

into every aspect of our finances and I welcome it. Let them make a thorough probe. Often I have heard and during the General Budget, my hon friend, Shri V. K. R. V. Rao, made a suggestion for a Committee.

Here is the Committee consisting of Members of Both the Houses—the Railway Convention Committee—which has got the opportunity and which has the power to look into the financial problems, and I hope they will be able to do this, and help us with their recommendations in order to remove this red light and put the green one.

15 hrs.

**SHRI K. S. CHAVDA :** The passengers are travelling not only in third class or second class. They are travelling on roof class, that is, on the roof of the trains, and also on buffer class, that is on the buffer of the trains. If overcrowding is reduced then ticketless travelling will be reduced.

**SHRI K. HANUMANTHAIYA :** Travelling on roof is not throughout India ; I don't see, for instance in South India or Maharashtra. It is confined to a particular area.

**SHRI K.S. CHAVDA :** They are travelling on roof, of trains running between Ahmedabad and Delhi.

**SHRI K. HANUMANTAIYA :** I don't want to enter into any argument. We are making all efforts to reduce ticketless travel. I don't know whether I will succeed or not. But unless the people of Bihar and Eastern U.P. cooperate I will not be able to do that.

With these words I request that the House may kindly approve the resolution that I have moved.

**MR. SPEAKER :** The question is :

"That this House approves the recommendations contained in the Interim Report of the Committee appointed to review the rate of dividend which is at present payable by the Railway

Undertaking to General Revenues as well as other ancillary matters in connection with the Railway Finance *vis-a-vis* the General Finance which was presented to Parliament on 7th December, 1971."

*The motion was adopted.*

15. 02 hrs

# COMPANIES (SURCHARGE ON INCOME-TAX) BILL

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

"That the Bill to provide for the levy of a surcharge on income-tax payable in advance by companies during the financial year 1971-72 under the Income-tax Act, 1961, be taken into consideration."

Sir, I am bringing forward this Bill in fulfilment of the announcement that I made the other day regarding raising of additional resources to meet the present financial problems as a result of Pakistani aggression. The other levies which were announced were brought into effect by promulgating certain notifications under the powers which were already there under the Finance Act, 1971.

But, so far as the tax on companies was concerned, it was necessary to amend the law and the present Bill represents that amendment. I don't think this needs very elaborate explanation. It really speaking, proposes to add 2-1/2 per cent of surcharge to the basic income-tax that is already there on different companies and the enabling provision is made that the payment, which is an additional payment, as a result of this levy, will have to be paid before the 15th March, 1972. Normally the method of assessment of advance tax is this. This year's payment is adjusted against the tax due on assessment for the next year. Sometimes some of the companies' financial year ends with the end of December. Some of the companies' financial year ends in

end of March. Therefore, certain statutory dates are mentioned about the payment of instalments of advance tax. In the case of a large number of companies 15th December is put as the statutory date but it is over. So, it is provided that all these people will have to make payment before the 15th March. The last date will be 15th of March. There is another provision that this will be adjusted against the assessment of the next year; this is rather a consequential change that is made.

The necessity of additional resources having been accepted, we have this time made a very selective choice of the items, and I thought that the corporate sector also must bear some burden and have its own share in the contribution towards defence efforts. I am sure, therefore, that the House will support this Bill unanimously and pass it.

MR. SPEAKER : Motion moved :

"That the Bill to provide for the levy of a surcharge on income-tax payable in advance by companies during the financial year 1971-72 under the Income-tax Act, 1961, be taken into consideration".

This is a very non-controversial Bill. Only one hon. Member namely Dr. V. K. R. Varadaraja Rao wants to speak and if he allows it to be passed, I think it will take no time to pass it.

DR. V. K. R. VARADARAJA RAO (Bellary) : I shall try my best to be as brief as possible.

MR. SPEAKER : He cannot be brief.

DR. V. K. R. VARADARAJA RAO : I did not want to make any speech because I support the Bill which has been moved by the hon. Minister. But I thought that it would be perhaps opportune for me to express my conviction before this House that this financial emergency that the Ministry is dealing with is not going to end by March, 1972. I think the hon. Minister is fully aware, in fact, more aware than perhaps myself, that we are going to face very difficult problems of mobilisation of

resources over the next two or three years. I do not think that the fall of Daoga or the recognition of Bangla Desh by more countries is going to help us out of our financial difficulties.

I expect that the years 1972-73 and 1973-74 are going to be years when we shall have to concentrate on our defence expenditure and keep our defence trim and ready for meeting any unexpected assaults that would be made on us in order to offset the glory that we have got out of this war in which we have been engaged.

Also, it is important that we cannot neglect development. Development has suffered in the last two years. It has suffered also in this years, but economic development is a basic foundation of our military and industrial and social strength. Therefore, the Plan has got to go on and has got to be increased in size. At the same time, our defence efforts cannot be allowed to be minimised or diminished. Therefore, I suggest that this problem of mobilisation of resources is going to be a continuing problem with us for the next three or four years at least and it is going to be a major problem. I would even go to the length of suggesting this, and it may be rash to hazard a guess, but I would not be surprised if in the next two or three years we have to go in for as much as 40 or 50 per cent increase in the financial resources that the Central Government and State Governments will have to mobilise in this country. If that is to be done, then I want to suggest that there are certain principles that we have got to follow, and I am sure that the Finance Minister will agree that these principles are sound.

We have to see that our tax structure and our mobilisation of resources will not lead to a continuing rise in prices. Taxation should not become an instrument for a continuing rise in prices. At the same time, we should see to it that our tax structure does not adversely affect our production. I know that many problems are involved such as social problems, monopolies, trusts, cartels and so on including discrimination etc. Many other things are also involved; all the same, for the next three or four years, production is going to be the major priority for this country, and

[Dr. V. K. R. Varadaraja Rao]

our tax structure must see to it that while we must observe our principles of social justice, production is not only not adversely affected but it is actively promoted, because ultimately it is increase in production that will give the Finance Minister the revenues that he wants and the mobilisation of resources that he requires.

So, the second principle is that our tax structure should be such that production will be promoted and not adversely affected.

The third is a more difficult question where I hope the house will cooperate and there will be cooperation of all our leaders of the working classes and the leaders of all the groups, that specifically stand for the interests of the handicapped, and that is the importance of seeing that cost-push-price inflation is not permitted by these taxes. We are now in the process of cost-push-price inflation. Only recently, we have had to sanction in this House of extra dearness allowance, and we heard a statement only the other day from the Finance Minister about the grant of extra dearness allowance. I am not objecting to it. In fact, we are all grateful to the working classes for having agreed to offer a part of it into the Provident Fund. All the same, if we are going to have a rise in prices and a rise in prices is going to be compensated by an equivalent increase in dearness allowances not only of Government employees but of the industrial workers, then we shall just get a cost-push-price inflation, and the expenditure will go up, and there will be more taxation, more rise in prices and more dearness allowances.

So it seems to me that the present tax structure as it stands, which has been in existence for the last 15 years, consisting of customs duties, excise duties, income-tax etc. is not going to bear the burden of a 50 per cent rise in mobilisation of resources without adversely affecting any of these principles that I have enunciated which will, if it happens, make the whole process self-defeating. I would therefore humbly suggest one thing. I do not suggest a Taxation Inquiry Commission, because I know commissions last long and one does not know what happens after they finish their deliberations. The Finance Minister has got expertise at his command. He can also call on

experts who are not at his command in so far as they are not paid civil servants but who are morally prepared to give whatever assistance they can give if he wants it. Let him appoint a working group consisting of people who will have some knowledge of the subject and who are determined to see that resources are going to be mobilised in a big kind of way for the next three or four years in a manner which will not raise prices, will not lead to cost-push inflation but will at the same time promote increased production.

There are many things that have got to be done. Agriculturists are not paying their tax. I am not talking of poor agriculturists but of the rich ones and middle class peasants. Somehow we do not be able to move the State Governments, even those Governments which are under our control. I know there are political reasons for this. We have now brought a spate of constitutional amendments. May be Government may have to think of constitutional amendments for the purpose of defence and development in order to see that the rural sector, the better off classes in that sector, pay their adequate share of taxation.

Then we have been talking of land values. I know land values have gone up by 100, 200, 1000 and 2000 percent. Still we have not found a way to tax this increment in values.

Then there is the whole question of black money, enormous amounts of which have not only escaped taxation but are one of the principal causes of rising prices. I am not suggesting demonetisation. It case is not sufficient. We cannot discuss it in this House, in any as it is like devaluation or declaration of war which has got to be done by Government after due consideration and after taking its own counsel. But I do suggest we have not done enough to tackle black money. If we do not tackle it effectively, we are going to get into trouble in regard to mobilisation of resources.

Then there is the question of excess profits. The other day some one suggested a rise in import duties by 10 percent, plus a heavy steel tax and so on. I do not think just taxing without finding out what the is

incidence of taxation, on home it falls, how it is going to affect the economy, the domestic structure, the export structure and so on, is a rational way of doing this.

So once again I make this plea to the Finance Minister. Last time I asked for a Commission. He was not interested. I can understand it. Now I suggest that he may appoint his own experts. Let it be a small expert group; Let it not take more than two or three months. Let us have a white paper, a statement of taxation policy, saying this our present tax structure, these are troubles it is suffering from, this is what we want to do and these are our tentative ideas as to how it should be done. Then we can have a full-dress debate here and Government can then go ahead with a tax structure which will be production-oriented, anti-inflationary and at the same time will meet the enormous demands for defence and development which we have to face in the next three or four years.

With these words, I have pleasure in supporting the Bill.

**SHRI INDRAJIT GUPTA (Alipore) :** I would first like to know whether this surcharge is also proposed as a temporary measure like the others which were earlier imposed and which we were told would be withdrawn as soon as the refugee problem was solved.

**SHRI YESHWANTRAO CHAVAN :** No.

**SHRI INDRAJIT GUPTA :** I welcome it in that case because it has been our complaint that the corporate sector was being left out at a time when everybody is asked to make sacrifices at this hour of national emergency. It is good that the corporate sector has at last been brought in its net.

Secondly, I want to know why he has chosen only this very modest increase of 2½ per cent. All the papers and journals have written that the private sector can easily meet and bear it—this is the slogan they have given—because it is something they can very easily absorb. When others, the common people, have been asked to pay a

number of surcharges which are more or less of the order of five per cent, as you know, in the case of railway fares, postal articles and so on, I would have been happier if this two and a half per cent had been five per cent. I think that also they can grin and bear.

Sir, as Dr. Rao has suggested already, I would once again plead with the Minister that he should consider at least a temporary surcharge, which can be withdrawn later, on the accumulated reserves, as they are declared in the balance-sheets, dividends and the working capital of these companies. Let there be a special cess, a temporary cess, to tide over the emergency period, it can be withdrawn later on. Otherwise, there is no meaning in this appeal for patriotism and sacrifice.

Finally, I endorse Dr. Rao's plea that until the bigger landholdings are taxed, we will never get out of the position of not being able to find adequate resources. However, that is a much bigger problem.

Then, there is no financial memorandum attached to this Bill. (*Interruption*) That means there is no extra expenditure going to be involved. In the case of default, in connection with the mode of recovery, I presume some expenses will be required, (*Interruption*) Anyway, I would like the Minister to consider the question of increasing this two and a half per cent and also the temporary surcharge on the reserves and dividends of the companies.

**SHRI YESHWANTRAO CHAVAN :** Sir, I certainly welcome some of the good suggestions made by hon. Members; Shri Indrajit Gupta and Dr. Rao, who have endorsed the basic proposals under this Bill. I very well share their anxiety about the extreme difficulties that we will be required to face in the years to come, particularly when country has to make an extreme effort on the defence front, and when, at the same time, we cannot afford to ignore or neglect its development requirements. Ultimately, our defence effort will depend upon the development of the country. Therefore, the planning effort will have to go on and we will have to take these factors into consideration.

[Shri Yeshwantrao Chavan]

Dr. Rao, during the general debate on the budget in May last, had also referred to the problem of rationalisation of the tax structure. At that time had he made the suggestion for Commission. I am glad that he has now changed his mind and has come down for a study team. I will certainly consider this question.

My hon. colleague the Planning Minister, also happens to be present here, and he is applying his mind to this. The Planning Commission itself is going into this aspect, of some of the new modes of mobilisation of resources, etc. But I cannot promise hon. Members that we will be able to do it immediately. But this is a question that certainly requires our consideration.

As far as the other points raised by Shri Indrajit Gupta are concerned, he has made some very useful suggestions. I will certainly assure him that I will take into consideration some of the suggestions that he has made. I have nothing more to say.

MR. SPEAKER : The question is :

"That the Bill to provide for the levy of a Surcharge on income-tax payable in advance by companies during the financial year 1971-72 under the Income-tax Act, 1961, be taken into consideration."

*The motion was adopted*

MR. SPEAKER : There are no amendments to any clause.

The question is :

"That clauses 2 to 5 stand part of the Bill."

*The motion was adopted.*

*Clauses 2 to 5 were added to the Bill. Clause 1, the Enacting Formula and the Title were added to the Bill.*

SHRI YESHWANTRAO CHAVAN :  
Sir, I move :

"That the Bill be passed."

MR. SPEAKER : The question is :

"That the Bill be passed."

*The motion was adopted.*

15.20 hrs.

# PERSONAL INJURIES (EMERGENCY PROVISIONS) AMENDMENT BILL

MR. SPEAKER : SHRI KHADILKAR.

THE DEPUTY MINISTER IN THE  
MINISTRY OF LABOUR AND REHABILITATION (SHRI BALGOVIND VERMA):  
Sir, I beg to move.....

MR. SPEAKER : I have allowed it as an exceptional case. I had no intimation. You should give me intimation. Once I have allowed it as an exceptional case and it is not to be treated as precedent. Atleast you should have the courtesy to send me something in writing. This is a war-time exception.

SHRI BALGOVIND VERMA : I thank you. On behalf of Shri Khadilkar, I beg to move\* :

"That the Bill to amend the Personal Injuries (Emergency Provisions) Act, 1962, be taken into consideration."

The purpose of this Bill is to extend the provisions of the Personal Injuries (Emergency Provisions) Act 1962 to the present period of emergency. This act was promulgated during the last emergency to provide for grant of relief to persons including civil defence volunteers who sustain personal injuries during the emergency. During the last emergency a scheme called the Personal Injuries (Emergency Provisions) Scheme 1962 was promulgated. The Bill seeks to empower the Government to formulate a