has been recommended. The quantum of the annual compensatory grant in lieu of the tax on railway passenger fares has been enhanced from Rs. 23 crores to Rs. 95 crores.

Debt relief of Rs. 2285.39 crores to States through consolidation and rescheduling of outstanding Central loans, and by way of write-off is recommended for the five-year period 1984-89. Besides, a realief of Rs. 117.08 crores by way of moratorium on repayment is recommended to be continued in respect of repayment of small savings loans in 1984-85. The Commission adopted a normative approach in the matter of assessment of receipts and expenditures of both Central and State Governments, keeping in view the scope for better fiscal management, better asset-maintenance and economy in expenditure consistant with efficiency. It also kept in view the need ensuring reasonable returns from investments in irrigation and power projects, transport undertakings, industrial and commercial enterprises and the like.

With a view to reduce regional imbalances between the States, the Commission vested its scheme of devolution with a redistributive role through progressive devolution formula, based on inverse of per capita income and distance from the highest per capita income-State. Interestingly, this factor has been taken into account by the Commission even in the matter of debt relief to States.

Now, let me give a brief resume of the three Bills which I have moved today. The first Bill provides for sharing and distribution of basic excise duties. As stated earlier, the Eighth Finance Commission has recommended that 45% of the excise-duties on all commodities should be paid to States during the period 1984-89. Of this, 40% are recommended for distribution to all the twenty-two States, while the remaining 5% are earmarked for distribution exclusively to the eleven deficit States in proportion to their assessed deficits. The estimated transfer on this account to the States during the four years 1985-86 to 1988-89 is of the order of Rs. 18,920 crores.

The second Bill. *viz.* the Estate Duty Amendment Bill seeks to formalize the decision of the Government to adhere to the recommendations of the Finance Commission contained in the intarim report for the current year. As mentioned in the Budget Speech, Estate Duty Act will be replaced in due course. Through the passage of this Bill, the payments made to the States in 1984-85 on provisional basis in terms of the interim report of the Commission, will be treated asfinal.

The third Bill seeks to give effect to the recommendations for the distribution of the net proceeds of the additional duties of excise levied on sugar, tobacco and textile fabrics. As the House is aware, these duties are being levied from 1957 with the consent of the State Governments, and are in lieu of the sales tax levied by them on these commodities. The scheme provides for the distribution of the entire collections other than the portion of the proeeeds attributable to Union Territories, among the States in accordance with the principles recommended by the Finance Commission. The Eighth Finance Commission has recommended that the proceeds of the duties may be distributed among the States on the basis of equal weightage to the State Domestic Product and population. Transfers ro the States on this account during the four years 1985-86 to 1988-89 are estimated to be about Rs. 3,318 crores.

Apart from basic excise duties, additional excise duties and estate duty for the distribution of which among the States the three Bills have been moved to-day, States will also get 85% of the net proceeds of ineome tax under Article 270 of the Constitution. It is estimated that the States will get Rs. 5,706 crores over the next four years. Besides, grants-in-aid of the order of Rs. 2,937 crores are also payable to States under Article 275 of the Constitution over the next four years. All the statutory and legal formalities will be completed before the close of the current fiinancial year for transfer of tax shares and payment of grants-in-aid to the States from 1985-86.

There are several other recommendations of the Commission which need to be implemented through executive orders. These are at various stages of processing in consultation with the concerned Ministries/Departments and other agencies. Two such recommendations to which I would like to invite Hon. Members' attention are regarding grants-in-aid to States in lieu of the repealed tax on railway passanger fares and debt relief. The Commission has enhanced the railway fares grants from Rs. 23.15 crores to 95 crores per annum. This recommendation has been referred for acceptance to the Railway Convention Committee of Parliament. As regards debt relief and write off of Central loans, necessary provision has been made in the Central budget and formal orders will be issued in due course.

Hon. Members may recall that the Government have decided to abolish the surcharge on income-tax as stated already in the Budget speech. The Eighth Finance Commission made a recommendation to this effect in its report. Thus, it may be seen that the Government have implemented this major recommendation at the first available opportunity. Similarly, as recommended by the Finance Commission, the Government have decided to increase the stamp duty on bills of leading and letters of credit, the proceeds of which will entirely accrue to the States. I am happy to state that on the suggestion of the Finance Commission, the Government have also constituted an Expert Committee to review the apportionment of cost of collection between income tax and corporation tax.

In conclusion, may I reiterate our Government's commitment to place the Union-States' financial relations on an even keel in order that balanced regional development is promoted as an integral part of the overall national growth. Our decisions on the recommendations of the Finance Commission reflect our firm commitment to the objective of harmonious federal fiscal reductions which is an essential prerequisite for accelerated and balanced economic growth.

[*Translation*]

SHRI SYED MASUDAL HOSSAIN (Murshidabab) : Mr. Chairman, Sir, I rise to oppose all these three Bills. The report of the 8th Finance Commission was presented in the House on 24th July, 1984. It contained recommendations for the period from 1984 to 1989. The Central Government with held the recommendations for 1984 without consulting the State Governments. As a result thereof, none of the States could get 40 per cent share of excise duty earmarked for 22 States. During this year, West Bengal had a total deficit of Rs. 325 crores. You have also withheld the separate allocation of 5 per cent for 11 States as provided in the final report. West Bengal's share in it for 1984-85 is 19.081 per cent, which comes to about Rs. 90 crores. Rajasthan's share was 1.940 per cent; even this has not been given to Rajasthan. Rajasthan would not be getting any funds fram 1985 to 1989. As per recommedations of the Eighth Finance Commission, the funds were to be allocated in the first year, not after that. West Bengal's share of five per cent in respect of special aid has been successively reduced in 1985-86, 1986-87, 1987-88 and 1988-89. It was 19.081 per cent in 1984-85, 16.273 per eent in 1985; for 1986, it is 11.934 per cent, for 1987, it is 7.935 per cent and for 1988 it has been kept at 0.5 per cent. The share of excise duty for the State has been reduced whereas it has been increased in respect of other States. For 11 States, grant-in-aid was kept at Rs. 2,200 crores. Out of it, the share for first year was Rs. 644.39 crores and West Bengal's share in it was Rs. 142.11 crores which was not given at all. It is repeatedly said in the House that West Bengal draws overdrafts. This is true. But, at the same time, you should remember that the total overdrafts come to Rs. 215 crores whereas the amount which was not given in the first year was Rs. 325 crores. Since you did not allocate this amount, we had to take overdraft worth Rs. 215 crores. If this overdraft is adjusted against this amount, you owe some money to us. Our friends from West Bengal on that side make much hue and cry about the overdraft......(*Interruptions*).

SHRI PRIYA RANJAN DAS MUNSHI (Howrah) : We make suggestions only.

SHRI SYED MASUDAL HOSSAIN : What I want to say is that if this amount of Rs. 325 crores, which has been withheld is adjusted against Rs. 215 crores, our Government would get Rs. 110 crore.

SHRI PRIYA RANJAN DAS MUNSHI : If you provide work to the poor and do not indulge in irregularities, I will extend my full support to you...... (*Interruptions*).

[*English*]

MR. CHAIRMAN : No side talk please. (*Interruptions*) If there is going to be side talk, that wl not from part of the record. (*Interruptions*).

[*Translation*]

SHRI SYED MASUDAL HOSSAIN : Mr. Chairman, Sir, just now, an hon. Member from West Bengal has said that he would extend his support.

[*English*]

PROF. MADHU DANDAVATE (Rajapur) : For all Members of West Bengal, let there be a third chamber.

[*Translation*]

SHRI SYED MASUDAL HOSSAIN : When they talk of helping us, I want to remind them that *per capita* income of West Bengal is more then the All India average. Whereas the *per capita* national income is 13.40, the *per capita* income in West Bengal has risen to 16.06 per cent. There is no misuse of money there...... (*Interruptions*)......It is a fact. You have withheld grant-in-aid and share of railway freight due to West Bengal for the first year. I would request you on behalf of my State to release that money. At the same time, I want to say that the Estate Duty abolished by you was the States' share. Now, the abolition of this duty, is bound to be reflected in some way in the State. In these circumstances, I would suggest to the Central Government that the recommendations of the Eighth Finance Commission for 1984-89 should be accepted *in toto* and the amendments made by the Government should be withdrawn. With these words, I resume my seat.

SHRI K. RAMACHANDRA REDDY (Hindupur) : The Eighth Finance Commission's Report was submitted to Parliament as early as in 1984 itself, immediately after the Budget proposals were passed. But the Central Government kept pending allotment to the State a sum of Rs. 2000 crores. So, the States were deprived of this amount for a period of one full year. The Central Government kept this amount with it for the whole year and now, they are coming forward with these allotments. Had the States got this sum a year ahead as per the recommendation of the Commission, they would have gone for many more developmental schemes. The Finance Minister was very very eloquent in saying that this would increase the quofa of the States from 35 per cent to 39 per cent. This is only a myth, because the amount which had been kept pending with the Central Government for the past year out of the increased quota, had deprived the States from implementing many of the developmental activities. Thus the act of the Finance Minister or the previous Government in keeping over these Rs. 2000 crores, amounted to some discrimination to the State. So, the Finance Minister taking credit that he has increased the share of the State Governments by 39 per cent is not correct and he does not deserve any credit for it.

SHRI JANARDHANA POOJARY : Some of the points raised by the hon. Members, who contributed their views, are out of the purview of these Bills. In fact, one point that has been made is that the Finance Commission has not taken in to consideration all that aspect.

Here is a body which is a statutory body, an independent body, and this consists of experts. This body has recommended the share that has to flow from the Central Government. Here I may tell, for the information of the hon. Member that so far as the Central Government is concerned, their resources are also subjected to vigorous test and scrutiny and this body has acted as an independent, impartial body. This body has not taken any side and it has considered all the implications, all the aspects of the economy and the available resources, and then they have given the recommendation which is a judicious recommendation. Here I can say that this Report has been discussed thoroughly in this House last year. Not only the hon. Members from this side but from the other side have also contributed to the debate and all the points raised by the hon. Members have been answered and have also been published outside the House. The State Governments also know about it. So, I need not add anything more so far as the points raised here today are concerned.

Keeping in view the relationship between the States and the Centre, the States have also got a duty to tap the resources but I am told, and in this House also it is said, that there is a deficit so far as the

Karnataka Government is concerned, there is a deficit so far as the West Bengal Government is concerned and so far as Andhra Pradesh Government is concerned, no new taxes have been levied this year. Here, I want to make it very clear that the State Governments should know that they have also got the responsibility to tap the resources. It is not the duty of the Central Government alone. But they do not want to become unpopular, they only want the Central Government to become unpopular. They do not want to levy any taxes, they do not want to create any misunderstanding, they went to be very popular among the people of their State. But this is not the case with the Central Government. Central Government is an agency which has got more responsibility and, so, they have raised resources. Therefore, it is the duty of the State Governments also to raise resources.

**17.02 hrs.**

**(Mr. Deputy Speaker in the Chair)**

I do not want to add anything more as I have covered all the points in my opening speech. I have also mentioned about the share of the States and a detailed speech has been given in the beginning itself. So, I commend the Bill for the consideration of the House.

MR. DEPUTY SPEAKER: The question is:

"That the Bill further to amend the Union Duties of Excise (Distribution) Act, 1979, be taken into consideration."

**The motion was adopted.**

UNION DUTIES OF EXCISE (DISTRIBUTION) AMENDMENT BILL

MR. DEPUTY SPEAKER: The House will now take up Clause by Clause consideration of the Bill. The question is:

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

**The motion was adopted.**

**Clauses 2 to 4 were added to the Bill.**

MR. DEPUTY SPEAKER: Now the question is:

"That Clause 1, the Enacting Formula and the Title stand part of the Bill."

**The motion was adopted.**

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

MR. DEPUTY SPEAKER: The Minister may now move that the Bill be passed.

THRI JANARDHANA POOJARY: Sir, I beg to move.

"That the Bill, be pasted."

MR. DEPUTY SPEAKER: Motion moved:

"That the Bill, be passed."

**The motion was adopted.**

ESTATE DUTY (DISTRIBUTION) AMENDMENT BILL

MR. DEPUTY SPEAKER: The question is:

"That the Bill further to amend the Estate Duty (Distribution) Act, 1962, be taken into consideration."

**The moiton was adopted.**

MR. DEPUTY SPEAKER: We will now take up clause by clause consideration. The question is:

"That clauses 2 and 3 stand part of the Bill."

**The motion was adopted.**

**Clauses 2 and 3 were added the Bill.**

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

SHRI JANARDHANA POOJARY: I beg to move:

"That the Bill be passed."

MR. DEPUTY SPEAKER: The question is:

"That the Bill be passed."

**The motion was adopted.**