

whatever language one might prefer to use. The fact of the matter is it is a contentious issue. It has got to be resolved. It is true that the axis of Pakistan and China has been posing some of the problems to us. But none—the—less, on our part, we are not surprised of the moves. In fact we have been expecting certain moves which had been taking place. But I would like to bring to the notice of the House that we cannot be a party to this type of alignments that are taking place including the usurpation of our properties. Hon. Members were also pleased to pose a question about the cultural relations, the trade developments. It is true that Chinese have been trying to stress this. But our stand had been that primarily the resolution of the issue of the border would pave the way for better cultural relations. Better cultural relations can also improve the trade, though of course the Chinese have been trying to put forth that we should also make a headway on these lines. It may be cultural matters and also trade matters. These discussions have also taken place in the seventh round of talks.

On the question of the United States supplying technical information on modern technology, etc., to Pakistan and Pakistan filtering it to China, I would not like to comment at this stage. There are various dimensions of this matter. I would like only to take the House into confidence to make the submission that, so far as Government of India is concerned, on our part, we are quite vigilant enough. We would not like to escalate the matter to a deterioration. We would like to have a negotiated settlement. But we cannot give in to our self-respect. As the Hon. Members have very rightly expressed their anxiety, we would like to sort out this issue on the basis of equality, on the basis of the principles of mutuality, and we hope that China will respond to our gestures.

13.21 hrs.

STATEMENT REGARDING SCHEME  
 FOR COMPOUNDING OF OFFENCES  
 AND SETTLEMENT OF COURT CASES  
 RELATING TO CUSTOMS AND EXCISE  
 DUTIES

[English]

THE MINISTER OF STATE IN THE  
 MINISTRY OF FINANCE (SHRI JANAR-

DHANA POOJARY) : I rise to make an announcement regarding a scheme of compounding of offences and settlement of court cases relating to customs and excise duties,

2. As the Hon. Members are aware, 1985-86 has been an important milestone in the history of taxation of the country. The year saw a number of measures of rationalisation of the tax structures and a high degree of success in the matter of collection of taxes. The Collections from personal income-tax rose by as high as 45 per cent during the year as compared to the previous year. During the year, the drive against tax evaders was also stepped up.

3. In the matter of indirect taxes, the collections during the year were 25 per cent more than the collections during the previous year. A new Customs Tariff based on the Harmonized System of Nomenclature was brought out. The Central Excise Tariff was aligned to the Customs Tariff.

4. During the drive for revenue collections of customs and excise duties, the Government had to face certain problems. It was found that a large amount of money of the order of Rs. 2,500 crores was blocked in courts of law, many of these cases relate to the so-called post-manufacturing expenses. Notwithstanding the efforts made by the Department, it appears that the collection of the revenue blocked is likely to take considerable time.

5. As the Hon. Members are aware the Government had announced a scheme for enabling the assesseees to declare their true income and wealth without attracting penal consequences. Encouraged by the good response this scheme has received, the Government has considered whether there should be a similar scheme in the case of indirect taxes. In view of the effective action taken on the anti-evasion front, Government are of the view that an opportunity should be afforded to the taxpayers to make a clean breast of past evasion of customs and excise duties without prosecution. No doubt, taxpayers who have evaded the duty in the past should not be given a better treatment than what is available to honest taxpayers. Keeping this in view, a scheme has been formulated

[Shri Janardhana Poojary]

under which those taxpayers who, on their own accord, come forward and make a declaration regarding the duty evaded in the past will be afforded an opportunity to pay the taxes due.

6. This scheme of compounding of cases of non-payment of excise and customs duties will be available to manufacturers of excisable goods and importers of cargo. It shall apply to those manufacturers or importers who have paid lower amounts of duty in respect of excise clearances or on import of cargo, upto the 31st December, 1984 consequent to declaration of incorrect assessable value or wrong classification under the tariff, where the transactions have been fully reflected in the accounts and balance-sheet, if any, of the assessee. In such cases, the assessee should make a declaration on or before the 31st December, 1986 before the Collector of Central Excise or Customs giving a written declaration owning the liability on their part and indicating the amount short paid by them. The declaration will be verified and a demand under law will be issued, asking the assessee to pay the amount along with interest at the rate of 6 per cent per annum. On depositing the amount, an order will be passed by the Collector of Central Excise or Customs compounding the offence and deciding not to proceed against the declarant both departmentally and in a court of law.

7. Where the amount involved is large, the facility for payment of the amount in instalments can be considered. In case the amount is not paid in time, the duty will be recovered as provided in the law.

8. I should clearly state that the scheme does not cover :

(i) cases of suppression of production of excisable goods and clandestine removal thereof;

(ii) cases of smuggling; and

(iii) cases of evasion of duty either by misdeclaration of value or wrong classification of goods under the tariff where the transactions have not been fully recorded in the accounts and balance-sheet, if any, of the manufacturer or importer.

The scheme of amnesty cannot be extended to condone criminal actions like smuggling or clandestine removal of goods without payment of excise duty from the factory. Again, if the transactions are not mentioned in the books of the company, then the funds are, to that extent, funnelled out of the business. In these circumstances, rights and the claims of shareholders of the company are also affected and there are serious violations of the provisions of the Company Law. In so far as these transactions are not reflected in the books, there is evasion of other taxes also like income tax and sales tax, resulting in generation of black money. Hence amnesty scheme cannot be extended to such cases.

9. In respect of settlement of central excise cases, pending in courts of law pertaining to post-manufacturing expenses, the assessee should give a declaration to abide by the decision of the Collector of Central Excise, who would work out the liability in terms of the principles already laid down by the Supreme Court. On payment of the amount of dues worked out by the Collector of Central Excise, the cases will be settled and cases filed by the Department will be withdrawn.

10. In central excise cases other than those relating to post manufacturing expenses and in customs cases pending in courts, where the assessee expresses their willingness to make payment of the amount due from the party as already assessed by the appropriate assessing or appellate authority, the cases will be considered for settlement on payment of the amount.