Clause 3, the Schedule, Clause 1, the Enacting Formula and the Title were added to the Bill.

SHRI K. R. GANESH : I move :

"That the Bill be passed."

MR CHAIRMAN : The question is :

"That the Bill be passed."

The motion was adopted.

16.42 hrs.

FINANCE (NO. 2) BILL, 1971

THE MINISTER OF FINANCE (SHRI YESHWANTRAO CHAVAN) : I beg to move* :

"That the Bill to give effect to the financial proposals of the Central Government for the financial year 1971-72 and to provide for the levy of foreign travel tax, be taken into consideration."

The important features of the proposals in the Bill were outlined by me in my Budget speech and the details of the specific provisions in the Bill have also been spelt out in the Explanatory Memorandum circulated to Hon'ble Members along with the budget papers. I do not, therefore, propose to take the time of the House in going over the entire ground again, and shall confine myself merely to explaining the principal changes that I propose to introduce in the provisions of the Bill. The valuable suggestions that I have received both from Hon'ble Members and others have been of considerable assistance to me in formulating these amendments and I would like to take this opportunity of expressing my gratitude to those who have provided comments on the proposals. I have also met the representatives of various Associations. I have also had the benefit of consultations with my colleagues in the Cabinet.

The main objectives of the Bill are to simplify and rationalise the taxation laws and to reduce opportunities for evasion of taxes, as also to bring about a scaling down of the concentration of economic power and reduction in the inequalities of income and wealth and, if I may so, it has been widely acknowledged that the proposals in the Bill will go a long way to meet these objectives. What I propose to do through the amendments is to suggest a few changes for rationalising some of the provisions of the Bill, in certain other cases, to make them more effective in achieving the objectives underlying them.

In the field of direct taxes, the Bill contains proposals for imposing a ceiling on the remuneration of employees which would be deductible in computing the taxable income of a company or any other taxpayer. The maximum amount that will be deductible in respect of any one employee will be limited to Rs. 5,000 for each month or part thereof comprised in the period of employment of the employee in India during the relevant account year. The expenditure incurred in providing any requisites etc. to an employee will also be restricted to 20% of the salary of the employee or Rs. 1,000 per month, whichever is higher In regard to directors or persons who are substantially interested in the company or their relatives, there will be a similar ceiling of Rs. 72,000 for the year. In the case of employees, certain items of expenditure, such as, contributions to recognised provident funds, home leave travel concession, etc. will not, however, be taken into account for purposes of applying the aforesaid ceiling limit. I now propose to make an amendment in the relevant provision in order to place director-employees on a par with other employees in this regard. I also propose to clarify that where the expenditure on account of remuneration, benefits or amenities provided to a director does not relate to a full year, the deduction for such expenditure will be reduced proportionately, and further that in a case where a person is a director of the company for a part of the account year and an employee for another part of the year, the deductible amount of expenditure incurred by the company in providing remuneration, benefits or Pequisites to such a person will be limited to Rs. 72,000.

The Bill proposes to limit the deduction upto Rs. 3,000 presently available to all categories of tax-payers in respect of income from investments in specified categories of financial assets, such as, Government securities, company shares, bank deposits, etc., to

*Moved with the recommendation of the President.

individuals and Hindu undivided families only. Having regard to the special position of married couples governed by the system of community of property in force in the Union Territories of Dadra and Nagar Haveli and Goa, Daman and Diu, I propose to extend the benefit of this deduction to such married couples as well.

There has been some criticism of the proposal in the Bill to include in the net wealth for purposes of taxation the first Rs. 1 lakh of wealth in the case of individual assessees and the first Rs. 2 lakhs in the case of Hindu undivided families, where the net wealth exceeds the aforesaid limits. In particular, it has been urged that this provision will operate harshly in cases of middle class people where the only income derived by a taxpayer is from house property let out to others. Under an existing provision in the Wealth-tax Act, one house or a part of a house belonging to a taxpayer and exclusively used by him for his own residence is exempt from wealth-tax up to a value of Rs. 1 lakh. I propose to provide that this exemption will also be available in respect of let-out house property in the same manner and to the same extent as the existing exemption in respect of self-occupied house property.

In my Budget speech, I had announced my intention to discontinue development rebate in respect of ships acquired or machinery and plant installed after May 31, 1974. We have already issued the notification giving effect to this proposal. It has been represented that the withdrawal of development rebate after the three-year notice period would result in retarding decisions for establishing new units or expansion and moderanisation of the existing units. In this connection, it has been mentioned that the various licensing and regulatory procedures take a considerable amount of time before a licence can fructify and, as such, the new projects will have to be largely planned on the basis that the development rebate will not be admissible in their cases. We are contemplating certain steps to expedite the work relating to licensing and other regulatory procedures. This, I hope, will result in expediting the decisions by various agencies concerned with licensing and other matters. Although the development rebate has served a very useful purpose in attracting investments in industry during the last 17 years of its operation, I feel that at the present stage of our development, it is no longer necessary to continue this concession. Development rebate has been criticised by several persons as leading to wasteful use of scarce capital resources and has, to some extent, led to a concentration of economic activity in the hands of existing firms. I am not, however, suggesting that there may not be need for better conceived tax incentives for encouraging industries in certain selected sectors or those in backward areas. We propose to study this problem in depth and I shall be grateful for any suggestions that the Hon'ble Members may like to make in this behalf.

I now turn to the proposals in the Bill regarding indirect taxation. I have already dealt with the proposals relating to Customs and Central Excise in my Budget speech and in my reply to the general discussion on the Budget. Some of the budget levies notably those relating to maida and coarse cloth, were withdrawn at the stage of the general discussion. While the other proposals do not call for any material change, some notifications are necessary and desirable in order to remove anomalies or hardship and inconvenience particularly to small producers. And I now propose to indicate some of the modifications regarding Customs and Excise Duties

I shall first deal with Customs duties. In view of the high margin of profit on imported staple fibre, I had proposed as part of the budget a duty of 100 per cent ad valorem. While the duty on non-cellulosic staple fibre will remain at this level, I propose to reduce this duty to 30 per cent ad valorem in the case of cellulosic staple fibre which is a cheaper variety of staple fibre being imported to meet the cotton shortage in the country. A notification giving effect to this change in duty is being issued.

On the basis of the revised structure of import duties, a rate of 100% was prescribed for all dry fruits. Consequential amendments have now been made in the tariff values fixed for assessment of these dry fruits and a notification is being issued giving effect to the revised tariff values. The revised tariff values being generally lower than those in force hitherto, the burden of duty will be correspondingly less. In order to remove the disparities in the incidence of duties caused by different modes of assess-

[Shri Yeshvantrao Chavan]

ment, the system of assessment on the basis of tariff values which was hitherto applicable to goods of Afghanistan origin only, has now been extended to all dry fruits.

Coming next to Central Excise duties, I propose, in line with the concessions already announced at the time of the introduction of the Finance Bill in favour of small units, to exempt wholly from excise duty the production of compounded lubricating oils and greases, by units which do not use power.

There have been a large number of representations from the manufacturers of rubber products and vegetable non-essential oils using solvent extraction process against the increased duty on certain special boiling point spirits on the ground that it would result in higher cost of production and price rise on a number of products. I have carefully considered these representations and have decided to reduce, subject to certain procedural safeguards, the effective rate of duty from Rs. 845 to Rs. 425 per Kilolitre (nearly half of the present level) on special boiling point spirits with the nominal boiling point ranges of 55 to 115°C and 63 to 70°C which are used in the manufacture of rubber products and solvent extraction of oils, respectively.

Keeping in view the concession already extended in respect of certain specified motor vehicle parts intended to be used as original equipment parts of motor vehicles, I propose to extend a similar concession to such parts going into the manufacture of assembled components like brake assemblies etc. or automobile engines, provided that these assembled components or engines are used as original equipment parts in the manufacture of motor vehicles.

I also propose to extend the concession already announced to the small manufacturers in respect of certain specified motor vehicle parts, to the manufacturers of electric horns.

In order that the levy of duty on oxygen gas does not adversely affect the steel and fertiliser industry, I propose to exempt oxygen gas wholly from payment of central excise duty if it is used in the manufrcture of steel and fertilisers.

Further, in order to meet demands from the manufacturers of gases who apprehend considerable difficulties in the matter of declaration of assessable values, it is proposed to fix tariff values in respect of oxygen, chlorine and ammonia gases.

I also propose to restore the pre-Budget rate of 10 per cent. advalorem in respect of electrical porcelain insulators as a measure of reducing the cost burden on rural electrification programme.

In respect of cinematograph projectors, I propose to fix tariff values for 35 mm and 70 mm projectors to eliminate certain administrative difficulties. Further, as I would not like the cause of education, family planning, agriculture and public health programmes to suffer owing to the new levy on cinematograph projectors, I propose to exempt 16mm. projectors used for these purposes wholly from the central excise levy subject to certain checks and procedural safeguards.

In the wake of the withdrawal of exemption on agricultural tractors, some points of doubt had been raised whether power-tillers would also attract central excise duty. This point has been carefully considered and it has been clarified that for purpose of levy of central excise duty, power-tillers cannot be classified as agricultural tractors and therefore the levy imposed on the latter is not chargeable on the former. Customs duty will, however, be charged on imported power-tillers.

The Hon'ble Members will recall that in my Budget speech I had made a mention of rationalisation of the concessions available to independent processors of cotton fabrics. By this measure, the hand processing units which were hitherto enjoying complete exemption from processing duty, were subjected to a certain amount of duty on the processing done by them. It has been represented by this sector of the industry that the rates proposed are too heavy for them and that it will also be difficult, particularly for the smaller units, to follow the normal procedure for paying excise duty. I have carefully considered these representations. I am making a substantial reduction in the rates of duty which were proposed for them. To obviate the procedural formalities and checks, an optional compounded levy scheme is also being notified under which the effective rates will be somewhat less than even the reduced standard rates.

Hon'ble Members may recall that I had proposed a levy on certain ready-made garments and in order to protect the small manufacturers the levy was intended to be confined only to such articles which are manufactured with the aid of power and sold under a registered trade mark or brand name. However, subsequent to this, some of the leading manufacturers of ready-made garments have, with a view to avoid payment of central excise duty, de-registered their brand names. In order to ensure that the big manufacturers of ready-made garments do not get away in this manner, I have made certain modifications in the existing definition. Simultaneously, however, I am providing for adequate relief to the smaller manufacturers by increasing the exemption limit of clearances for ready-made garments to Rs 5 lakhs per annum. This concession will not, however, be available to those manufacturers whose annual clearances exceed tne limit of Rs. 5 lakhs in a financial year.

The maximum number of representations have been received in respect of the levy on bolts and nuts and screws. These reparesentations deal mainly with either tbe scope of the tariff item or the difficulties experienced by the smaller producers. After careful consideration of these representations, the precise scope of the tariff items is being clarified to include only such bolts, nuts and screws which are exclusively fasteners and have no functional utility otherwise. The difficulties of the smaller producers have also been looked into and after considering the vorious possibilities to allevaite them, I have decided to exempt bolts, nuts and screws produced by a manufacturer whose total value of clearances does not exceed Rs. 5 lakhs in a financial year, as in the case of ready-made garments. This exemptipn, I hope, should meet adequately the demand of the smaller units.

Apart from the reliefs and concessions I have mentioned above which all relate to the proposals made in the Budget, I would also like to take this opportunity of announcing another relief, by way of total exemption from excise duty on cigars and cheroots. This industry which is mainly in the cottage sector, and highly labour intensive, has been languishing over the years, fragmenting itself and confining itself more and more to the manufacture of infarior variety of cigars and cheroots as they are not able to bear the incidence of excise duty leviable on the costlier varieties The loss of revenue by this exemption will be about Rs. 7 lakhs per annum. I hope this exemption will help to revive this industry and also give a fillip to the export of quality cigars and cheroots,

A number of letters have been received, including from some Hon'ble Members, about the Foreign Travel Tax. In view of the novelty of the tax in this country and the many representations received, I propose to revise the rate of the tax and now intend to make a beginning with a 15% rate of tax for the Standard first class and only 10% rate for the Economy or Tourist class.

I have to taken into account various representations made that relief should be given for certain classes of passengers. Hon'ble Members will recall that even at the time of proposing the tax I had announced exemption from tax in the case of students and scientists. It was also clarified in the Memorandum circulated to the Members at the time that in so far as students are concerned, the exemption would apply to all of them who go abroad for studies or technical courses whether foreign exchange is released for them by the Reserve Bank or they do not ask for foreign exchange but are otherwise eligible for it. I should like to amplify this by saying that this exemption would apply only to those who travel by Economy class, as Hon'ble Members would appreciate that those who travel by First Ciass are certainly in a position to pay for that luxury and can therefore afford to pay the tax also. As for scientists, I would like to clarify that the intention is to exempt them from the tax provided they are sponsored by Universities and such other institutions engaged in scientific research as may be approved by the Government of India in this behalf and the purpose of the travel is for participation in an approved international conference, seminar, etc. Here too, naturally, the concession would apply only to travel by Economy class. I also propose to exempt deck passengers travelling by sea for approved pilgrimages like the Haj. Employees of airlines and shipping companies have represented that as a part of their service conditions they are allowed to travel free abroad once in a while. The airlines companies also give free tickets on other occasions, such as inaugural flights. I propose to exempt such free tickets only as are given to employees

[Shri Yeshvantrao Chavan]

as part to their service cotnditions or for inaugural flights but here too, the concession will be confined to travel in the Economy class only.

As the rules and procedural arrangements have to be finalised before this levy can come into operation, a certain time is needed for this purpose after the Bill is passed. My intention is to bring the tax into effect from the 15th October, 1971.

The loss in revenue as a result of the modifications now proposed in the travel tax are very roughly estimated to be about Rs. 3 to 4 crores for this year. Taking all the concessions made since the introduction of the Budget, including those in respect of Maida and coarse cloth, the net effect this year will be a loss in revenue of about Rs 15 crores. I hope Hon'ble Member would at least agree that if I had to cast the net wide in augmenting budgetary resources this year, I have been equally responsive to suggestions for modifications and reductions to remove undue hardship and give relief to the smaller manufacturers.

Finally, I might refer to a matter not connected with the Finance Bill but which has a bearing on mobilisation of resources through the voluntary savings of the people. Hon'ble Members will be glad to know that the net collections under small savings were about Rs. 197 crores last year, that is to say, about Rs. 70 crores more than the collections in the preceding year. In view of the urgent need to step up these collections still further so as to counteract the inflationary trends in the economy and to find the much needed resources for development, it has been decided that the limits of deposits in the 7-year National Savings Certificates (II and III Issues), taken together, should be enhanced from Rs. 25,000 to Rs. 50,000 for individual holdings and from Rs. 50,000 to Rs. 1,00,000 for joint holdings, with effect from 1st August, 1971. It has also been decided that 5-Year Fixed Deposits receivable at the Post Offices and Branches of the State Bank of India and its subsidiaries will not be received after the close of business on the 31st July, 1971.

To enlist the co-operation of the State Governments in increasing the collections under the Public Provident Fund Scheme, it has been decided that with effect from the current year, the Public Provident Fund Scheme will form part of the Small Savings Scheme for the purpose of determining loans admissible to State Governments in respect of the Small Savings collections. I am confident that the State Governments will now take keen interest in stepping up the collections under the Scheme.

17.00 hrs.

MR. CHAIRMAN : Motion moved :

"That the Bill to give effect to the financial proposals of the Central Government for the financial year 1971-72 and to provide for the levy of foreign travel tax, be taken into consideration."

15 hours have been allotted for all the stages of the Bill. If the House agrees, we will have 9 hours for the general discussion, 5 hours for clauses and 1 hour for the third reading. I take it that the House agrees to this.

SHRI JAGADISH BHATTACHARYYA (Ghatal) : Sir, the Finance Bill, being an indispensable part of the budget, should be considered in the light of what is contained in the budget that was presented earlier. But the budget presented before us had only taxes, more taxes and yet more taxes and so on and so forth. This has been going on for the last 24 years since independence

Our Finance Minister wants to usher in socialism, of course socialism of his own brand. whoever heard of socialism by taxation, the lion's share of which is borne by the common people. What sort of mess has this government landed this country into ?

Immediately after independence we found that the postal department and railways were yielding large profits. Now these concerns, which were once at it were Kamadenu, the cow which gives milk constantly, now they are running at a loss. All the public enterprises are incurring losses, and these losses are mounting year after year. This government has brought this country on the brink of ruin. It is rushing headlong to destruction and perhaps there is no possibility of its survival, unless the present policy of the government is thoroughly changed.

It is a common saying now that India is a problem-ridden country. But who created these problems? All these problems are the creation of the present government and its predecessors who belong to the same party.

The biggest problem now facing this country is that of refugees who have crossed over to India from Bangla Desh because of the inhuman atrocities and genocide perpetrated there by the military regime of Yahya Khan.

Here also this Government has become a prisoner of indecision. They could not act promptly when the whole country was behind them on this issue. They only solution lay in the immediate recognition of the provisional Government of Bangla Desh and in giving all kinds of material help to the freedom fighters there. We are at a loss to understand what stood in the way of this Government to do this. Do you think that if you go down on your knees and plead for taking these refugees back that blood thirsty Yahya Khan will do it. Now, the problem has assumed a gigantic magnitude and it has become next to impossible to cope with. Already seven millions have come over to this side. Nobody knows how many are on the way. If you spend only one rupee per meal per head per day the annual expenditure will come up to the tune of Rs. 500 to Rs. 600 crores only to feed them let alone the question of housing them, clothing them giving them medical help or providing sanitation And now the indication is that these refugees are going to stay...

श्री हुकम चन्द कछवाय (मुरेना) : अध्यक्ष महोदय, मेरा व्यवस्था का प्रश्न है, सदन में गणपूर्ति नहीं है।

MR. CHAIRMAN : The bell is being rung...Now there is quorum.

17.07 hrs.

[SHRI N. K. P. SALVE *in the Chair*]

SHRI JAGADISH BHATTACHARYYA: ...and in that case ultimately they will require full rehabilitation and we know the refugees who have come earlier because of the partition of India and its after math have not yet been fully rehabilitated. Much remains to be done for them and now the rehabilitation of these additional seven millions or how many millions they might be, is anybody's guess, will give rise to so many complications that will one day turn to be a great socio-political problem and then even a Hercules will not be able to clean the Augean stables.

Yahya Khan has succeeded in killing two birds with one stone. He has almost succeeded in destroying all kinds of democratic movements of Bangla Desh and he is going to destroy Indian economy and our Government is only a silient spectator to this, waiting for the so-called opportune moment to act.

What a miserable plight ?

17.10 hrs.

[SHRI K. N. TIWARY *in the Chair*]

I think, it is not possible to discuss all the problems facing the country in detail just in a single speech. We cannot but put all the emphasis at our command on the problem of education and unemployment that is eating into the very vitals of the nation. There has been a persistent cry since the day of independence that our education should be production-cum-employment oriented. But who cares for that? Nothing tangible has been done in this respect till this day.

Education up to the age of 14 ought to have been free and compulsory within ten years of the introduction of our Constitution, but those ten years have all rolled by and another ten years are also going to be over. But has that objective been achieved or will it be achieved by this Government in the next ten years ? The answer is an emphatic 'No'.

The mischief is already done and it is going out of control. You talk of only West Bengal but it is showing its ugly head everywhere in the country. The entire youth community is suffering from severe frustration.

Exploitation is going on unchecked and those who are in the Government are only after the loaves and fishes of office and perhaps busy decorating their houses by spending lots of public money. Anywhere you turn your eyes and you will find mismanagement, negligence, corruption and

[Shri Jagdish Bhattacharyya]

parochial party interests on the part of this Government which have made this country a paradise for the privileged classes who are exploiting this situation and are adding to their bank balances and black money.

By pursuing this policy this Government is digging not only its own grave but also the grave of the entire nation. There is no escape unless the people become fully conscious of this and rise to the occasion and change the track along which this Government is now dragging this country.

It is in this perspective that we have been called upon to pass this Finance Bill. In view of what I have already said and the mouting failures of this Government to give the country a real start in the right direction, there is no question of my supporting the Bill, rather I request this House to oppose this and to have no hesitation in its outright rejection.

SHRI N K. P. SALVE (Betul): Mr. Chairman, we are discussing the Finance Bill this year under the shadow of a very grave and calamitous situation created on accouut of events in Bangla Desh. Because of the urgency and the magnitude of the problems created on account of Bangla Desh, the discussion on the Finance Bill and the importance relating to various proposals which will figure in the discussion are likely to some extent to be minimised or attenuated, but the importance of the discussion of the Finance Bill can never be eclipsed, because the entire gamut of the Government's fiscal policy and measures is now before the House for its scrutiny and approval. That is one reason why the Finance Bill always has an extremely important place in the parliamentary calendar, of the Budget Session.

This year's Finance Bill has came in for a very severe criticism. During the debate when we were discussing the Budget, there was a very severe indictment of the Finance Minister even outside the House. The Finance Bill has been under very severe fire. In fact, it is going to be my endeavour today to objectively analyse some of these criticisms specially relating to direct taxation and to lay before the House objectively and dispassionately the implictions of various proposals to determine whether these criticisms were really justified or whether they were utterly one-sided or whether they were utterly exaggerated or whether they were flaunted and hurled on the Finance Minister entirely to cater to some vested interests, the capitalists or the monopolists or certain political parties.

Sir, an able and strict Finance Minister is in the same position as that of a husband who is strict and disciplinarian and, like a strict husband who has to face criticism from his nagging wife, a Finance Minister also has to be prepared to face criticism which is sometimes in quality and standard the same as that of a nagging wife. The difficulty is that our Finance Minister is not used to a nagging wife . .

AN HON. MEMBER : But you apprently are.

SHRI N. K. P. SALVE : Unlike many of his colleagues, he is not used to a nagging wife.

What is the truth in the entire criticism hurled against the Finance Minister ? In the crux of the criticism has been in that the proposals of drastic withdrawls and abridgement of various incentives, concessions and exemptions in the incom-tax law, and the increase in the surtax and the income-tax rates and the wealth tax rates has raised the whole burden of direct taxation to such a height that it is going to impede the growth rate. A picture has been painted by these critics that economic activity will come to such a pass, if the Finance Bill proposals on direct taxes are implemented, that it will overtun the applecart of the industrial grouth which seems to be gathering momentum in the preceding few years. We have hardly been able to reach 5 per cent growth in the industrial sector and, it is said, that even this rate of growth is likely to be adversely affected.

Let me analyse some of these criticisms. I shall take first the corporate sector. In the corporate sector, there is no change so far as the income-tax rates are concerned. The only change is in relation to the taxation of sur-tax on companies. The sur-tax rates have been enchanced and raised on companies and would be, instead of 25 per cent, 30 per cent where the chargeable profits, after the statutory deductions, are in excess of 15 per cent and the statutory deductions happen to be Rs. 2 lakhs or 10 per cent of the capital base.

The other change in the rate of taxation so far as the corporate sector is concerned is only in respect of capital gain. The capital gains tax has been increased to 45 per cent on lands and buildings as against 40 per cent and to 35 per cent on capital gains other than lands and buildings. Surtax has been the subject matter of very bitter criticism and the Finance Minister has been very severely censured for that. Sur-tax, it is to be understood, is, in fact, a levy, on high profitability. Sur-tax, though is a levy, in the nature of a tax or income, it is, in fact, a tax on high profitability of companies who earn high profits on capital. If one were to examine in terms of percentage this increase, one would find that the burden of criticism is far in excess of the burden of increased taxation itself. It will be found that as a result of increased taxation, there is to be no sur-tax if the company has a profit upto 22.2 per cent of the capital employed. It is a reasonable profit rate and there is absolutely no burden whatsoever of sur-tax. And then if such an industry happens to have a priority status, then upto 23% of capital it has no burden of sur-tax and the increased rate of surtax would come into play only when it reaches 33.3% target. Where a company makes a profit in excess of 33.3% of its capital then alone will the increased rate of surtax come into picture and the maximum impact of the increased rate of surtax on profits of a non-priority business of a widely-held domestic company where the profitability is 100% of the capital will be 68.5% as against 66.25% including income tax and surtax. Therefore, if a company were to make a profit of 100% of its capital, the increase would only be 2.25% in the aggregate and this increase has been the subject matter of criticism so widely and so vehemently that a picture is painted of our Finance Minister as enemy No 1 of the corporate sector. The surtax is criticised because it is said and I heard it in Bombay—that the increased surtax in fact a punitive tax on the efficient management of a company. The argument proceeds on the assumption that the high profitability arises out of efficient management. Sir, nothing can be more fallacious than this. If we just look at the advanced countries where a company management techniques have reached the highest point of excellence because of their ruthless efficiency, they have rates of profitability which is one-third or one-fourth of companies in India which have fourth or the fifth rate management. The high profitability of Indian companies is rarely because of better efficiency. It is primarily because of their capability to be good speculators, good manipulators, good profiteers and good racketeers. Perennially, they exploit the consumers, and perennially they exploit the misfortune of the consumers and that is why there is high profitability.

Therefore, does anyone challenge the principle or rationale of the leavy. About the increase, if at all there should have been any criticism, the criticism should have been that the increase of surtax on the corporate sector has been too niggardly and too meagre and it should have been more stringent ? If one were to see the overall impact of increased taxation on the corporate sector which has been the most vociferous and most vocal, what those one find ? The other day I happened to be present at a symposium, and I found that the people from the corporate sector and representing the corporate sector criticised the Finance Minister and my party saying 'What do they understand anything of finance ? This year's tax proposals as envisaged in the Finance Bill have made a dent in the corporate sector out of which it will never be able to recover", as though heavens have fallen on the corporate sector as a result of the proposals in the Finance Bill. If one were to analyse the increase, one finds that out of Rs. 411 crores, the total recovery by way of corporate taxation, the increase is a lamentable Rs. 16 crores, which is less than 4 per cent. For this negligible increase, a furore has been created which, to say the least, is out of all proportion. One has only to study the trends of taxation on the corporate sector during the preceding few years, and one will be left simply aghast at the tremendous disparity, the hiatus between the rates of taxation as they appear in the schedule and the effective rates as they emerge on the true commercial profits. One has only to see the actual taxation on the commercial profits. An interesting study has been made by an economist of 10 topmost companies, widely held

[Shri N. K. P. Salve]

companies in different spheres of work, and the results are so challenging. I should like to point them out to Shri Piloo Mody. Let him kindly listen to these facts and understand them, because he will learn something about the exact rate of taxation on the commercial profits This happens to be a study of ten companies. I have not done It. Nor has the Finance Minister done it. This is from the *Economic Times*. The author studied the working of these companies during the last ten years ; these companies are Escorts. TELCO, Tube Investment, Phillips, Dunlop, Great Eastern Shipping, Hindustan Aluminium, Gwoliar Rayons, Tata Chemicals, Chemicals and Fibres.

Among these, the highest tax has been paid by Phillips. The pre-tax profits were Rs. 27.38 crores; tax paid was Rs. 17.22 crores, which is about 62 per cent. In the case of the Shipping company it paid a tax of Rs. 30,000 on a total profit of Rs. 20 crores.

The total pre-tax profits aggregated to Rs. 230.51 crores. The tax actually worked out to Rs. 85.86 crores, which is 37 per cent tax for ten years on these public companies. This is the picture of a cross-section ; this is the picture of the corporate sector which says all over the world at the top of its voice that the tax burden in India is so high on the corporate sector and so unimaginative and so harsh and so devoid of the realities that they are crushed and they can never come up and this stultifies growth and it chokes growth. But the effective rate on real profits is only 37 per cent.

SHRI D. D. DESAI (Kaira) : The corporate tax is more than 50 per cent. My hon. friend is a chartered accountant and he should know it.

SHRI N. K. P. SALVE : I am grateful to him for this interruption, because that only shows she did not understand what I have said. There is such a hiatus and there is such a disparity between the rates prescribed in the schedule and the rates which ultimately work out as a result of the various incentives, concessions, deductions, notional allowances...

SHRI D. D. DESAI : But may I point out...

SHRI N. K. P. SALVE : I do not want to argue with him now, If he wants to learn, let him come to my office and I shall teach him. But this is the study made by an eminent economist.

SHRI PILOO MODY (Godhra) : The difference is that he talks only about taxes but my hon. friend to my right pays them. That is the only difference.

AN. HON. MEMBER : Therefore, he wants to teach him.

SHRI N. K. P. SALVE : Shri Piloo Mody will do well to remember that there are others unlike him...

SHRI D. D. DESAI : Out of 15 proposals of taxation, 12 are on the corporate sector...

SHRI N. K. P. SALVE : I seek your protection, Sir, because I have quite a few things to say.

MR. CHAIRMAN : The hon. Member may please continue his speech tomorrow.

17.30 hrs.

HALF-AN-HOUR DISCUSSION RE: IMPORT OF ALUMINIUM THROUGH MMTC

SHRI D. D. DESAI (Kaira) : The present discussion is relating to aluminium required fort he electrical industry. Aluminium is indigenously produced and there is presently statutory control over it. It is considered an essential commodity and even the products made out of it like aluminium conductors and cables are covered under essential commodities.

So far as indigenous aluminium is concerned, it has been priced after the Wanchoo Committee Report at Rs. 5,150 and the final cost when delivered at the works of the actual users works out to Rs. 5,450. As against this, the import of aluminium—