

12.32 hrs.

LIGHTHOUSE (AMENDMENT) BILL\*

THE MINISTER OF STATE OF THE  
MINISTRY OF SHIPPING AND  
TRANSPORT (SHRI Z.R. ANSARI):  
I beg to move for leave to introduce a  
Bill further to amend the Lighthouse Act,  
1927.

MR. DEPUTY SPEAKER : The  
question is :-

"That leave be granted to introduce a  
Bill further to amend the Light-  
house Act, 1927."

*The motion was adopted.*

SHRI Z.R. ANSARI : Sir, I intro-  
duce the Bill.

12.33 hrs.

NARCOTIC DRUGS AND PSYCHO-  
TROPIC SUBSTANCES BILL\*

THE MINISTER OF FINANCE AND  
COMMERCE (SHRI VISHWANATH  
PRATAP SINGH) : I beg to move  
for leave to introduce a Bill to consolidate  
and amend the law relating to narcotic  
drugs, to make stringent provisions for  
the control and regulation of operations  
relating to narcotic drugs and psychotropic  
substances and for matters connected  
therewith.

MR. DEPUTY SPEAKER : The  
question is :

"That leave be granted to introduce a  
Bill to consolidate and amend the  
law relating to narcotic drugs, to  
make stringent provisions for the  
control and regulation of opera-  
tions relating to narcotic drugs  
and psychotropic substances and  
for matters connected therewith."

*The motion was adopted.*

SHRI VISHWANATH PRATAP  
SINGH : Sir, I introduce the Bill.

12.34 hrs.

DISCUSSION RE : REPORT OF NA-  
TIONAL INSTITUTE OF PUBLIC FI-  
NANCE AND POLICY ON "ASPECTS  
OF BLACK ECONOMY IN INDIA"—

*Contd.*

THE MINISTER OF FINANCE AND  
COMMERCE (SHRI VISHWANATH  
PRATAP SINGH) : Mr. Speaker, Sir,  
yesterday, we had a very stimulating de-  
bate on the report on black economy,  
and Shri Amal Datta who is here said  
that this report is tailor made to what the  
Government wants to do. I assure you  
that this was not the purpose of the de-  
bate. What I meant was that before  
taking any decision, let the House be  
benefited by the suggestions of the hon.  
Member who have an insight into the va-  
rious aspects of the report and, precisely,  
that is what the debate has done. I am  
grateful to him that he complimented  
me for having brought this report out  
and it is the intention to bring out other  
reports also, like the Abid Hussain Com-  
mittee Report, and this will be a general  
stance. Members have commented on  
the estimate, of blackmoney and I think  
it is much lower than what it is in  
existence.

Now, there may be differences about  
quantification of blackmoney, but quali-  
tatively, we all do agree that it is in size-  
able proportion and its over-proportion  
does concern us and action is necessary.  
On this point, there is no difference of  
opinion. Mrs. Geeta Mukherjee in her  
eloquent way touched every aspect of  
the report from the beginning to end.  
She said that it contained germs of  
plague; but in spite of the germs of  
plague all over in the report—she might  
have said it—she did concede some posi-  
tive elements of it. So, there are areas

where there is no plague in that report. So, I will confine myself first to those positive areas, on which perhaps there is agreement on both the sides of the House—i.e. the positive aspect where we have no differences, for example on tightening of laws for better enforcement; on action against tax evaders, and on funding of election expenses—quite a few Members spoke for it, but as Finance Minister, I cannot off-the-cuff react to it; but certainly, that was the essence of what many Members said.

There was also agreement about simplification of tax laws, and on the need for integrity among officers and politicians. I think on these we all, on both the sides of the House, agree, i.e. with the essence of the report. So, there are positive germs also, apart from plague ones.

SHRI AMAL DATTA (Diamond Harbour) : These were all known before the report came. For these, we need not require the report.

SHRI VISHWANATH PRATAP SINGH : No; sometimes we make a formal statement and analysis. For instance, a doctor may diagnose a patient and tell him : 'You have cold'. The patient may say : 'I know it. Since the time I came from home, I have had cold.' So, certain things are known even prior to diagnosis.

But there have been differences of opinion, and strong differences of opinion in areas of reduction of taxes, of reduction of controls, about the scheme for Bonds for Slum Clearance and on another step for unearthing black money. These are the points on which there have been differences of opinion. But on 5 or 6 points, there has been agreement.

So, I will first start with areas of disagreement. Shri Dube yesterday quoted a very interesting example of a mother-in-law having filaria. She kicks the daughter-in-law, and the daughter-in-law says : 'Well, this is a very soft foot

by which you are kicking' He compared Government's action against tax evaders with this. He said we should prepare a strong boot to kick them with. I assure you that we are preparing the boot. But we are not going to wait till we get the boot. Whatever we have got, we will kick with it. Whatever gunpowder we have got under the law, we will use it right away. If we have not muzzle-loading gun, we will use the muzzle-loading gun to-day. When we have the cannon, and better weapons, we will use them. We are forging them.

SHRI ANAL DATTA : Don't use the sten gun.

SHRI VISHWANATH PRATAP SINGH : We will fight with whatever weapons we have got. We will not wait till the law comes. We will amend the law also.

One of the recommendations which also finds support from both the sides—generally, I feel—relates to the tax evader. Regarding the principle of *me rea* which is applied to-day—the Law Minister is also here; I will be coming to him—the recommendation is that every act should be punishable, and the onus of proof should be on the tax evader. Without committing the Government, I think this is a positive suggestion, and I think I will positively examine this; in consultation with the Law Minister. It will give much bite to our present law.

Then about the recommendation in the report regarding special courts. Already we have accepted this. Several States, after the announcement of the Budget, have set them up. Delhi has set up special courts; but I am not personally satisfied with the present arrangement. I want to come up with much more effective special courts. For this, we would be inter-acting with the Law Ministry, as to how to make these special court, by themselves, much more effective. But under the present arrangement, we will certainly go ahead with the setting up of special courts.

Then there is a recommendation that in searches and seizures, there should be

[Shri Vishwanath Pratap Singh]

a selective approach, so that there is sufficient evidence to finally convict a person. I think that is a good recommendation ; it is a recommendation which says that the tax department should do its own work, and not go on a wild goose chase, so that there is harassment all over, but the end-result is not much.

This is precisely what we have started to gather information first and then go in for searches and raids. There is a recommendation about the delay in processing of cases of searches and seizures and that the delay should be shortened. I think that is a good suggestions and we are also looking into it how can shorten it and what necessary changes would be necessary.

Mr. Suba Reddy yesterday said about the raids and commented on that. We have organised on these lines the operations of *ketu* and *kali*. Two major operations were done, apart from in between also. Now, some of the results are interesting which have come in the Press also. In *ketu* there were five major persons who were controlling 60 per cent of the illegal transactions in foreign exchange. 12 persons of that syndicate are in COFEPOSA behind the bars and the government has done it. They admitted an annual turn of Rs. 184 crores, and the *modus operandi* was that not much account was kept except 3-4 days ; that was on telephone and they have their own way of trust for doing all these things. Goods worth Rs. 4 1/2 crores were seized. There was a cartoon in one of the papers showing Rs. 4 1/2 crores and one small rat was killed by a gun. It is not a question of one rate but the expression on other faces ; that is more important. It has a deterrent effect ; it has a multiplier effect. Then there was an operation in *kali*. 18 persons were arrested. The total arrests made were 35, 12 under COFEPOSA. Foreign exchange documents and transactions over Rs. 10 crores were caught and invoice manipulation of Rs. 4.7 crores was there; goods seized were also of Rs. 4.35 crores. In Delhi, about Rs. 15 crores worth of transactions took place. I will

not go into detail because it is not a subject of debate. Then there is a case of Surat tin plates. We were debating on prices of fruits and vegetables, black-marketing and profiteering. There was a raid on four persons in Delhi at once place on one day which yielded unaccount, money and jewellery, etc. of Rs. 87 lakhs. One major industrialist in Bombay, sugar industrialist was aided and that had an effect on sugar prices in Bombay. You know the name had come even in the Parliament against whom we are taking prosecution action. I would not go into the individual name, but the overall achievement is good. Upto 1985, we have seized gold worth Rs. 122 crores against Rs. 66 crores last year, almost double. Sorry, there is a value of seizure. Gold worth Rs. 31 crores was seized for this year against about Rs. 6 crores last year. The exact figure is Rs. 5.76 crores. So, it is five times that of last year. The number of detention is much higher. Then there is a *prima facie* unaccounted assets of about Rs. 10 crores upto 31st July, in this financial year against Rs. 6 crores last year. What I mean to say is that there is a political will to deal with such people also. Already, we are further going to strengthen it by having our Economic Intelligence Bureau. We will have integrated Intelligence Bureau and integrated action on customs, excise, income tax and others. But still, some of the people in the Press have taken to criticise our actions. They have become fond—at last—of the Finance Minister, and almost every day there is a write up or on editorial regarding these raids.

SHRI C. MADHAV REDDY (Adilabad) : Only one section of the Press, not all.

SHRI VISHWANATH PRATAP SINGH : Not all, yes. I must acknowledge that one section have supported me. It was pointed out that the budget presented by me, was supported by the big business. A section of the Press had said that 'it is the big business that is supporting the Budget'. At least we have now some big business Press which is attacking the Finance Minister if that was a valid argument—although I do not

think that it is a valid argument—and at least some doubts will bedispelled.

Shri Anadi Charan Das yesterday said that we should not go back on this. I am very much strengthened by the hon. Member's opinion and I do not feel strengthened that now we have taken up the right path, and I am grateful to him, and with the assurances given we will continue to take that path. We will continue it.

Now we come to areas where there have been differences of opinion : and I think that this is not only a difference of opinion on individual items, the perceptions of economy that we have and it is deeper than that, on the basis of our political or economic thinking. And that is, on the rate of taxes put on the public and private sector. The issues that have been raised, I feel, concerning the rate of taxes, are of very small arena to debate these issues. It is much more than this debate, how we see the economy we are owing the sources of production and how the production should be organised—these are all more fundamental issues than to be discussed in a debate here.

On the one side there are people who profess a zero taxation, or zero per cent taxes. On the other side there are proponents who say that there should be one hundred per cent taxation, in exports, etc., and we are between zero per cent and 100 per cent.

SHRIMATI GEETA MUKHERJEE (Panskura) : But, 98 and 2 both are between zero and 100.

SHRI VISHWANATH PRATAP SINGH : Yes. We are somewhere near 50. So, we will always be attacked from the right as well as the left. These objections will be there.

SHRI S. JAIPAL REDDY (Mahbubnagar) : From the extreme right.

SHRI VISHWANATH PRATAP SINGH : And also from the left. Some

say, "you are not liberal enough". Others will say that "you are too liberal". That will be there. We have taken the middle path and we will continue. Some say that we should help the private sector and others say that we should help the public sector. Anyway, we have adopted a mixed economy, or opted for a mixed path. We have said, 'Yes, we will have a public sector'. We have also said, "We will have a public sector, we will have a healthy public sector,"; and we have a private sector, and that is how we have charted our course.

Well, in a mixed economy what should be the 'mix' ? The essential point that has been raised is this. It should be 2 per cent or more, here it is question of having much more, or as to how much more we can give to the private sector, how much we can do to the public sector, how much resources we may have for public spending, how much relief we can give to the private sector. So, here, it is a question of judgement. Government has to view various things and come to a judgement. We have to exercise our judgement in this regard.

SHRI B.R. BHAGAT (Arrah) : One point.

SHRI VISHWANATH PRATAP SINGH : I have not finished. I have to expound my view. I am not yielding. Let me make my full statement. It is very clear in our perception also that the public sector will continue to have the commanding heights of economy. There is no going back on this. On this there is no question of any doubt. But agriculture continues to be in the private sector. There is no provision to take over agriculture. That contributes 45 per cent of the GNP.

There are people on your side who say that the agriculture should be in the State sector.

AN HON. MEMBER : No body said so.

SHRI VISHWANATH PRATAP SINGH : That is your philosophy. If you go to your Philosophy you will say so.

There are contradictions in the mixed economy. These economic class conflicts are not eliminated. We have to manage it by our various anti-poverty schemes, etc. Certainly our goal is to remove this poverty conflict in a democratic manner and to go in a better egalitarian society where there is more justice and less exploitation. That is our path. Mr. Priya Ranjan Das Munsi and Kumari Tara Devi yesterday mentioned about the socialist commitment of the Congress. That is precisely our path that in a democratic framework we progressively go ahead and eliminate the exploitive system that is there. In between the contradictions are there. You can always criticise those things. There is contradiction in wealth. So we are operating within this framework. I also concede the point that so long as we organise the society on a profit motive, black-money will be a problem. It is difficult in principle to contradict this sort of proposition. But once you organise it, then certainly everybody will try to take advantage of it. That is why, we are not relying on reduction of rates only. We said clearly that along with reduction of rates we would apply the rod also. Because of the element of greed and it is a human tendency also, we have mixed measures. We have no illusion that just reduction of taxes will bring us tax revenue voluntarily. I am not punishing the tax payers at all. They are not the target. Tax evaders are the target. That will continue. We are making the law tighter.

When we have the tax structure it is not only the evasion of tax and generation of black-money that is in mind but it is the growth aspect that is in mind and to have the structure that will be conducive to growth and finally to revenue as growth goes up.

One of the recommendations in the Report is of doing away with deductions. Several deduction we have taken away.

The escape routes that tax evaders have adopted lawfully, have been plugged. More we will try to plug in future.

When we discuss rates, I think, we should not consider it hypothetically. Take for instance personal taxation. In 1983-84 about 19.5 per cent of the revenue came from salaried class. And that is the class which cannot escape. You raise rates and this classes gets nailed out. In 1983-84, the same year, the contributed from public sector to corporate tax was 58 per cent. So, the hiking up of rates means from your own public sector you are taking about 58 per cent—more than half. Whom are you feeling? It is from one pocket to the other, and we are making ideological debates on this very issue of tax rates. Let us see what is happening. So, I just wanted to put before the hon. Members this aspect also.

Then there is the suggestion on smuggling that the prices of those items which are smuggled should be attempted to be reduced, because the potential of smuggling depends on the prices here and abroad. If the difference is high, the potential is high and the price is more, and if the potential is less, the price is less. I think this is a reasonable suggestion but we have limits of our foreign exchange. How far can we do it? If you allow gold to come openly and if you have the foreign exchange for that, there will be no smuggling. But we just do not have the foreign exchange though we know that for everything that is being smuggled, something is going out. Nobody is gifting it at the risk of his life. So, we have to have mix of policy-economic policy to try to reduce the prices and also administrative measures to physically stop smuggling—and take administrative deterrent action. And that is what we are trying. In our new textile policy also we have tried to reduce manmade fabrics price, but it must be passed on to the consumers. I warn the industries that if they do not pass it on to the consumer, we are not going to give them any concession. It is not a concession given for them to pocket it and not to pass it on to the consumer.

We are coming with an indirect tax reform by next year and in between also we will do something. Already we have done something. On fertilizer we have reduced customs duty from 65 per cent to zero per cent, on power we have reduced customs duty from 65 per cent to 25 per cent, on pulses we have brought it to zero per cent, on many items of electronics we have brought it to zero per cent or to a very low percentage. The idea is that ours has now become a high-cost economy. If we levy duties right from the start and since in power and fertilizer much public sector investment is there, the whole cost of product goes up from year to year and that product becomes priced at a high level, and the whole economy pays for it. So, instead of taking revenue one time and making all the time high cost, it is better to have low costing so that people finally get cheaper product and by growth or expansion of demand, by buoyancy, we get the revenue back. But it will take a little longer time. So, this is the thinking that we have on our customs duty reform and on our excise duty reform, to see how far we can contribute to this and that unnecessary taxation does not stop our growth. In this the idea is that the raw material may be taxed at lower rate, then the intermediate goods, and the consumer goods. We do not need to heavily tax the finished products. In these areas where there is indigenous capacity, we will have to give protection but also we have to ask the indigenous industries how much protection do they want. They are giants, they are FERA companies; they are MRTP companies which have established themselves over the years, but they are still grown up babies and are always asking for protection. We have to tell them that allright, we will give them protection, hundred per cent, two hundred per cent, three hundred per cent, but there has to be some limit. They owe a duty to the people and the consumer of this country. They cannot go on extorting profit from them just because of government protection. They owe it to the people here to become more efficient and cheaper. But between this, there is a contradiction between immediate revenue loss and the long-term growth. So, we will have to face it. We cannot take a revenue loss right in one year

though we will get revenue later. So, this will have to be phased out over a few years so that revenue loss is not much by the time we regain it in coming years by economy.

13.00 hrs.

Now, about the public spending, the Report has made out that the public spending is one of the causes. I do not agree that public spending as such is one of the causes. In fact, public spending is the prime mover of the economy. Much of the public sector will be sick if there was not enough public spending. And there is a correlation between the growth of the industry and private sector and public spending. So, we support the public spending as such, but the loopholes which lead to corruption certainly should be plugged. So, for that we should not reduce the public spending, but try to plug the loopholes.

I agree that the wasteful expenditure within Government should be curbed. We are making a serious exercise department-wise. If there are directorates or organisations which are redundant only having some staff and officers and no contribution, certainly the axe will fall on them. We will soon come with a proposal to cut wasteful expenditure.

There was a suggestion on stamp duty. I think this relates to the State Governments and the Central Government cannot do much about that.

There was a suggestion about introducing bonds for slum clearance and for real estates. For these one scheme has been suggested. Shri Mahajan, Shri Jena, Shri Dogra and Shri Rajhans have strongly supported this proposal in the Report, while it has been equally strongly opposed by several other Members. Well, there are strong reasons on both sides. On opposing it we have seen that various disclosure schemes have not had that much effect. Bearer bonds have become a circulating instrument to cover up black-money, though they had mopped up Rs. 1,000 crores at that time. There is also a feeling

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among the honest tax-payers that they have to pay whereas those who have not paid are getting the benefit. So, there are weighty arguments on both sides. The others hon. Members who have supported it they have in mind perhaps that this money can be brought into the mainstream and that in future it will become a source of revenue and we can tax it. When it comes in the mainstream it will make a healthy contribution to the economy and will also lead to growth apart from being a source of revenue. So, both sides have weighty arguments. What I can say at the moment is that I will weight both sides of the arguments before I come to any conclusion.

With these words I thank the hon. Members very much for their valuable suggestions.

MR. DEPUTY-SPEAKER : Now, we go to next item.

### JUDGES (PROTECTION) BILL

[English]

THE MINISTER OF STATE IN THE MINISTRY OF LAW AND JUSTICE (SHRI H. R. BHARADWAJ) : Sir, I beg to move :

“That the Bill for securing additional protection for judges and others acting judicially and for matters connected therewith, be taken into consideration”

The hon. Members are aware that the Judicial officers Protection Act, 1850 as it exists at present provides that no Judge, Magistrate, Justice of the Peace, Collector or other person acting judicially shall be liable to be sued in any Civil Court for any act done or ordered to be done by him in the discharge of his judicial duty, whether or not within the limits of his jurisdiction provided that he at the time, in good faith, believed himself to have jurisdiction to do or order the act complained of; and no officer of any Court or other person, bound to execute the lawful warrants or orders of any such Judge, Magistrate, Justice of the Peace, Collector

or other persons acting judicially shall be liable to be sued in any Civil Court, for the execution of any warrant or order, which he would be bound to execute, if within the jurisdiction of the person issuing the same.

The proposal is to provide for immunity against any Criminal or Civil action or proceeding against any person who is or was a Judge, in respect of any act, word or deed, committed, spoken or done respectively by him while acting or purporting to act in the discharge of his official or judicial duty or function. It is also proposed that this would not debar or prevent the president or the Central or State Government or the High Court or any other appropriate authority as may be prescribed by any law to take such civil, criminal or departmental action against a Judge as may be considered appropriate.

The main difference between the existing provisions and the proposed provisions relating to protection of judicial officers are that :

- (i) the proposed provision would confer immunity not only in civil action or proceedings, but also in criminal action or proceedings;
- (ii) immunity would be available even after the person has ceased to be a Judge; and
- (iii) the requirement of good faith is not required to be met for conferring the immunity.

I am confident that the whole House would support this Bill.

Sir, I may also add that the provisions in the present Bill are based on the 104th Report of the Law Commission where these recommendations were made and they were pending for a long time. We are trying to implement them in this Bill.

SHRI AMAL DATTA (Diamond Harbour) : You could have mentioned it in the Statement of Objects and Reasons