

rate. By now he must have realised that it is not his talent and speeches or the negotiations or the expressions or the language that help in the exchange rate but it is the wealth that is generated in the country that could decide the value of the rupee in comparison with the foreign currency. I would like to know from the hon. Minister whether he is himself satisfied with the tax structure or the various policies of the Government that he has introduced in the last budget to motivate the Indian citizen, whether he is an ordinary citizen, common man or businessman or anybody else in various professions, to work, to earn, to produce and generate wealth sufficiently, to avoid this type of fluctuations happening too many times in the country. Does he think anything revolutionary method or has he got any revolutionary concept—if he could not introduce it in the last budget—that he will introduce at least in the coming budget?

PROF. MADHU DANDAVATE: Mr. Speaker, Sir, if you read the question here, the question is regarding rupee value vis-a-vis the sterling pound and even personally I feel that the questions is completely outside the ambit of the question that he has asked.

MR. SPEAKER: He is asking the question because you will reply to that.

PROF. MADHU DANDAVATE: But, Sir, since you have not prevented him from asking the question, I assume that you have also given the consent to ask the question and for all that I would say that if you want to broaden the ambit of the question and go to the question of tax-structure how we have to reduce deficits in the country, how the balance of payment position is to be improved, etc. I don't think this is the correct ambit which we can discuss. But while replying to Mr. Chidambaram, broadly I have accepted that basic aspect of tackling this problem as also to see that we reorient the economy, try to have better resources, try to improve our relationship, try to augment the resources and also have better balance of payment. (*Interruptions*)

SHRI V.N. GADGIL: May I know from the hon. Finance Minister what is the reaction to the proposal of one of their Chief Ministers, Shri Biju Patnaik, that the rupee should be made free?

PROF. MADHU DANDAVATE: Sir, I think Mr. Biju Patnaik, did a little bit of loud thinking and I must make it explicitly clear that when we have so much fiscal imbalances in the country, the present position of high deficits, inflationary pressures in the economy, again imbalances in our trade relationship, under such a situation if we try to float the currency and accept convertibility, I think it will bring disaster to our economy and I am totally opposed to that. (*Interruptions*)

#### **Seizure of Jewellery in Income Tax Raids**

\*62. SHRI HARIN PATHAK: Will the Minister of FINANCE be pleased to state:

(a) the circumstances under which Income tax authorities have the right to take away jewellery during raids;

(b) whether jewellery valued below Rs. 1 lac is permitted as "Stri Dhan" to a Hindu woman and the Income tax authorities cannot take it away;

(c) whether the Income tax authorities can take away jewellery during the raids which is assessed under the Wealth Tax Act and on which Wealth Tax is paid; and

(d) if so, the distinction made between the Wealth Tax paid and unpaid jewellery?

THE MINISTER OF FINANCE (PROF. MADHU DANDAVATE): (a) to (d). A Statement is laid on the Table of the House.

#### **STATEMENT**

As per Section 132 (1) of the Income-tax Act, the authorised officer can seize any money, bullion, jewellery or other valuable article or thing found as a result of search

under section 132 (1) which represents either wholly or partly income or property which has not been, or would not be disclosed for the purpose of the Indian Income-tax Act. As per section 37 A of the Wealth tax Act, the authorised officer can seize any money, bullion, jewellery or other valuable article or thing found as result of search which is disproportionate to known assets, particulars of which will be useful for, or relevant to any proceeding under the Wealth-tax Act.

The Income-tax Act and the Wealth-tax Act do not prohibit seizure of jewellery valued even below Rs. 1 lac if the income represented by the jewellery has not been undisclosed under the Income-tax Act and if the jewellery is disproportionate to known assets, particulars of which will be useful for or relevant to any proceedings under the Wealth-tax Act.

The jewellery owned by the female members of the family is not seized to the extent it is found reasonable, considering the status of the family concerned, the custom of the community, the number of female members in the family and the time of marriage of the female members concerned. Each case is judged on its own merits. In respect of the assesses who are assessed to Wealth-tax, only such jewellery which is in excess of the amount of jewellery disclosed under the Wealth-tax Act is considered for seizure.

[*Translation*]

SHRI HARIN PATHAK: Mr. Speaker, Sir, no hon. Member of this House will disagree with me that there is a parallel economy in our country. Whenever a raid is conducted the premises of big national companies, multinational companies and black marketeers, efforts are made to save them but generally it is seen that marginal and honest income tax payers are harassed by the Income Tax Officials. Sir, I would like to know from the hon. Minister whether any departmental survey is conducted before conducting raids on the premises of Income Tax payers? If so, what are the provisions in

regard to compensate an assessee for the loss of prestige in society as a result of the raid, in case cash, assets or jewellery are not found during the raid as per the survey report or it is found to be totally baseless? What measures are proposed to be taken to protect the honest tax payers against raids etc.

PROF. MADHU DANDAVATE: Mr. Speaker, Sir, one thing I would like to put it straight that before conducting raids on the business premises, shops or houses, the Government examines all the evidences and information received by them from various reliable sources. Such information is often provided by the hon. Members, Social workers and political parties. Only when *prima facie* evidence of evasion is there, then only raids are conducted. I would like to inform the hon. Member that in 5 to 10 cases only of raids out of a hundred conducted by the department the information provided is not found to be correct. But in most of the cases of raids on houses, the assets, gold and Jewellery is found to be disproportionate and the information supplied to be correct. So, if in some cases the information supplied is found to be incorrect and on that basis if the system of conducting raids is altogether discontinued, it would not be justified. Even then I would like to inform the hon. Member...(*Interruptions*)

SHRI HARIN PATHAK: I have not suggested the discontinuance of the system of raids. That is not my contention.

PROF. MADHU DANDAVATE: I would like to assure the hon. Member that before conducting any raid, the Government will definitely verify the authenticity of the information and the reliability of the source of that information. The Government will never be vindictive in ordering raids and even if the information provided proves to be incorrect, nobody will be harassed through raids.

SHRI HARIN PATHAK: Sir, through you, I would like to know from the hon. Minister the details about the number of raids conducted in connection with the Income Tax evasion during the last two years all over the

country and the amount of black money and assets unearthed thereby?

PROF. MADHU DANDAVATE: Mr. Speaker, Sir, the main question was: whether jewellery valued below Rs. one lakh is permitted as 'stri dhan' to Hindu woman. So right now I do not have the information desired by the hon. Member. In reply to a question I have placed before the House a statement in this regard and I assure the hon. Member that a copy of that statement will be sent to him.

MR. SPEAKER: Shri Mullappally Ramachandran.

Prof. Ram Ganesh Kapse.

[English]

#### Government Control over Banks

\*64. PROF. RAM GANESH  
KAPSE:  
PROF. PREM KUMAR DHU-  
MAL:

Will the Minister of FINANCE be pleased to state:

(a) the nature and extent of Government control over the working of banks;

(b) whether Government propose to enact a law with a view to make public sector banks effectively accountable to Parliament; and

(c) if so, the details thereof?

THE MINISTER OF FINANCE (PROF. MADHU DANDAVATE): (a) to (c). A Statement is laid on the Table of the House.

#### STATEMENT

Government exercises control over the working of the public sector banks as per the powers enjoined upon it in the relevant statutes governing these banks. The control, as necessary, is exercised through the detailed

reporting system, representation on the Boards of Directors, periodical meetings with the Chief Executives external audit by qualified accountants. Supervision over banking operations is also exercised by Reserve Bank of India, the Central Banking Authority. Specific aspects of functioning of the banks are also scrutinised and examined by Committees and working groups set up by the Government. Instructions and guidelines are issued to the banks from time to time on the various aspects of their operations.

The public sector banks are required to function within the legislative frame-work by which they have been constituted. The annual report of each of the public sector banks is laid before the Parliament as per the statutory requirements. A consolidated report on the working of the public sector banks is also laid before the Parliament every year. The working of the banks is also reviewed at the meetings of Consultative Committee for Finance Ministry and various other Committees of Parliament. Government do not propose to enact any separate legislation in this regard.

PROF. RAM GANESH KAPSE: I would like to know whether it is a fact that underserving persons were nominated because of favouritism and nepotism on the part of the Board of Directors of banks and what steps have been taken to correct the disease on the long-term permanent basis.

PROF. MADHU DANDAVATE: Sir, I would like to inform the hon. Member that we have already received some complaints regarding the appointment of certain persons for various Boards. We have already set up an Appointment Board presided over by the Governor of the Reserve Bank. That Board is supposed to recommend names about the members who are to be appointed on the Board and the final decision is taken by the Minister. We have also entrusted the work to a committee to enquire into certain complaints that have been lodged by Members of Parliament, MLAs, social workers and members of the political parties regarding some favouritism that had taken place in