[श्री हुकम चन्द कछवाय]

नुक्सान होता है। इन बातों के बारे में भी कार्यवाही करनी चाहिए।

SHRI DINESH SINGH : Mr. Deputy-Speaker, Sir, all the points that have been brought before the House at this stage have been more or less thrashed out and I have gone into the details of them. The suggestions made by Shri Damani were covered by me yesterday. So far as the question of management of funds of these mills is concerned, as the House is aware, the Company Law Administration goes into these matters. So far as this Bill is concerned, it is to look into the regulation and working of these mills and to see whether those which have closed down can be revived. At no stage have I said that we shall take over all the mills. I do not want that misunderstanding to remain in the House. Our effort will be to run those mills which could be run. For those mills which cannot be run economically, we shall have to find some other way; liquidation or something else. We shall have also to see how best we can provide for the workers—whether it would be necessary to set up new mills, whether we shall have the resources and whether we can find out some alternative employment for them.

I hope the House will agree with me that we should try to run this Corporation and the mills under it in an economic manner and that we should not come up with constant losses, for which we have been blamed without justification. We have not even set up the Corporation yet. Still, people have already assumed that it will run into losses, this will happen and that will happen. Government is not going to rush into this. Our purpose is to see that production goes up and employment also continues. We shall do our best to meet these two things. With these words, I submit that the Bill may be passed by the House.

MR. DEPUTY-SPEAKER : The question is :

"That the Bill be passed."

The motion was adopted.

14.19 HRS.

TAXATION LAWS (AMENDMENT) BILL

MR. DEPUTY-SPEAKER : We shall now take up the Taxation Laws (Amendment) Bill, for which three hours have been allotted. I think we will have two hours for the general discussion and one hour for clause by clause consideration.

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI K. C. PANT) : Sir I move :

> "That the Bill further to amend the Wealth-tax Act, 1957, the Gift-tax Act, 1958 and the Income-tax Act, 1961 and to amend the Finance (No. 2) Act, 1967, be taken into consideration."

Sir, this is a short Bill designed to make certain amendments to the Wealth-tax Act, 1957, the Gift-tax Act, 1958, the Income-tax Act, 1961 and the Finance (No. 2) Act, 1967; to replace the amendments made in these Acts by the Taxation Laws (Amendment) Ordinance, 1967, which was promulgated by the President on the 14th September, 1967. The circumstances which necessitated immediate legislation by Ordinance in regard to the matters covered by it have been explained in a statement circulated to hon. Members, copies of which have been placed on the Table of the House. I do not, therefore, propose to repeat what is already contained therein and shall only explain the provisions of the Bill.

The provisions of the Bill have, as their principal objective, an improvement in Government's resources. The other objectives of the measures in the Bill are securing a larger contribution to savings from the middle and higher income groups and placing greater restrictions than at present on the allowance for entertainment expenditure in-

*Moved with the recommendation of the President.

curred in businesses and professions in computing taxable profits.

Under the Income-tax Act annuity deposits are required to be made by resident non-corporate taxpayers. These deposits are to be made by them at the rates specified in the annual Finance Act and the amount deposited is deducted in computing their taxable incomes. The rates of annuity deposits specified originally in the Finance (No. 2) Act, 1967, range from 5 per cent in cases where the total income of the taxpayer was between Rs. 15,000 and Rs. 20,000 to 12½ per cent in cases where the total income of the taxpayer exceeded Rs. 70,000. The Bill proposes to increase these rates by 20 per cent thereof all along the line. The increased rates will apply for the purpose of calculating annuity deposits to be made in relation to to current incomes falling due for assessment in the assessment year 1968-69. Thus, the rate of annuity deposit in the case of a depositor whose current income is over Rs. 15,000 but not over Rs. 20,000 will, under the Bill, be 6 per cent as against 5 per cent applicable to his income of the earlier year; in the case of a tax payer with a current income over Rs. 20,000 but not over Rs. 40,000 the rate will be 9 per cent as against 7½ per cent formerly; in the case of a taxpayer with current income over Rs. 40,000 but not over Rs. 70,000 it will be 12 per cent as against 10 per cent formerly and in the case of a taxpayer with current income over Rs. 70,000 the rate of annuity deposit will be 15 per cent as against 12½ per cent formerly.

under the provisions of the Income-tax Act annuity deposits in relation to current incomes falling due for assessment in the following assessment year are to be made ordinarily during the financial year immediately preceding the assessment year. In the case of a taxpayer who fails to make any annuity deposit or who makes a deposit which is less than the full amount required to be made at the specified rates the Income-tax Act provides for the levy of an additional amount of income-tax by way of penal tax. This additional amount of income-tax is in substance equal to one-half of the amount which the taxpayer retains in his pocket by not making the annuity deposit or by making a short deposit. The penal tax is, however, not chargeable in the case of a taxpayer whose total income does not exceed Rs. 25,000 although such a taxpayer has the option to make the annuity deposit up to the amount calculated at the specified rates and qualify for deduction of the deposit actually made by him in computing his taxable income. The Bill seeks to make it obligatory on taxpayers having a total income over Rs. 15,000 but not over Rs. 25,000 also to make annuity deposits, but this compulsion will operate in their cases only in relation to annuity deposit to the extent of the difference between the rate as proposed to be increased and the old rate. If tax payers in this range of income fail to make annuity deposits to the extent of such difference or make a short deposit, they will also be liable to the additional income-tax by way of penal tax calculated with reference to such difference. In the case of persons with incomes between 15,000/- and 20,000/-, the additional tax for non-payment of annuity deposit will be levied in relation to the proposed increase of 1%. Similarly, in the case of persons with incomes between Rs. 20,000/- and Rs. 25,000, the additional tax will be levied in relation to 1½%. Tax-payers in this group will continue to enjoy the option as hitherto, to make annuity deposits to the extent of the full rates as proposed to be increased and to obtain deduction of the deposit actually made in the computation of their taxable income.

The Income-tax Act already places a limit on the amount of business entertainment expenditure which may be deducted in the computation of the taxable profits of companies. This limit is 1% of the profits of the business up to Rs. 10 lakhs of such profits, plus ½% of the profits over Rs. 10 lakhs and upto Rs. 50 lakhs, *plus* ¼% of the profits over Rs. 50 lakhs and upto Rs. 170 lakhs. The maximum amount for which deduction may be allowed to a company in respect of expenditure on business entertainment is, thus, Rs. 60,000, where the profits of the business amount to or exceed Rs. 170 lakhs.

[Shri K. C. Pant]

The Bill proposes to reduce the limit by exactly 50%. The reduced limit will apply also to non-corporate taxpayers, and will operate, in all cases, in respect of entertainment expenditure incurred in businesses or professions after September 30, 1967. The new limit will be ½% of the first Rs. 10 lakhs of the profits of the business or profession, *plus* ¼th per cent of the next Rs. 40 lakhs of the profits, *plus* ⅛th per cent of the next Rs. 120 lakhs of the profits. Thus, the maximum amount which may be deducted in computing the profits of a business or profession in respect of entertainment expenditure will, hereafter, be Rs. 30,000 which will be the limit where the profits of the business amount to or exceed Rs. 170 lakhs. In the case of a business or profession having profits of less than Rs. 10 lakhs, there will be an alternative monetary limit, as at present, of Rs. 5,000. This monetary limit will apply where the amount calculated at the rate of ½ per cent of the profits of the business or profession comes to less than Rs. 5,000.

The Bill also proposes to make transitional provisions for taxpayers whose accounting year falls partly before and partly after September 30, 1967. In such a case, where the taxpayer is a company, the deduction for entertainment expenditure incurred before October 1, 1967 will be limited to a proportion of the amount calculated in accordance with the existing limits, in the ratio of the number of days in the accounting year upto September 30, 1967 to the total number of days in the accounting year; and the deduction for entertainment expenditure incurred by the company after September 30, 1967 will be limited to a proportion of the amount calculated in accordance with the proposed limits in the ratio of the number of days in the accounting year falling after September 30, 1967 to the total number of days in the accounting year. Thus, in the case of a company maintaining its accounts according to the calendar year, the deduction for entertainment expenditure incurred by it during the current accounting year upto September 30, 1967 will be limited to 3/4th of the amount obtained by applying the existing limits to its profits for the whole of the year 1967; and, the deduction in respect of entertainment expenditure incurred by the company after September 30, 1967 will be limited to ¼th of the amount arrived at by applying the proposed limits to the company's profits for the whole of 1967. Where the taxpayer is not a company, no monetary limit will be applicable in respect of entertainment expenditure incurred upto September 30, 1967, but the deduction in respect of entertainment expenditure incurred after September 30, 1967 will be limited in the same manner as in the case of companies.

Under the Income-tax Act, simple interest is chargeable from taxpayers on the tax due on the income declared in the return, where the return has been delayed beyond the due date, on tax dues in arrear; and on shortfalls in payment of the advance tax due. The rate of simple interest chargeable from assessees, in such cases, is 6% per annum. This rate of 6% is less than the rate at which unsecured loans can be obtained in the market and is not, therefore, proving an effective incentive to the payment of our taxes. The Bill, therefore, proposes to increase this rate from 6% to 9% with effect from 1st October, 1967. Likewise, the Bill proposes to increase from 6% to 9% per annum the rate at which simple interest is payable by Government to taxpayers on excess payments of advance tax, on delayed refunds, and in a case where the assets of a person have been seized in the course of a search, on the moneys retained by Government in excess of the tax liability of the person.

The Wealth-tax Act and the Gift-tax Act also contain similar provisions for charging simple interest from assessees on tax dues in arrear, and for payment of interest by Government to assessees on delayed refunds. The Bill proposes to increase the rate of interest under these Acts also from 6% to 9% per annum in respect of the period falling after 30th September, 1967.

△

Sir, I hope that the provisions of this Bill will receive the unanimous support of this House.

Sir, I move.

MR. DEPUTY-SPEAKER : Motion moved :

> "That the Bill further to amend the Wealth-tax Act, 1957, the Gift-tax Act, 1958, and the Income-tax Act, 1961, and to amend the Finance (No. 2) Act, 1967, be taken into consideration."

SHRI N. DANDEKER (Jamnagar): Mr. Deputy-Speaker, Sir, I have to oppose the Motion for consideration of this Bill for several reasons. In the first place, the imposing of taxes in legislation by Ordinance is something to which I take the greatest exception; particularly when, as in this case, the pretensions, the excuses, given for passing such an Ordinance exactly one month after the last session of Parliament and exactly two months before the commencement of the present session of Parliament are altogether untenable. It is said in the statement explaining the reasons for immediate legislation by Ordinance :

> "In part, the measure has the object of securing a larger contribution to savings from middle and higher income groups...."

I will not comment at the present stage on the merits of this particular objective; but I would like to know what contribution has been made, in the last two months, between the passing of the Ordinance and the commencement of the current session of this House, by virtue of having passed the Ordinance to the savings to which it was supposed to contribute. Here it is said :

> "...with the object of securing larger contribution to savings..."

This measure was passed in the shape of an Ordinance, I presume, because they wanted this contribution to savings to commence immediately from the 14th September instead of waiting until the new session of Parliament began and until the matter could be brought forward as a Bill here.

Secondly, the further reason given is that it would enhance the resources of Government :

> "It was felt, therefore, that at least a part of this additional liability should be covered by taking measures to improve the resources of Government.."

I would like to know from the Minister by what amount, during the two months that have intervened between the passing of the Ordinance and the commencement of the present session of Parliament, the resources of Government have been improved.

When I put the matter this way, it becomes perfectly obvious that this Ordinance was no more than a gesture to unreasonable public clamour at a time when Government was at first resisting the grant of dearness allowance immediately in cash to the extent that the Gajendragadkar Commission's Report recommended and then compromised by partly giving it in cash and partly in the shape of additional savings to Provident Fund accounts. And it was felt, I presume, that some kind of gesture was necessary to indicate that there was immediately going to be an inflow of savings from the public and there was going to be a tremendous increase in the resources of Government if this particular measure that was embodied on the 14th September in the shape of an Ordinance was passed, with the corollary that if they had waited for this session of Parliament, they would presumably have lost a very significant and substantial sum of money in terms of resources available to Government. I, therefore, ask this very specific question, and I hope the Minister will be good enough to tell us, just exactly how much additional resources have been contributed by this particular measure having been passed by way of an Ordinance instead of waiting for it to come before this House by way of a Bill.

Sir, I will now examine the merits of the matter that this Bill seeks to achieve and which the Ordinance sought to achieve. In the first place, there are provisions for increasing the rate of

[Shri N. Dandeker]

interest upon overdue payment of tax by assessees to Government and upon overdue refunds of tax by Government to assessees. Now, Sir, in principle I do not object and I think it is quite proper that if any one has delayed the payment of due tax on due dates when it has been properly assessed, in such a situation I agree that when Government itself is a borrower and the Government's resources are themselves made up, particularly in the early part of the year, by borrowings, it is right and proper that any one who is withholding his tax must also be charged interest. But this is the first time, we are told, that the Government is justified, in what you might call, "profiteering" in interest or charging usurious rates of interest, because on short term borrowing the interest which Government pays does not exceed 4 or 4½%. As a matter of fact, short-term borrowings by treasury bills are even at a considerably lower rate of interest than that. While it is perfectly justifiable that the Government should not have to pay interest upon money that is withheld by people, there is no justification whatever for Government to attempt profiteering by charging usurious rates of interest such as are proposed in the present Bill and has been indicated in the Ordinance. I suggest there is no case for increasing the current rates of interest which are in any case well above the borrowing rates of interest for Government on short-term borrowings. The present rate of interest on overdue tax payments, whether it is wealth-tax or gift-tax or income-tax or any other tax, is 6%. It is well over 2% in excess of the Government's short-term borrowing rate. While I think, as I said earlier, there is justification for charging a little more than that which the Government has to pay for obtaining resources, I submit, Sir, to this House that this kind of usurious profiteering in borrowing would in fact now afford great incentive to Government to run its affairs on borrowings instead of vigorously collecting overdue arrears of taxes, in the hope that the assessees will delay their tax payments because Government can make profit on interest of a very substantial amount. I submit, Sir, that these provisions in the Bill, in so far as they are concerned with increasing the rates of interest, have nothing whatever to do with resources which is one of the reasons given for passing the Ordinance, have nothing whatever to do with curtailing inflation, and have nothing whatever to do with increasing savings. This is merely a necessity arising out of the fact that Government has to borrow during certain parts of the year; and if assessees withhold their taxes, they are required to bear the burden of borrowing which the Government do. In that sense I am fully in agreement with charging a fair rate, but not the kind of usurious rate of interest such as is proposed in this Bill.

The second thing sought to be done by this Bill is the series of changes in the rates of annuity deposits and making the annuity deposits compulsory where it was optional in the case of people whose income was between Rs. 15,000 and Rs. 25,000. This constitutes a most remarkable *volte face* by the Finance Minister. During the course of the debate on Finance Bill No. 2, it seemed perfectly clear from what the Finance Minister said, both generally in relation to the annuity scheme as well as specifically in answer to a question put by Mr. Masani, that the Finance Minister was actively engaged in considering whether this annuity deposit scheme was worth the bother at all and whether something else in some other form ought not to be the mode of diverting resources into Government coffers if it was necessary to do so, at all. Now, not only is the annuity scheme apparently to continue but they have even slapped on increased rates of contribution towards the annuity deposit scheme. Furthermore, I wonder whether they are fooling themselves or whether they are trying to fool anybody else by the proposition that this is going to increase savings in any manner. What is stated in the objects is this. I would read again what I read a little earlier in the Ordinance, and it reads thus :

> "In part, the measure had the object of securing larger contributions to savings from middle and higher income groups."

Is this going to increase savings or is this going to divert savings? In fact, the main trouble with the annuity scheme was that it was firstly, merely a diversion of savings; secondly, it was a diversion of savings only for a temporary period, because after a while these annuity deposits have to be paid back, as in fact they have already started paying back large amounts by way of annuities; and thirdly, it merely adds unnecessary clutter to the whole proceedings of income-tax.

We are solemnly told that these annuities are designed to increase savings. This is the first time I am hearing this. I want to know whether the hon. Minister does really believe that compulsory annuity deposits increase savings. It is possible and indeed it is certain that they merely divert savings, and on that point there can be no doubt.

The next question, therefore is this. Is the diversion of savings from whatever contributions would have gone into maybe, bank deposits, or maybe purchase of debentures, or maybe purchase of equities or maybe, any other modes of investment that are available,—is the diversion of savings from those forms of investment to Government coffers beneficial to the community or is it harmful to the community? Everybody knows, and it has become now almost a stale joke, that there is no active capital market today, that underwriters have become undertakers and so on; such little trickle of savings as was flowing into risk capital, or into semi-risk capital like preference shares, or a little less risky capital like debentures was small enough. I know and everybody knows, and the hon. Minister of State personally knows the pressure that there is these days on financing institutions like the IFC, the ICICI, IDB and all the other available financing institutions; there is tremendous pressure on them to provide finance for industries. Nevertheless, here we have a case of a further diversion of savings, from that little stream that still goes into risk capital, into the coffers of Government.

Even without the necessity of characterising, as I would like to, that savings diverted to Government are a waste, even without that, I say that diversion of savings from a desirable to a less desirable purpose cannot, it seems to me, be anything that is good. But certainly it is not something that increases savings.

The third portion of the provisions of the Bill is concerned with reducing the allowance for entertainment expenses and applying the reduced allowance not merely to companies but to individuals and others where formerly there was no restriction on entertainment. As one who had been associated for years with the taxation department, I have no doubt that some restraint on entertainment expenditure in a general way was desirable. It was always open to the taxation department to question whether entertainment expenditure or indeed any expenditure was excessive having regard to whatever could be said to be the need or necessity for it for purposes of the business. But the hon. Minister has gone further. There already exist specific provisions under which such restrictions are placed on entertainment expenditure, as the hon. Minister of State was good enough to recount, beginning with one per cent, half per cent, quarter per cent and so on related to varying rates of profitability.

But now it is proposed suddenly to cut this by half. Is there a single objective or reason stated for this in the statement of objects and reasons for ordinance? Even assuming at their face value that the stated objectives were justifiable, additional savings, diversion of savings to government, inflationary situation to be controlled etc.—is there anything in this statement of objects and reasons that would justify by Ordinance the further limitation of entertainment expenditure in relation to the next assessment year, not the current assessment year at all? It, in fact, is not going to affect government revenue during the current assessment year by one naya paisa. Whatever it is going to affect will be the revenues of the next assessment year to the extent that these lower limits become applicable.

[Shri N. Dandeker]

But, as I said, while there is a case for limiting extravagant expenditure on entertainment and a case for some reasonable limits, let us not take this into nonsensical regions. We are today in a state of acute industrial recession. We are today wanting to boost our internal production, wanting to boost our exports, wanting to boost our drive for import substitution, wanting to boost the whole range of business and industry in every conceivable way. Whether one likes it or not, here there is no question of morality or ethics or anything. It is one of the common necessities of business that the wheels of business and industrial transactions are facilitated by a certain amount of expenditure on entertainment. This is a fact. In fact, Government themselves lavishly entertain foreign delegations and others coming here. What for? Why do they entertain anybody? When I go to a Ministry, they are good enough to offer me a cup of coffee. Why? Because it is part of human nature, part of the human set-up, that you can facilitate transactions and business, by a certain measure of entertainment as well. It is part of necessary business expenditure. It has always been so considered in the past, and it is so considered all over the world. I am not asking for any exceptional situation here.

Now we are told that some footling little saving in terms of tax is sought to be made by a drastic cut in the level of expenditure on entertainment. I think we have had a terrible habit of undoing with the left hand what the right hand is trying to do. There were always and still are schemes of export promotion; and for this they are lavish with foreign exchange. Anybody who wants to go abroad has merely to say that he wants to do export promotion. There are no questions asked. But in this thing where a little tax incidence is affected, they say 'Ah. You must not spend more than this because we are all poor, we are poverty-stricken'. We have a poverty complex in this country; it seems as if we want to be poverty-stricken. We do not want to do the things that would boost industry and business, that would boost the industrial economy of the country. In any event this kind of thing is utterly out of tune with the purposes of the ordinance. Even if there had to be an ordinance for the other purposes, that this ordinance should contain provisions for entertainment allowance cuts and that it should be embodied in this when it should form part of the provisions of the annual Finance Act is just a very simple way of trying to earn cheap popularity with the public. Sir, the Ordinance and this Bill are attempts at trying to rob Peter to pay Paul. I least expected this sort of thing from the present Finance Minister, even though I had been accustomed to tricks of this kind from the previous Finance Minister.

Therefore, Sir, I would like to say that both in terms of the stated objectives as well as in terms of merits, and also in terms of the timing of some of the provisions, this Bill is totally bad and I am opposed to its being taken into consideration.

SHRI VIKRAM CHAND MAHAJAN (Chamba): The Bill which is before the House does meet certain needs of a developing nation, though there are shortcomings. The object of taxation is to increase the revenue of the country to meet the economic needs of the developing country. At the same time, the operation should be so painless that the tax-payer does not feel the pinch. Though whenever one has to pay, the pinch is always felt, the object is to reduce the pinch.

There are certain objections raised against certain clauses, for example, the one relating to the raising of the rate of interest. The rate of interest has been raised for the benefit of the assessee as well for penalising if there is delay in payment of tax. If the tax is due and the assessee fails to pay within time, he has to pay a penal interest at the rate of nine per cent. Objection is raised to this that it is usurious. If you want to take a loan in the market you have to pay 12, 15 or even 20 per cent as interest on borrowed capital,

while here, the rate which was previously six per cent has been raised to only nine per cent, and still it has become usurious for them, because, if they were making a profit of 20 per cent before it will now be reduced to 17 per cent. That is the only thing. Why should an honest person be bothered by this? This provision is only for the defaulters, and for defaulters there should be no mercy, because for a person who declines to pay income-tax due to the State we should not have any sympathy. Therefore, my submission is that the charge that the rate is usurious is uncalled for. It is also for the benefit of the assessee because, if the department does not refund in time, he will get this extra three per cent interest on the sum due. So, it benefits both the assessee and the department, and there can be no quarrel with enhancing the rate of interest.

Then a great point was made that the entertainment allowance has been reduced, that a certain percentage is fixed and therefore business will suffer, that while in export promotion the maximum advantages are given, here entertainment allowance is being cut down. Any businessman with prudence will normally entertain within the allowance granted by the department. This allowance has been used and is being used actually for evading income-tax rather than for the purpose of promoting business. Business is not promoted by entertainment or throwing lavish parties. Business is promoted by producing quality goods. If you have quality goods, you do not have to go in for underhand methods, you can put the goods on the market, and you will find that the business runs by itself. It is only bad quality goods which need polishing, for which you have to throw lavish parties and go in for lavish perquisite schemes. Normally, the entertainment allowance is used as an additional income for the higher income groups like directors, managing directors and highly paid executives. It is not spent actually on entertaining people.

Therefore, the present Bill meets its limited purpose, though there are certain shortcomings. One of them is this *i.e.*, the annuity deposit scheme has hampered capital formation, and therefore it should be dropped. At the same time, I suggest that the death duty should be raised, so that the capital formed is used by the individual who has been, by his competence, able to increase his capital, but it may not pass on to the successor who may benefit by this unearned income and live without working. So, to enable capital formation, the tax could be reduced a little. But, at the same time, death duty should be raised, so that the unearned group of people, the people who live on unearned income, should not be able to live on the income or on the capital formed by their forefathers. Therefore, I suggest that the annuity deposit scheme should be dropped. But, at the same time, certain measures should be taken to raise the taxes on unearned income but reduce the taxes on other income. With these submissions, I support the Bill.

SHRI S. S. KOTHARI (Mandsaur) : Mr. Deputy-Speaker, Sir, at the outset, I would like to deprecate the tendency to govern by ordinances to which this Government is prone. I mean not only the Finance Ministry but also other Ministries of the Government of India. After the matter has become a *fait accompli*, it is submitted to Parliament for rubber-stamping. Ordinances in effect constitute a travesty of democracy; just as the Home Ministry should use the armed forces for internal disorders only in cases of grave emergency and not off and on, so also the Government must resort to an ordinance only when it finds it absolutely necessary and not otherwise.

I oppose the motion more in sorrow than in anger. It is amazing how the Deputy Prime Minister can be so impervious to public opinion. I would not be betraying a confidence if I said that even a journalist friend told me that the annuity deposit scheme had become almost a nuisance, that it was wasteful and oppressive and that effort should be made to have it dispense with as early as possible. I invite the Finance Minister to take an opinion poll on this issue, and

[Shri S. S. Kothari]

I am sure even his own officers would not vote for this scheme.

AN HON. MEMBER : He will not vote for it himself !

SHRI S. S. KOTHARI : Yes; because he has done it against his own convictions. Even Mr. Bhoothalingam, in unequivocal terms, has condemned the scheme. It obstructs rationalisation and simplification of the tax structure. Mr. Bhoothalingam has said :

> "....even from the point of view of raising comparatively short-term resources, the value of the scheme is not particularly great. I would, therefore, strongly recommend that the scheme be abolished with effect from the current year."

The Government has acted against what Mr. Bhoothalingam has recommended. I ask, if expert studies are made and the suggestions are only to be rejected like an empty tube of toothpaste, why such studies should be undertaken ? What is the advantage and why waste money on such projects ?

The Government's policies are also altered with mercurial swiftness. In July this year, the Finance Minister held out the distinct probability of dropping the scheme or withdrawing the scheme next year when he said he would be having more finances. But in September probably he became so enamoured of the attractiveness or the efficacy of the scheme that he actually raised the rate of annuity deposit. I believe he has acted against his convictions and on an *ad hoc* basis, which only means this : how can people have faith in the Government ? If senior Ministers do like that, what about lesser mortals, or what about the assurances of lesser Ministers ? No wonder the intelligentsia and the people are disillusioned with the policies of this Government.

Has the Finance Minister taken cognizance of the fact that for more than a decade of tax pyramiding, increase in taxes and tax rates, both direct and indirect, the honest assessee of yesterday has become a marginal evader of today, and a person who a few years ago probably was a marginal evader has crystallised into an unrepentant, confirmed tax-evader. These things are directly connected. If you discuss these matters with the Ministers, they simply say, "Well, the people are dishonest and they are bound to evade the payment of taxes". I beg to differ. The evasion is directly connected with the rate of taxes, and it is on account of this plethora of taxes that the slippery path of evasion has been rendered attractive. If morality has become a casualty in society today, successive Finance Ministers must bear quite a part of the blame for this, because it is the edifice of high taxation and spiral of inflation which together have resulted in this state of affairs. This is a social consequence of importance, directly flowing from the Government's misguided fiscal policies.

15 HOURS

Sir, the Taxation Laws (Amendment) Bill, 1967 provides that the annuity deposit shall be raised by about 20 per cent all along the line. As if the scheme was not complicated enough, the Bill provides that for assessees whose income lies between Rs. 15,000 and Rs. 25,000, it would be obligatory to make annuity deposits to the extent of the difference between the enhanced rates and the previous rates. It would thus result in further complications.

The provisions would immobilise another Rs. 5 crores of the income of the people. Ostensibly, it is said to be an *ad hoc* measure intended to cover part of the additional liability that the Government has to incur on account of increased dearness allowance to its employees. It is said that it will be partially neutralised by throwing the burden on the middle and higher classes. But what is the state of the middle classes ? Is the Finance Minister oblivious of their financial condition ? They are squeezed not only by high taxation but also by inflation. The result is, it is difficult for them today even to balance their budget. If you search the heart of any officer of the Government of India who is subjected to this annuity

deposit scheme, he would say, "Well, it should be dropped". And yet, we find that the rates are being increased.

SHRI S. M. BANERJEE (Kanpur) : Do you think they have hearts ?

SHRI S. S. KOTHARI : Whether they have hearts, it is for you to say.

The scheme, besides, is retrograde. Its punitive effect is more severe on those who have rising incomes, *i.e.* the dynamic sections of society. But those who are on the verge of retirement or whose incomes are going to be reduced in future may benefit a little out of it. But if any tax structure penalises the dynamic sections of society, I should think it is retrograde.

The annuity deposit scheme, besides, provides an antithesis to the normal schemes of savings. Usually small driblets of savings are collected month by month and put aside, so that at the end of a certain period, it may be available in the form of savings for emergency use, on the principle that "little drops of water make the mighty ocean". But the scheme connives at dissipation of savings and resources, because the small driblets of savings that are received back by the assessee are taxed. After taxation, the amount that remains is so small that instead of being saved again, it is dissipated into expenditure and adds to consumption. That is usually probably the greatest indictment of this scheme. Actually Sir, devilish ingenuity has been exercised to conceive of this mischievous scheme. Adam Smith in one of the canons of taxation said that the taxation structure should be such that it would be of the greatest convenience to the tax-payer. But the annuity deposit scheme not only exasperates the tax-payer but leads to great inconvenience for him, because he is supposed to keep a correct account of the various small driblets that he receives on different dates. God forbid, if he misses to include any one of those instalments in his return of income, he would be penalised for having evaded tax. Besides, the amount that is received back is taken at the highest rate. It is added to his income and taxed at the rate applicable to the highest slab. It means that he loses in every way and the amount, in a manner, is almost, for all practical purposes, lost to the assessee. The amount of routine and heartbreaking work that the officers of the Reserve Bank have to do is tremendous. It is a painful process and I would rather, cheerfully avoid going into the details and leave it to the Finance Minister to investigate and find out for himself, if he is so inclined.

May I submit, Sir, that it requires great courage and conviction to reverse wrong policies and to discard what is injurious to society. Shri Morarjibhai has the strength and determination to do it, if he takes a decision. I would say, let him rise to the occasion.

SHRI N. K. SANGHI (Jodhpur) : Mr. Deputy-Speaker, Sir, I rise to express my disapproval regarding the Taxation Laws (Amendment) Bill which is before the House. I entirely agree with what Shri Dandekar and other hon. speakers have said on this occasion.

If you will go through the Statement of Objects and Reasons you will find that the most important reason that has been given for bringing this Bill is that with a view to improve the financial resources of the Government that these changes are being envisaged. During 1961, when the Income-tax Bill of 1961 was introduced it was hailed as a piece of wonderful legislation compared to the out-dated Income-tax Act of 1922. What happened thereafter ? More than 206 amendments have taken place to this Act. Year after year, in season and out of season various amendments are being brought to it. What has happened to this law ? If one goes through it he will not find a parallel to this sort of jumble of a law anywhere in any other country.

Already more than 206 amendments have been made to this law. When the Finance Bill was passed only in the month of July this year, this amendment after such a short time belies the hopes of all members here and the

[Shri N. K. Sanghi]

people in the country. I do not agree that this will improve the financial resources and that the resources are going down. If you have a careful and thorough look at the Income-tax law implemented in this country, you will find that there is quite a lot to be done in this matter. There was a question in this House put by Shri Madhu Limaye at one time and the hon. Minister had given a statement saying that there are more than 700 persons from whom more than Rs. 0.5 million as taxes are in arrears from each of them in the last so many years. The answer given for these arrears is that either they are *sub-judice*, the cases are in the court of law, or the assets are not available or the people are dead.

If you go through this Act you will find that whereas a time-limit has been imposed for reopening of a case no time-limit has been laid for completing the case. Cases as far back as 1944 and 1945 which have been reopened have not been completed in assessment. If a law is to be administered for these twenty years and if the people are dead or their assets are frittered away, I do not think in a progressive democratic country like this we can progress very far.

I have to draw your attention particularly to clauses 146, 147A and 251(1). There is a time-limit for reopening of the cases but, as I said, unfortunately, there is no time-limit for the department or the Government to complete these cases. It is a parody which I do not think one can find anywhere. A man is being charged, and being guillotined but no decision is being given. I think it is one of the biggest vagaries one can think of as to how taxation and revenue laws are administered in this country.

When these cases are reopened, no reasons are given to the assessee as to for what reasons they are being reopened. It is always at the nick of time that some of these cases are opened under this section and no reason is given because the time is short and no explanation can be sought for in the short time with the result that these cases are reopened and the assessees are led to go for years together without completion and without their knowing when these assessments are going to be completed. If the Government is really very keen to improve its resources, I think it would have been really in the fitness of things if it had taken into consideration one of the most important recommendations of the Tyagi Committee in which he has hopefully stated that the assessment should be completed in two years' time. There is a statutory limit under the Income-tax Act that income-tax cases should be completed in five years. But an assurance was also given in this House some time back that these cases would be progressively completed earlier. I would suggest to the hon. Minister to issue a mandate on the officers under him, those officers who are implementing this law, to see that cases instituted under the taxation laws are completed within a period of two years. This is going to bring us better revenue and the man who pays the tax would know what he has to pay. It is a vagary of this law that cases are not completed in proper time and taxes are lost.

Not only this, the way in which the Income-tax Department and the Revenue Board is working is really pitiable. If one has made an application to the Central Board of Revenue about some question on tax he is never replied to and no clarifications are given. Not only to the assessees, but even if the officers of the Government of India, who implement these taxation laws, if they ask for any clarification regarding the implementation of these tax laws, they are not replied in a satisfactory way with the result that there is no clear-cut policy and the whole thing is lingering from year to year without the cases being completed.

Not only this, it is high time that a better atmosphere is created between the tax-payer and the tax recovering authorities. Now a psychosis of fear has been created between the tax-payer and the tax-collector and we find that

there is hardly any public relations left between the assessees and the officers concerned. This psychosis is created not only in the assessees but also in the administrative classes. In one charge under a particular Commissioner, I know it for a fact that during one year out of 70 officers 45 officers were transferred. Is this not a sort of dictatorial type of working of the government machinery? With that I do not know how it is going to bring better relationship.

There are many points which need quick clarification from the highest administrative officers and from the Central Board of Revenue. Yet, whenever a reference is made, no reply is elicited. For example, when a penalty has to be imposed because the submission of a return has been delayed, should it be imposed on the firm or it should be on the individual members of the firm? There is no clear-cut policy on this with the result that a number of cases have gone to the court of law, because both the firm and the assessees have been penalised. This is a matter on which the administration should sit down and sort it out for the betterment of the assessees.

Not only this, there are many other matters which the Ministry should take note of. There is a system of tax challan, which is a very cumbersome system. One has to obtain, a challan and sometimes the challans are lost. So, I think it would be in the fitness of things if the Ministry introduces a system of pass books for the payment of taxes so that the pass books can always be produced for easy verification by the people.

It has also been stated in the House previously that the calculation method of income-tax is very very cumbersome and then we have so many amendments coming from time to time which further makes the whole law a sort of jungle law. There are certain small concessions given to married people and people who have two children. While these concessions for people who are married and who have a lot of children should remain, at the same time, it is high time that the law is simplified for better administration by officers and freedom from harassment for assessees.

During the discussion of the last Finance Bill it was categorically stated in this House that the recommendations of the Boothalingam Committee would be taken into consideration. One of the primary recommendations that this Committee has made is that the Annuity Deposit Scheme should be done away with and some better method should be found out to implement it. The whole procedure of the annuity deposit scheme is very cumbersome, because it involves many calculations at various levels. The Finance Minister in his speech had also categorically stated that he will be considering these suggestions which the Boothalingam Committee had made and would be coming before the House with proposals for implementing them. It is a sorry plight of affairs that this report has been completely side-tracked and now, in the midst of the session, we are asked to consider a Taxation Amendment Bill, one major and important feature of which is that the Annuity Deposit Scheme has been made compulsory between the income range of Rs. 15,000 and 25,000.

Government has also introduced a functional system of working. But I am sorry to say that this functional system of working with the income-tax offices, instead of improving the administration, will out it back by a couple of years.

श्री हुकम चन्द कछवाय (उज्जैन) : उपाध्यक्ष महोदय, मैं आपकी व्यवस्था चाहता हूं। सदन के अंदर मंत्रिमंडल का कोई मंत्री उपस्थित होना चाहिये लेकिन कोई इस समय यहां उपस्थित नहीं है। पिछली बार जब सरदार हुकम सिंह यहां अध्यक्ष थे तो उन्होंने यह निर्णय दिया था कि सदन में कोई न कोई कैबिनेट रैंक का मंत्री होना चाहिए। यहां इस समय एक भी कैबिनेट मंत्री उपस्थित नहीं है।

MR. DEPUTY-SPEAKER: The Minister of State, who is piloting the

[Mr. Deputy-Speaker]

Bill, is present here. Of course, this point is raised often and, I hope, the Minister of Parliamentary Affairs will take note of it.

SHRI KANWAR LAL GUPTA (Delhi Sadar) : But you do not protect us in spite of our repeated requests.

MR. DEPUTY-SPEAKER : The Minister of Parliamentary Affairs is not here at the moment but, I hope, he will take note of it.

SHRI KANWAR LAL GUPTA : About a dozen times you have been requesting the Minister but he does not give heed to it. That is the whole trouble.

श्री हुकम चन्द कछवाय : हमेशा अवहेलना की जाती है सदन की । बांध कर रखिए इन को अगर भाग जाते हैं ।

श्री कंवरलाल गुप्त : अध्यक्ष महोदय, आपको भी, स्पीकर साहब को भी, और जो अध्यक्ष यहां होते हैं उनको भी इस सदन में बार-बार यह कहा गया कि आखिर इस हाउस की प्रतिष्ठा कौन रखेगा ? एक कैबिनेट रैंक का मंत्री यहां रहना चाहिए, यह पहले से परम्परा चली आ रही है । आपने कई बार मिनिस्टर फार पार्लियामेंट्री अफैयर्स को कहा है लेकिन उसके बाद भी मेरा ख्याल यह है कि एक दर्जन बार यह बात उठी है, तब भी कोई इस बात की परवाह नहीं करता और आप भी सदन की रक्षा नहीं करते । मैं यह कहना चाहता हूं कि यह काम आपका है कि आप जो सदस्यों की फीलिंग है उसको आगे रखें और उसको देखें कि वह इम्प्लीमेंट होती है या नहीं । एक बार कहने के बाद, दो बार कहने के बाद और दर्जनों बार कहने के बाद भी इम्प्लीमेंट नहीं होता है तो मैं समझता हूं कि इस सदन को और आपको भी यहां बैठने का अधिकार नहीं है । तो मैं फिर प्रार्थना करूंगा कि आप जरा उनको कहने के बजाय और कुछ कीजिए . . . . . .

श्री हुकम चन्द कछवाय : सजा दीजिए ।

श्री कंवरलाल गुप्त : सजा दीजिए या उस पर कुछ कार्यवाही कीजिए या इस सदन के सामने आप लिख कर के रिपोर्ट कीजिए कि यह हमारे बार-बार कहने के बाद भी ऐसा नहीं होता ।

SHRI RANGA (Srikakulam) : I would very much like to agree with my hon. friends but then this is not the occasion for the reason that this particular minister, who also happens to be my own personal friend, happens to be Minister of State designated for this specific purpose. Therefore there is no need for a Cabinet Minister also to be present. It would have arisen if he were to belong to any other ministry but so far as his own ministry is concerned he is given the same powers as the Cabinet Minister so far as the administration of revenue is concerned. I think, whenever those questions come up in the Cabinet, he is entitled to be present in the Cabinet. Therefore, on this occasion we need not raise this objection.

MR. DEPUTY-SPEAKER : Without my conveying the feeling of this House the protest has served its purpose. Let us proceed with the Bill now.

श्री कंवरलाल गुप्त : आप कितनी बार मिनिस्टर साहब को कह चुके कि कैबिनेट रैंक का कोई यहां होना चाहिये । मैं जानता हूं कि मिनिस्टर आफ स्टेट हैं, वह इसको पाइलट कर सकते हैं, यह मुझे मालूम है कानून और ला लेकिन फिर भी यहां कैबिनेट रैंक का मंत्री रहना चाहिए । यह सदन की प्रतिष्ठा की बात है । जब जवाहर लाल जी थे तो वह हमेशा इस बात का ध्यान रखते थे कि सदन की प्रतिष्ठा की रक्षा होनी चाहिए और मैं समझता हूं कि कि जैसे हम जिम्मेदार हैं, आप हैं, यह दूसरी तरफ जो सदस्य बैठे हैं वह और श्रीमान् जी भी उस के लिए जिम्मेदार हैं, अगर सदन का मान नहीं रहेगा तो किसी का भी मान नहीं रहेगा ।

इसलिए मैं चाहता हूं कि आप लिख कर के दें कि मेरे बार-बार कहने के बाद भी इसकी कोई व्यवस्था नहीं होती। मैं तो इतना ही कहना चाहता हूं। यह कोई मेरी पार्टी का सवाल नहीं है।

श्री हुकम चन्द कछवाय : जरा आप फटक लिए उन को।

MR. DEPUTY-SPEAKER : Hon. Member, Shri Gupta, is not speaking from the party point of view. Normally it is expected that if one of the Cabinet Ministers is present in the House, it is better; it adds to the dignity of the debate and the proceedings. But as my hon. friend, Professor Ranga, pointed out just now....

SHRI KANWAR LAL GUPTA : I know the rules as Shri Ranga knows them.

MR. DEPUTY-SPEAKER : .... on this occasion he is fully competent to deal with the matter before the House.

SHRI N. K. SANGHI : Mr. Deputy-Speaker, I was only drawing the attention of the hon. Minister to the fact that the time at which this Bill has come before this House is premature. A new procedure has recently been introduced by the Income-tax Department by which income-tax cases of a certain category have to be sent for the approval of the IAC. At one place the Government wants to increase the revenues and at another place they want to dissipate the revenues by having an unusually large brigade of officers and people in this department. I personally feel that the post of IAC should have been disbanded to save some sources of revenue or some such other methods should have been adopted by which it could have reduced the expenditure of the Government which would not have warranted the Taxation Laws (Amendment) Bill at this juncture. A new procedure has recently been laid by which certain cases are sent for approval of the Inspecting Assistant Commissioner. I feel it would have been a good idea for the IAC to look into these cases himself and become an assessing officer himself. The very idea of sending cases to the IAC is vitiating and is not proper.

It has been said in various decisions by the High Court Judges that the Income-Tax Officer, being a quasi-judicial officer, should be competent to finalise the cases and not to send for approval of others. When the case is sent by the Income-Tax Officer to the IAC, it is like a junior judge sending his judgment to a senior judge for approval. This procedure should have been avoided and they should make the IAC into a taxing officer himself for those cases to save the revenues of the Government and not to bring in this Taxation Laws (Amendment) Bill.

The Income-Tax Department has become a Department of terror to various people. Millions of people who are uneducated, who do not know these taxation laws, they are small tax-payers, are virtually afraid of going to the Income-Tax Department. I have not seen a single example where these people go with their cases for assessment with faith for a fair deal or the Income-Tax Officer is good enough to explain to the person all the complications, his liabilities, obligations and duties in a rational way and make an assessment with courtesy and goodwill. I think, it is high time that we set up a high-level committee to take up this Income-Tax law and to examine proper implementation thereof.

श्री एस० एम० जोशी (पूना) : उपाध्यक्ष महोदय, सदन के सामने जो विधेयक है उसका सैद्धान्तिक दृष्टि से मुझे कोई विरोध नहीं करना है, मगर मैं जब इस धाराओं को देखता हूं तो मुझे ऐसा लगता है कि यह तो एक ऐसा बहाना बनाया जा रहा है कि देश के जो धनिक लोग हैं, उनके ऊपर भी हम कुछ टैक्स लगा रहे हैं। जब हमारे केन्द्रीय कर्मचारियों के महंगाई का सवाल उठा था, तब हम लोगों को कहा गया कि जो महंगाई हमारे हक की है, वह हम न लें और उसको हम सरकार को सेविंग्ज के हिसाब में दे दें।

[श्री एस० एम० जोशी]

हम को कहा गया कि वह हम को नहीं लेना चाहिये और सरकार को लोन के रूप में दे देना चाहिये। यद्यपि हम ने उसका विरोध किया, परन्तु हम नहीं चाहते थे कि इस देश में एक दिन की भी हड़ताल हो, हम लोगों ने इसको मान लिया कि 6 महीने का जो बकाया है उनको हम 6 महीने के लिये लोन के रूप में देने को तैयार हैं। यद्यपि हमारे कर्मचारी इसके खिलाफ थे, फिर भी हम ने अपने मित्रों को कहा कि जब देश के लिये रुपये पैसे की जरूरत है, और हम को यह भी बताया जा रहा है कि दूसरे धनिक लोगों पर भी हम टैक्स लगाने जा रहे हैं, तब हम लोगों को "ना" नहीं करना चाहिये। इसलिये हम ने उसको मान लिया। उस वक्त हम को यह भी बताया गया कि कीमतों को नीचे लाने के लिये इस रुपये को पीछे लेना चाहिये—यह त्याग करने की बात हम को उस वक्त बताई गई।

मैं यह मानता हूं कि 15 हजार रुपये से अधिक इन्कम वाले लोगों पर यह एन्विटी लगाई जा रही है, लेकिन जिनको 150 रु० महीना मिलता है, उनको सेविंग्ज में देने के लिये उस वक्त मजबूर किया गया। इसलिये सैद्धान्तिक रूप से इसके प्रति मुझे विरोध नहीं है, लेकिन मैं देखता हूं कि इस में से निकलेगा क्या? हमारी मराठी में एक कहावत है— दांत कुरुन, पेट भरून—दांतों में जो अन्न लग गया है, उसको निकाल कर पेट भरने की कोशिश कर रहे हैं। यह एक ऐसी चीज हो रही है, कि इसमें से निकलेगा—क्या? एक आदमी ने यहां कहा कि वेल्थ-टैक्स को बढ़ाया जाना चाहिये, तब हमारे यहां के एक मित्र ने कहा—कैपिटल लैवी क्यों नहीं लगाते? हम ने कहा—लगाना चाहिये। इस देश में आज हम देखते हैं कि अमीर और गरीब के बीच जो खाई है, वह दिन-ब-दिन बढ़ती जा रही है और इस हुकूमत की आज की जो वास्तविक नीति है—वह इस तरह की है कि गरीब और गरीब बनता जा रहा है कीमतों के ऊपर जाने के कारण। ऐसी हालत में लेवी लगानी चाहिये।

आप थोड़ी देर के लिए लेवी की बात को छोड़ दीजिए—मैं आपसे पूछता हूं कि जो इन्कमटैक्स की चोरी करते हैं, उनके खिलाफ़ आपने क्या कदम उठाया है। यहां कहा जाता है और मान भी लिया गया है कि 500 करोड़ रुपये की चोरी होती है। चलिये, मैं इसको 300 करोड़ रु० मान लेता हूं, लेकिन मैं जानना चाहता हूं कि इसकी वसूली के लिये क्या कदम उठाये गये, क्या उसके लिये कोई आर्डिनेन्स निकाला गया? मैंने इस सदन में एक सवाल पूछा था—1963-64, 1964-65, 1965-66 में कर-विभाग ने मुकदमा चलाने की कितने लोगों के खिलाफ़ अनुमति दी थी। मुझे उत्तर मिला—1963-64 में किसी के खिलाफ़ मुकदमा नहीं चलाया गया, 1964-65 में 13 व्यक्तियों के मामलों में 28 इस्तगासे दायर किये गये। 1965-66 में कुछ नहीं। जब मैंने पूछा कि इन 13 व्यक्तियों की तरफ, जिनके खिलाफ़ मुकदमा चलाया गया—कितनी धनराशि थी? तो मुझे बताया गया कि 77,95,097 रु०। यानी चोरी होती है 500 करोड़ रुपये की और मुकदमा 77 लाख के लिये चलाया जाता है। यह सब एक बहाना है, एक तरह से ढोंग रचा जाता है, यह बताने के लिये कि हम धनिक लोगों के खिलाफ़ भी सख्ती से कदम उठाते हैं, जबकि ऐसा नहीं होता है, इसलिये गरीब के ऊपर बोझ पड़ता चला जा रहा है।

जब बजट आया तो रेलों का किराया बढ़ाया गया, चाय पर टैक्स लगाया गया, हर एक चीज पर टैक्स लगाया गया, लेकिन जो धनिक लोग हैं, उनके ऊपर टैक्स नहीं लगता, उन का मुनाफा पहले से भी ज्यादा बढ़ता जाता है। अभी इस वक्त हमारे मित्र दाण्डेकर साहब ने कहा कि हम लोगों को पावर्टी-ऑक्सेशन हो गया है, पावरटी-काम्पैक्स हो गया है। हिन्दुस्तान में पावर्टी कितनी है, शायद दाण्डेकर

साहब को पता नहीं होगा। इस देश में करोड़ों लोग ऐसे हैं, जिनको इस वक्त खाना मोयेएसर नहीं होता है ? जब हम यह कहते हैं कि इस देश में दरिद्रता है, गरीब लोगों के ऊपर अप्रत्यक्ष कर लाद कर उनको सताना नहीं चाहिये, तब हम को यह कहा जाता है कि हम लोगों को पावर्टी-काम्पलैक्स हुआ है। मोरारजी भाई जब हमारे साथ बातचीत कर रहे थे, हमारे मित्र हैं, तो मैंने मोरारजी भाई से पूछा कि आप यह बताइये कि ये बड़ी-बड़ी जो कम्पनियां हैं उनका एक्सपेन्सेज-एकाउन्ट कितना रहता है, क्या उसके ऊपर आपने कोई रोक लगाई है ? क्योंकि जब कभी वे लोग यहां आते जाते हैं और उनसे पूछता हूं कि आप कहां ठहरे हैं – तो मालूम होता है कि कोई अशोक होटल में ठहरा है, कोई ओबराय-इन्टरनेशनल में ठहरा है, इस पर रोजाना जितना पैसा खर्च होता है, वह कहां से जाता है, वह सब कम्पनी के हिसाब में लग जाता है और इन्कम-टैक्स से उसकी छूट मिल जाती है। उसके लिये उनको कोई वाउचर भी नहीं देना पड़ता, वह कह देते हैं—एक हजार, दो हजार, पांच हजार खर्च हो गया और वह सब कम्पनी में लग जाता है। इसी तरह से हमारे बड़े-बड़े मिनिस्टर लोग हैं, हम लोग हैं, हमारा कितना खर्च होता है।

उपाध्यक्ष महोदय, जहां मैं रहता हूं वहां एक आदमी इनके पी० डब्ल्यू० डी० का काम करने के लिए आया तब मैंने उस अधिकारी को पूछा कि दो, चार दिनों से मैं देख रहा हूं कि तुम लोग आते हो जाते हो लेकिन काम पूरा नहीं होता है काम कुछ ज्यादा नहीं है तो ऐसा क्यों होता है ? इससे हमारा शासन कैसे चलेगा ? रुपया, पैसा खर्च हो जायेगा। उस अधिकारी ने मुझे जवाब देते हुए कहा कि आप बात तो ठीक कहते हो लेकिन जब आप मोटर में जाते हैं, टेबुल पर सब कुछ अच्छे-अच्छे खाने खाते हो और वह सब कर्मचारी लोग देखते हैं तो उनके दिलों में ऐसी जलन होती है कि हम लोग भी उनको रोक नहीं सकते हैं। उनको जब दो वक्त खाना नहीं मिलता है तब आप लोग यह कर रहे हैं और उस हालत में हम उनको कैसे रोकेंगे ? मैं यह बतलाना चाह रहा था कि गरीब और अमीर में भेद कितना हो रहा है और उसमें अपने देश का जो मानस है, गरीब जनता का जो मानस है वह कितना खराब होता जा रहा है।

एक दूसरा सवाल जो मैंने इस सदन में पूछा था उसका जवाब कोई दो, तीन दिन पहले आया है। मेरा सवाल था कि राज्य व्यापार निगम द्वारा विदेशी बनावट की कारें जो उनके पास आ जाती हैं उनका नीलाम वह करते हैं। मैंने यह पूछा था कि 1962 से लेकर आज तक आपके पास ऐसी कारें कितनी आ गईं और उनका जो नीलाम आपने किया है तो उसमें से पैसा कितना मिला ? यह भी मैंने पूछा था कि उनमें से आप लोगों ने जो यहां का राज्य है या उनका निगम है या दूसरे मुहकमे हैं तो ऐसे लोगों के लिए, सरकारी विभागों के लिए आपने कितनी कारें रक्खीं हैं ? उसका जवाब जो आया है उससे तो मुझे बड़ा आश्चर्य हुआ है।

यह सवाल पूछने का कारण यह हुआ कि एक रोज एक बड़ा अधिकारी मेरे पास आया उसकी कार बहुत शानदार थी और मेरे बच्चे ने मुझ से पूछा कि यह कौन बड़ा आदमी आया था ? मुझे लगा कि यह ऐसा क्यों पूछता है ? उसकी कार बहुत बड़ी थी। फिर मैंने उस आदमी को भी कहा कि क्या आप का काम नहीं चलेगा अगर आप छोटी कार खरीदें ? अगर आप हमारी ऐमबैसडर खरीदें तो क्या उस से आप का काम नहीं चलेगा ? वह बोला कि बड़ी बाहर की कार जरूरी है। मैं ने पूछा कि क्यों जरूरी है तो उसका जवाब देखिये कि वह जवाब क्या है ? कुल मिला कर 2389 कारें इनके पास आ गई और उनमें नीलाम से बचीं 1422 और उसका पैसा कितना मिला ? 4 करोड़ 24 लाख 83 हजार और कुछ और। हुकूमत के लिए, सरकारी विभागों के लिए और मंत्रियों के

[श्री एस० एम० जोशी]

लिए कितनी रक्खीं ? करीब-करीब आधी रक्खीं, कोई 967 कारें इन लोगों ने रक्खीं। अगर यह बेची जातीं तो आप लोगों को कितना पैसा मिलता तो उन्होंने कहा कि यह नहीं बतलाया जा सकता क्योंकि उनका नीलाम ही नहीं किया है। अगर आपको एकोनामी करनी है तो क्या जरूरत है कि हमारे सरकारी विभागों में यह कारें बढ़ायें ? कारें जो विदेशी बनावट की यहां आती हैं जिन्हें हमें मार्केट में बेचने से ज्यादा पैसा मिले, 4 करोड़ रुपया मिला तो क्या उन्हें मिल सकती थीं . . . .

MR. DEPUTY-SPEAKER : The hon. Member should remember that we are not having a discussion on general budget. A specified taxation Bill is before the House.

श्री एस० एम० जोशी : वही मैं कह रहा हूं कि यह स्पेसिफिक टैक्सेसशन जो है उसमें जितने पूरे आपके ऐनयुटी वाले हैं, दूसरे इंटरटेनमैंट वाले हैं। इंटरटेनमैंट टैक्स के बारे में कह रहा हूं कि किस तरीके से यह लोग मजा उड़ा रहे हैं और यह टैक्स हमारे ऊपर लगाये जाते हैं ? इसके बाद यह भी कहा कि इंटरैस्ट रेट बढ़ा है तो उसके बारे में मैं कह रहा हूं कि वह कोई रैलेवैंट नहीं है। ऐसी जो धनराशि आप चाहते हैं तो धनराशि जो आपको मिलने का दूसरा रास्ता है तो इस तरीके से क्यों चलते हैं कि जिसमें से कुछ मिलता नहीं है ? मेरे कहने का मतलब यह है कि मैंने सैद्धान्तिक दृष्टि से उसका कोई विरोध नहीं किया है। लेकिन इतना करने के बाद लोगों में बहाना तो बन जायेगा कि दांडेकर साहब ने कुछ विरोध किया। धनिकों के ऊपर टैक्स लगाते हैं यह बहाना हो जायेगा पेपरों के द्वारा प्रचार करने का। लेकिन इसमें क्या है ? कुछ नहीं है। जितना कुछ करना चाहिए वह नहीं हो रहा है। इसलिए मैं कहता हूं कि इससे हमारा कोई समाधान नहीं होता है। इससे हम को तसल्ली नहीं होती है। जो हम लोगों से पैसा लिया, 6 महीने के लिए भी आप लोगों ने लोन लिया है तो उसको ध्यान में रखना चाहिए और उस वक्त आप लोगों ने हमको जो आश्वासन दिया है कि कीमतों को रोकने के लिए हम सख्त कदम उठायेंगे जिससे सचमुच हम कीमतों को रोकेंगे, वह आगे नहीं बढ़ें तो उसको पूरा करने का आपको ध्यान रखना चाहिए। इतना ही मैं इस अवसर पर आप से कहना चाहता हूं।

SHRI S. R. DAMANI (Sholapur) : I rise to support this Bill. The first item is the increase in the rate of interest to be charged from the assessee and that to be paid by Government. According to the rate of interest ruling in the banking circle and in the market, it is very much justified that the rate has to be increased, because the banks are paying 7 or 8 per cent on deposits and on advances they are charging 10 per cent. Therefore, it is advisable and even reasonable that the rate of interest in this case also should be increased. The previous rate was based on the bank rate of 4 per cent, but now the bank rate has gone up to about 6 per cent, and, therefore, it is justified that the rate to be charged should be increased in this case also.

Secondly, I would like to point out that the number of assessments pending has considerably increased in the last three or four years. It was about 17 lakhs cases pending about three or four years back, but now it has increased to about 35 lakhs, and it has almost doubled. If the cases are not settled by the officers and afterwards they have to pay a heavy rate of interest, it will be an additional burden on the people and that will not be justified. Therefore, the first thing that the department should do should be to clear the assessments as quickly as possible and an effort should be made in this direction. I would request the hon. Minister to see that the assessments are completed earlier and that a certain time-limit is fixed for completing the assessment. Unless that is done, the arrears will continue.

Regarding entertainment expenditure, I think that now Government have come forward with a rational policy. Previously it was not linked to profit, and entertainment expenses were allowed according to custom or practice. But in this Bill Government have linked it with profitability. That is a very reasonable thing. But I would submit that the rate of ½ per cent or ¼ per cent is on the low side. According to me, in these days of high prices, it is difficult for a businessmen to entertain some of their customers and others in such a small amount. So, I would request that the matter may be reconsidered and if thought fit, some increase may be made in the rate of entertainment tax allowed.

Regarding the annuity deposit scheme, it is a very complicated scheme. Every year there is a deduction, the next year 1/10 is added and deduction is made. It thus becomes a cumbersome process and requires a lot of work on the part of the officers. The energy of our officers is wasted in such calculations. Also mistakes are likely to occur in the process. There is no objection to the scheme as such, but I suggest that whatever annuity deposit is taken should be returned after ten years and that should not be included in the profit. The rate of interest offered is so low. In the market the rate of interest is 12 per cent whereas a person under this scheme receives only 4 per cent. He thereby suffers a loss. If he had invested his money in blue chips or other shares, he would definitely benefit much more. So I suggest that the amount should be repaid after the expiration of the period and it should not be included in the income of the person.

I think by the present scheme only 50,000 people are affected, but in view of the present arrears of cases and in consideration of the difficulties of calculation, I suggest that Government should modify the scheme in the light of the submissions I have made. With these words, I support the Bill.

SHRI P. RAMAMURTI (Madurai) : In the statement of objects and reasons, Government have stated that with a view to improving the financial resources of Government, the President promulgated an Ordinance. What is the wonderful thing that has been done in this Bill to improve the financial resources of Government ?

Shri Dandekar talking about a poverty complex in this country, asked why should the entertainment allowance be lowered. My question is : why should entertainment allowance at all be allowed ? Is it that these companies cannot get on without entertaining people ? After all, who are the people who are being entertained ? We know what is happening in the Asoka Hotel. Company executives come and stay in that hotel. They cannot stay in other places. They cannot stay in any place unless it is an air-conditioned room or suite.

SHRI RAJARAM (Salem) : Now they go to Oberoi.

SHRI P. RAMAMURTI : A better hotel.

Who are the people who are normally entertained ? Big officials of the Government, big Secretaries of the Government of India with whom licence deals are struck across the table over a bottle of wine perhaps.

Therefore, this entertainment allowance is an important source of corruption in this country as far as companies are concerned and this is something which should not be allowed. Anyway, Government have now come forward with a Bill lowering the exemption limit on this item.

15.44 HRS.

[SHRI G. S. DHILLON *in the Chair*]

May I also point out that there is such a thing as expense account and perquisites of company executives ? Apart from the fat salaries of Rs. 5,000, 8,000 and 10,000 that they give in many of the companies, these executives are allowed to travel abroad. Their

[Shri P. Ramamurti]

entire expenses are paid from out of company funds. Even when they go out of the country one month every year, they and their families are allowed a holiday with all expenses met by the company. In addition, their bunglows are rent-free, furniture and furnishings are provided for, the gardener is paid for, medical expenses are met. You know these poor people drawing about Rs. 8,000 cannot afford to pay their medical expenses themselves. Then medical expenses of their families are met. All these things are met out of company funds. What is the rationale behind all these things? Is it also, the question of poverty complex? I want to know why these things are being allowed. Why is it that the Government of India does not today say that these perquisites will not be allowed as far as the company executives are concerned?

Of course, Mr. Dandekar can oppose this Bill and the Government can come forward today and say that they are very much against the richer sections of the people. In reality, I am reminded of what we call this cardboard sword fight. In the cinema you see people who are fighting each other like hell with big swords and all that, those acrobatics. Anybody would think that those people would die. Unfortunately or fortunately those who have gone into the cinema studios and have seen them know that they are not fighting with real swords. The Congress Party and the Swatantra Party are today engaged in this kind of cinema fighting, that is what is happening, Mr. Dandekar opposing and the Congress Party coming and saying that they are bound to suppress this wealth, and all this kind of thing. This is what is happening, this is a kind of eye-wash, that is exactly what is happening.

If the Government were really interested in augmenting their revenues, after all it is known in this country how much of tax evasion takes place year after year. I thought there would be some amendment to the Income-tax Act. But what do I find?

In answer to Question No. 1623 put by Mr. S. M. Joshi on the 23rd of this month about the number of income-tax evaders against whom prosecutions were launched by the income-tax department during the years 1963-64, 1964-65 and 1965-66 the Government gave a reply. Do you know the number of cases that were launched? You will be surprised to learn, I am not surprised because I know what to expect with the type of Government that we have, that in 1963-64 not a single case was launched, that means there was no tax evasion at all as far as this Government is concerned in 1963-64; in 1964-65, 13 persons were prosecuted; in 1965-66 not a single person was prosecuted for tax evasion. This is the way in which the income-tax department is functioning. Not a single tax-evader was prosecuted, therefore every income-tax payer was a perfect gentleman, he never did anything wrong.

With regard to the cases launched, what happened to them? The answer is that punishment was not awarded in any case by the courts, one case was compounded. You compound a case. Here are people who evade taxes. It is not an ordinary offence. After all, the taxes belong to the people, that means to the society. It is one of the biggest offences against society that is being perpetrated by these people, because the more the tax evasion, the more the common people are taxed to meet the needs of the Government. Therefore, the entire people are attacked by the existence of these tax-evaders who defraud the entire community. Therefore, when such a big crime is committed by you, what is your act? Your act will not be treated as a criminal offence, it is to be compounded. This is the manner in which they look at this problem. Therefore, not a single case was launched.

What is the total amount of tax involved in all these cases during these three years? A sum of Rs. 77,95,000. This is all. Yet Government comes and says they are very much interested in improving the revenues of this country and therefore they are bringing forward

such a frings legislation which will give at the most a few lakhs of rupees.

Mr. Dandekar was opposed to the increase in the rate of interest from six to nine per cent. May I point out to Mr. Dandekar that the Government has been very even on that? If these people do not pay the amount in time, they will be liable to interest at nine per cent; if the Government has got overpayment and does not return in time, Government also will pay nine per cent. The Government is very even, therefore I cannot understand this fight at all. Once again, I am reminded of the cinema fight.

This whole thing is supposed to be a very terrific attack as far as the wealthier sections of the community are concerned. That is why I point out all this. I am not opposing this Bill, you are not going to get much by way of this, but whatever it is why have this kind of farcical thing? If you are really interested in augmenting the resources, tax the sources; at least bring a legislation which will make tax evasion a criminal offence. In any civilised country, even in the United States of America where you say democracy exists, even there, today a tax-evader is sent to jail. Here, you would not send even a single tax-evader to jail for the simple reason that they are your kith and kin. That is the trouble. You cannot touch them. But you will talk of law and order. When it comes to the question of the worker who is today fighting for his very bread, if he fights for a little more bonus, you will say, "law and order is involved." But here, when people are found to evade hundreds of crores of rupees by way of taxation from year to year, then, it is no law and order problem! It is only a matter to be adjusted! It is a matter to be compounded if it is found! This is the attitude that the Government is adopting. Therefore, I want to point out that this kind of legislation cannot fool the people of this country. They will certainly understand, and we are there to point out to the Government, to the people of this country, how this Government is nibbling at the problem and is really not interested in checking the blackmarketeer and tax evasion in this country, and it is letting all those people scot-free all these years. It does not even dare to launch prosecution against those people. Therefore, I would ask the Minister, if he is really interested, to bring forward some other legislation. I am not asking for any revolutionary legislation. I know it is impossible from this Government. I am not asking them to bring a revolutionary legislation, saying, "confiscate business." I am not asking that. Even within the framework of the ordinary bourgeoisie society, even within that frame work, certain things cannot be allowed. Why are you allowing those things? Why should this society sink to such a low level, and even normal things which are done in any ordinary bourgeoisie society, this Government is refusing to do.

Therefore, I would ask you, at least bring forward some legislation which will penalise this kind of tax evasion, take effective measures to see that tax-dodging is put an end to once and for all, so that at least about hundreds of crores of rupees year after year can accrue to the Government and to that extent the common people can be spared from heavy burdens of taxation. This is a simple thing, I would urge, and in the absence of that this is only an eye-wash, and nobody can be fooled by this kind of eye-wash legislation.

SHRI SEZHIYAN (Kumbakonam): Mr. Chairman, Sir, this Bill has come to replace the ordinance promulgated by the President on the 11th September, 1967. The objects given in the ordinance as well as in the Bill seem to enhance the rate of annuity deposit and extend the scheme for income-groups from Rs. 15,000 to Rs. 25,000. This has come as a bit of a surprise to many who have followed the taxation policy and the pronouncements of the Finance Minister. Speaking in this very House, on the 27th July, 1967, just on the day when the Finance Bill

[Shri Sezhiyan]

was being considered, the Finance Minister said :

> "I am trying to simplify the income-tax law but that is an exercise which takes time. Annuity would not have come in if CDS had not been opposed as it was opposed. I do not want to take the risk again of such opposition without understanding. Therefore, I am looking at it very carefully and by the next budget I would be in a position to say definitely what I will do. I can only say at this stage that I am not very much enamoured of this annuity business."

This is what he said on the 27th July. I do not know what transpired since he said that. Instead of doing something to eradicate the entire scheme of annuity deposit by the next budget, the Finance Minister, within about 45 days, has come out with an ordinance not only improving the annuity scheme but even enhancing the rate and the scope. This is dubious talk, or double standard, which this Government is indulging in. I do not know why he should say on the 27th July, "I can only say at this stage that I am not very much enamoured..." What made him enamoured of the annuity scheme by the 14th September is a matter of intrigue to the public.

One thing, I can say. Due to the recession that has set in, due to the inflationary measures that have been indulged in by the present Government and the past governments, there is not much of savings capacity in the middle and the lower income-groups. The savings have been very meagre. For 1966-67 they budgeted for savings to the extent of Rs. 135 crores, out of which the actual collections were only Rs. 118 crores. That is something good for which they can take credit. But for 1967-68 they have estimated Rs. 130 crores, but in the first 7 months, till the end of October, they have been able to collect only Rs. 38 crores. This shows the capacity to save has been eroded into by the unwise economic policies and the recent recession. People find it difficult even to manage their family budget within their income, not to speak of saving. The recent recession has disclosed high idle capacity, closure of many units, rising unemployment, growth of cases of retrenchment and lay-off and serious fall in production. Our Finance Minister says, this is not recession, but slump. In economics, slump is another name for recession. Usually recession means, there will be fall in prices, decline in production, etc. But in India, a peculiar thing is happening. The prices are not falling, but rising. The other aspects of recession are being fulfilled.

Many reasons may be given by the Government like successive droughts, continued threat on the border, etc. But these are not the only causes for the economic malaise in the country. We should know why there is idle capacity, why capacities have been created regardless of availability of inputs required to sustain such industries. For 15 years, they have been planning without any regard to the capacity of the Indian masses to absorb and also to sustain these industries with the raw materials essential for their running.

One important reason for the economic malady of the country is, to a great extent they have neglected the agricultural sector. That is why we have been in a series of economic crises. In the second and third five year plans, the farm output has been of a very low order. During the whole period of the second plan, national income rose by 7.3 per cent, but farm output did not keep pace with it and increased only by 4.3 per cent. In the third plan, while monetary national income went up by 7.6 per cent, farm output has been erratic and almost stagnant throughout. This has resulted not only in cutting down our agricultural production and increasing imports, eating away large chunks of our foreign exchange, but also eroded into the purchasing power of the vast sections of our people. The statement of objects and reasons says "With a view to improving the financial resources of the Government..." etc. But before trying to improve the financial resources of the Government, they should try to

improve the financial resources of the people, of the farmer in the fields. When they planned, they should have given high priority to fertiliser production. They should have set up fertiliser factories before trying to get Bokaro on the industrial map of India. But they failed to do it, with the result that not only the Government, but the people at large are put to much suffering.

16 HRS.

They want the people to save. I want to know what the Government has done to save much of the infructuous expenditure that they incur. Recently in the Madras Assembly one thing was pointed out. The Prime Minister, Shrimati Indira Gandhi, when she visited Madras State just prior to the elections and attended so many of the Congress meetings, all the expenses in that connection have been borne out of the State exchequer. I want to know whether this is a fair thing, whether we are saving the funds entrusted by the people in the Government coffers. If government funds and government machinery are to be utilised for party ends then, I must say, the Government does not have any moral integrity to ask the people to save, because even if the people save and give it to Government funds all that will be spent for party ends.

Sir, the speakers who preceded me, Shri Ramamurthi and also Shri Joshi, told the House about the very serious conditions in which the Income-tax Department is working. Professor Kaldor when he gave his report about ten years ago—I think in 1955—56 he gave his report—put the undisclosed income or tax evasion to the tune of Rs. 200 crores to Rs. 300 crores. I do not know what the Government has done till today to reduce these tax evasions. Large amounts of tax arrears are there. Concealed income is growing. It is given the name of 'blackmarket money'. These blackmarket monies are being converted into non-taxable forms. How far Government has been able to bring out these concealed incomes is a thing well known to the entire public. During the last three years, as has been pointed out by Shri Joshi, it is very pitiable that only thirteen cases have been taken for prosecution. Therefore, the Government, while it is preaching to other people that they should save, is itself not saving anything in its own orbit.

I want to remind the Government that the recent recession has to be taken in all seriousness. It is a symptom of a deep-laid malady that has corroded into the entire economic fabric of our country. This has been the culmination of a variety of omissions and commissions on the part of the Government. Unless they go deeper into the malady, unless they stop these infructuous payments, unless they reduce this enormous administrative expenses, unless the Government take steps to root out tax evasion, unless they come forward to spend the money given by the public for the cause of the public and not for party purposes or for the visit of the Prime Minister or other ministers for party purposes—she came to Madras not to attend government business but she came specifically to address election meetings for which the expenses have been met from out of the State funds—they have no right to preach to others. Before promulgating ordinances like this or introducing Bills of this nature, Government should come forward to make good the amount that was given in their custody by the people. Unless and until that is done, all talks of improving the financial resources of the Government will go in vain and they will only be making untrue statements.

SHRI S. M. BANERJEE (Kanpur) : Mr. Chairman, Sir, I do not agree with many of the observations made by my learned friend, Shri Dandekar. But I must admit that by lowering down the limits of the annuity deposits Government is not going to get anything more or save any amount which may help the Government to get some more revenues. Now, what was the experience in the past? When the annuity deposit scheme was introduced, it was objected to by practically all of us. In 1964-65 what was the total return? Rs. 40.28 crores. In 1965-66 it was Rs. 37.34 crores. Then, in

[Shri S. M. Banerjee]

the revised estimates for 1966-67 it was Rs. 22 crores. The budget estimate for 1967-68 is Rs. 22 crores. Now, by doing this they may hardly get Rs. 5 crores or 6 crores more. When we were discussing the question of granting additional dearness allowance, which the Finance Minister tried to freeze, he told us that he is going to take certain very progressive measures by which there will be some curb on the income on higher slabs. One of the decisions was that he will see to it that the slab for the annuity deposit was lowered by which the exchequer will get something more. My submission is that in this country a person who gets Rs. 1,000 or even Rs. 1,200 is supposed to be a middle class person. Unless the prices go down, unless the prices are checked, I do not consider a person getting Rs. 1,000 to be in this category because he is not in any way better-off. We are all getting nearly Rs. 1,000 and I doubt very much whether we are able to save anything out of it.

Then, coming to the curb on entertainment, I welcome it. I must congratulate the hon. Finance Minister for bringing this piece of legislation in which there is some limit on the entertainment.

SHRI K. C. PANT : Lowering the limit.

SHRI S. M. BANERJEE : What is this entertainment ? The representatives of big business houses, how lavishly they spend ! Many of our officers are corrupted and polluted by these representatives because in Delhi, some of the officers say, if you reduce the cost of Scotch whisky to Rs. 10, there will be no corruption, because while the officer is prepared to refuse a sum of Rs. 10,000 he does not do so in the case of a crate or bottle of whisky. They say that everything is settled and decided over a bottle of whisky. It is said that blood is thicker than water but, then, whisky is thicker than both. I do not mind businessmen spending some money on entertainment but, then, there should be some limit. When there is a race between poverty and starvation, between poverty and unemployment how do you expect that this money, which is after all peoples' money is spent ? Does that money not come from the shareholders ? Is it not spent merrily by these people in posh hotels, spending Rs. 250 a day simply for bed and breakfast ? So, I say that there should be a restriction and the restriction imposed by the present Bill is a welcome feature.

Then I come to the question of tax collection. It is a sad commentary on our tax collection—my hon. friend from the DMK also referred to it when he spoke—that according to the report submitted by Professor Kalsor the tax evasion was to the tune of Rs. 300 to 400 crores. But I am not talking of tax evasion now. I am talking of tax arrears, which stood at Rs. 278 crores in 1964-65 and which today, according to the figures available to us from the answers given in this House, rose from Rs. 278 crores to Rs. 528 crores. These are recoverable effective arrears. What is the amount written off ? The amount written off in 1962-63 was Rs. 4,39,91,363; in 1963-64 Rs. 1,60,37,681, in 1964-65 Rs. 97,47,072, in 1965-66 Rs. 37,55,004 and up to 31st July, 1966 Rs. 9,10,152.

This amount is written off. We have been raising several questions in this House about one industrialist who once upon a time fought Shri Dandekar—Shri Ram Rattan Gupta. I am constrained to bring his name once again into this House. One of the ministers, who was responsible at that time and had issued orders for writing off the amount of Rs. 31 lakhs, is today the Governor of Uttar Pradesh. So, if you also become a minister and write off some big amounts, you will not simply be a Chairman but you will be a Governor somewhere.

SHRI NAMBIAR (Tiruchirappalli) : It is a good chance. One should try for that.

SHRI S. M. BANERJEE : We were assured in this House that this matter will be investigated, that there will be a proper investigation. What has happened to that ? I have got great res-

pect for Shri Morarji Desai. I know that he is a straight forward man. Will he come forward now and say for what purpose these Rs. 31 lakhs were written off? Did Shri Ram Rattan Gupta migrate to Pakistan? Was he physically not present here? He got somebody's property attached in his name. Ultimately it was found by the Life Insurance Corporation that the property did not belong to him, that it was somebody else's and that he got it attached wrongly. He is such a criminal and still the Company Law could not do anything about him. He has been dodging some Minister. I say with some confidence that Shri Dinesh Singh has succumbed to the black magic of Shri Ram Rattan Gupta. These are things which are circulating in the country.

Only one Ram Rattan Gupta has been caught and he also is free because he happens to belong to the ruling party. It was once upon a time the ruling party in U.P. but it is not that today. Shri C. B. Gupta and Shri Ram Rattan Gupta are trying to topple down the Government there. In the *Statesman* it was said that no action was taken against Shri Ram Rattan Gupta because he was helping to topple down the Charan Singh Ministry. I can say that with all the confidence and in all seriousness. Let the hon. Minister have courage and conviction to take action against them. They are anti-social. If they are in the Congress today, they will pollute the Congress. They have done enough. If they are in the Opposition, the Opposition also must kick them out. What action has been taken against them?

Then, in 1966-67 the revenue from income-tax was Rs. 628.73 crores against the estimate of Rs. 666.22 crores. There was a fall. Is somebody punished? Nobody gets punishment. Who pays the income-tax honestly and sincerely? It is simply the salaried persons. The tax structure should be simplified. Many people evade taxes not because they do not want to pay but because the system is so bad that it is impossible for them to function under this system; naturally, they start evading taxes.

Then I come to wealth-tax and gift-tax. What is the total money that we are getting from wealth-tax, gift-tax or estate duty? I do not know whether there are some ministers in the Cabinet or there are *ex*-ministers who pay wealth-tax. I want to know what is the total amount that has been realised. Let us take the figure of 1964-65 and then compare with that of 1965-66. What are we getting? Are people paying taxes? If these loop holes cannot be plugged, I am sorry, such legislation is not going to help.

Another question which I will ask is a pertinent question. When Shri Morarji Desai was discussing these matters with us on the question of payment of dearness allowance, he requested us, or rather asked us, to beg from 22 lakh Central Government employees for six months' time. He said, "Do not ask for money in cash, let six months' arrears be deferred and put in the provident fund, give me six months' time and I shall see that prices do come down." What has appended to that? We supported him. I and Shri S. M. Joshi, despite severe objection or criticism by some of our opponents, who said that we had actually sacrified the workers and had betrayed them, agreed and said, "You pay us the current one and for the past arrears we shall see that this is deposited in the provident fund." What was our expectation then, we do not find today. Therefore, I request the hon. Finance Minister or Shri K. C. Pant that he should make an announcement here and now that these measures have been taken and what has happened to the lowering down of the prices of essential commodities. Even today, during the Question Hour, Shri Jagjivan Ram told us that adequate measures have been taken. What measures have been taken? I know nothing has been done. This Government want to put their hands into anything and it vanishes. The biggest magician of this country is the Central Government, whatever it touches vanishes, with the placard they have with the black-marketeers on their head.

SHRI K. C. PANT: You are immune.

SHRI S. M. BANERJEE : I am not immune. Two wrongs do not make one right. I do not impute any motive on the hon. Minister. He is a citizen as I am; he is also elected by the people. What do we find ? I do not say whatever is done by the Opposition Government is according to their promise. They have also not fulfilled the promise. I equally criticise them. But as long as this Government is in power at the Centre, no Opposition Government can function. Today, they have toppled West Bengal Government; tomorrow, they may topple Bihar or Orissa.

I can assure you that unless some radical changes are brought in, these loopholes cannot be plugged. Thousands of such enactments will not bring down the prices and will bring in money to the Government. They will always move with a begging bowl to every country, whether it is Soviet Union or U.S.A., and ask for money. Somebody will give them wheat on certain conditions, somebody will give them arms and ammunition on certain conditions, and we shall be beggars, international beggars, with our non-aligned policy.

श्री कंवरलाल गुप्त (दिल्ली-सदर) : सभापति महोदय, जो विधेयक संसद् के सामने रखा गया है, मैं यह समझता हूं कि एक पीस मील रेमिडी है। अच्छा तो यह होता कि टैक्सेशन-ला में और भी जो कमियां हैं, वे सब यहां आतीं। खास तौर से जिनके बारे में मंत्री महोदय ने वायदा किया हुआ है कि वे टैक्सेशन-ला को सिम्पलीफाई करेंगे। इसके बारे में भूतलिंगम साहब की रिपोर्ट भी आ चुकी है, लेकिन उस पर सरकार की तरफ से क्या कार्यवाही हुई और किस तरह से सरकार उसको अमेण्ड करने जा रही है—इसके सम्बन्ध में हमारे सामने कुछ नहीं आया। फाइनेन्स मिनिस्टर साहब ने हम से वायदा किया था कि वह जल्दी ही इस सदन के सामने कुछ चीजें लायेंगे —टैक्स इवेजन को रोकने के लिये, टैक्स का जो प्रोसीजर है उसको सिम्पलीफाई करने के लिये—लेकिन मुझे बड़े खेद के साथ कहना पड़ता है कि अब तक कुछ नहीं आया।

एक चीज मैं जरूर समझता हूँ कि इस समय टैक्स रेट हमारे देश में सैचुरेटेड-प्वाइन्ट पर आ गया है। आज ज्यादा टैक्स बढ़ाने की गुंजाइश बाकी नहीं रही है। मैं यह जरूर मानता हूं कि इस विधेयक में जो एन्टरटेनमेन्ट पर पाबन्दी लगाई है, उसको कम किया है—यह एक अच्छी बात है और उसका मैं स्वागत करता हूं। क्यों स्वागत करता हूं—इसलिये कि मैं समझता हूं कि इससे करप्शन दूर होगी और यह जो बड़े-बड़े लोगों ने पब्लिक रिलेशन आफिस के नाम से मंत्रियों को और उनके अधिकारियों को जो एक रिश्वत देने का एक नया तरीका निकाला है, वह कम से कम बन्द होगा — इसलिये मैं इसका स्वागत करता हूं। लेकिन मैं यह समझता हूं कि कितना भी आप कन्ट्रोल कर लें, कितना भी आप कानून बना लीजिये, अगर यही रेट ऑफ टैक्सेशन रहा, तो कभी भी ईमान्दारी आ नहीं सकती — सामने से हो, या पीछे से, लोग उसको इवेड करेंगे। मैं अपने अनुभव के आधार पर कह सकता हूं—10 या 5 परसेंन्ट शायद ऐसे हों या सैलरीड लोगों को छोड़ दीजिये, काफ़ी बड़ी मात्रा में टैक्स का इवेजन होता है। इसलिये, सभापति महोदय, यह काम केवल कानून से नहीं होगा, आपको उसे रेशनलाइज करना होगा। अगर आपके रेट्स आफ़ टैक्सेशन रिजनेबिल होंगे, तो मैं समझता हूं कि आपकी आमदनी कम नहीं होगी, बल्कि ज्यादा होगी। आप यदि पिछले दो सालों के आंकड़ों को देखें तो उनसे यह साबित हो जायेगा कि आपकी जो इन्कम टैक्सेज से है, खास तौर से डाइरैक्ट टैक्सेज से है, उसकी मात्रा नहीं बढ़ रही है, जितना कि पहले बढ़ रही थी, क्योंकि अब सैचुरेटेड प्वाइन्ट आ गया है।

दूसरी चीज, आप इण्डस्ट्रीयलिस्ट्स को गालियां देते हैं, व्यापारियों को कहते हैं कि टैक्स इवैड करते हैं, मैं भी इस बात को

मानता हूं कि काफ़ी मात्रा में इवेजन होता है, लेकिन आप अपना आदर्श क्या रखते हैं। जब तक सामने बैठनेवाले मंत्रीगण और उनकी पार्टी के ऊपर के लोग और जो सैक्रेट्रीज इस टैक्सेशन को इम्प्लीमेन्ट करते हैं, अगर वे ठीक नहीं है तो मैं समझता हूं कि उनको कोई हक नहीं है कि दूसरों की नुक्ताचीनी करें। मैं एक, दो उदाहरण देना चाहता हूं और बड़ी जिम्मेदारी के साथ यह उदाहरण देना चाहता हूं। मैंने एक सवाल किया कि कांग्रेस अध्यक्ष श्री कामराज कितना टैक्स देते हैं? अब श्री कामराज को कार मिली हुई है और उनको 1,800 रुपये महीने की कोठी आल इंडिया कांग्रेस कमेटी ने दी हुई है और इसके अलावा शायद उनको आनरेरियम भी मिलता होगा अपना खर्चा वगैरह चलाने के लिए। सारा कुछ मिला कर मैं समझता हूं कि 3-4 हजार रुपये महीने उनको आल इंडिया कांग्रेस कमेटी से मिलते होंगे। मैंने पूछा कि आप बतलायें कि कामराज साहब कितना टैक्स देते हैं? मेरे इस सवाल को तो डिस्ऐलऊ कर दिया गया लेकिन मेरी इनफोरमेशन है और मुझे खबर भी मिली है लिख करके कि सन् 62-63 के एसैसमैंट तक तो वह टैक्स देते रहे 63-64 में उनको नक्शा भरने के लिए नोटिस दिया गया। 63-64 के एसैसमैंट इयर का मतलब होता है फाइनैंशियल इयर 62-63 करीब जून, जुलाई या सितम्बर 63 तक उन को नोटिस दिया गया होगा। जब तक उन्होंने नक्शा नहीं भरा इनकमटैक्स का लेकिन मैं मंत्री महोदय से पूछना चाहता हूं कि क्या उन पर कोई नोटिस उसके बाद दिया गया? आज 63-64 का एसैसमैंट टाइमबार होता जा रहा है और मार्च के बाद आप उस पर कोई कार्यवाही नहीं कर सकते। उन्होंने नक्शा भी नहीं भरा और न आप ने पेनालिटी लगाई न उनको बुलाया और न ही उनको कुछ कहा कि क्यों नहीं आप नक्शा भरते? इतना ही नहीं 64-65, 65-66, 66-67 और 67-68 आज तक कोई नक्शा न उन्होंने भरा और न आप ने कोई नक्शे के लिए उनसे मांग की। क्यों साहब वह कांग्रेस के प्रेसीडेंट हैं इसलिए ऐसी बात है? क्यों नहीं करना चाहते? मैं पूछना चाहता हूं कि किस लिए मुझे उसका जवाब दिया गया कि साहब वह तो नौकर नहीं हैं वह तो सिर्फ जो टैक्स लगता है वह तो जो नौकर होता है उस की सैलरी पर लगता है लेकिन उनका तो कोई धंधा भी नहीं है तो वह इस टैक्स की जद में इनकमटैक्स में नहीं आते। मैं इससे बिल्कुल डिफर करता हूं। मैं इत्तिफाक नहीं करता। मैं आपकी इजाजत से इनकमटैक्स ऐक्ट की धारा 28 (4) पढ़ना चाहता हूं :

> "The following income shall be chargeable to income-tax under the head, 'Profits and Gains of Business of Profession'..."

और इस प्रोफैशन के लिए 4 में यह है :

> "The value of any benefit or perquisite whether convertible into money or not arising from business or the exercise of profession.."

अब जो प्रोफैशन की डैफ़नीशन है वह भी मैं आपके सामने पढ़ देना चाहता हूं :

MR. CHAIRMAN : How is it relevant here? Is it within the scope of the discussion of this Bill?

SHRI NAMBIAR : He says that that has also to be taxed; so much should not be given as perquisites.

श्री कंवरलाल गुप्त : मेरा कहना यह है कि इस तरीके से टैक्स उसको करेंगे । लोगों से आप कहते हैं कि ज्यादा पैसा चाहिये इसलिए आप ने यह रेट बढ़ाया है और इसलिये मैं कहना चाहता हूं .....

MR. CHAIRMAN : How is it relevant here to quote individual cases ?

SHRI KANWAR LAL GUPTA : You should not feel disturbed when I say something about Mr. Kamaraj. Please permit me to say what I want to say.

MR. CHAIRMAN : He cannot take up individual cases in this way.

श्री कंवरलाल गुप्त : सभापति महोदय, मैं पांच मिनट में खत्म करे देता हूं । मेरे कहने का मतलब यह है कि **प्रोफेशन इनक्लूड्स वोकेशन** । सैक्शन 236 के अन्दर दिया हुआ है कि **प्रोफेशन इनक्लूड्स वोकेशन** । वोकेशन की जो डैफ़नीशन है ...

MR. CHAIRMAN : He cannot take up individual cases here; that does not fall within the scope of the discussion of this Bill. If he wants, he may take up with the concerned authorities at the appropriate time.

श्री कंवरलाल गुप्त : सभापति महोदय, बस मुझे दो मिनट दे दीजिये मैं खत्म कर रहा हूं । जो टैक्सेशन में वोकेशन का मतलब दिया गया है वह करप्शन का मतलब दिया गया है तो उस लिहाज़ से जितने भी उनके परक्युजिट्स हैं जो वह 3,000 या 3,500 रुपया महीना है उस पर टैक्स नहीं लग पायेगा जबकि एक छोटे आदमी को भी टैक्स लगेगा । मैं एक उदाहरण देना चाहता हूं और मैं चाहूंगा कि सभापति महोदय आप मुझे सुनते जाइये और नाराज मत होइये । अब मुल्क के इन्कमटैक्स में कोई ऐसा प्रावीजन नहीं है कि जो कांग्रेस वाले हैं उन पर इन्कमटैक्स मत लगाया जाय तो यह तो नहीं चलेगा .....

MR. CHAIRMAN : Mr. Gupta, that is not the question. In my opinion it does not fall within the scope of this stage of the Bill. You are taking up individual cases, whether the assessment of a certain individual was done or not. You may discuss that at the appropriate time and not under the cover of the general d'scussion of this Bill.

SHRI GADILINGANNA GOWD (Kurnool) : He has already sa'd what all he had to say. So please allow him two more minutes.

श्री कंवरलाल गुप्त : सभापति महोदय, अभी जैसे मेरे मित्र श्री बनर्जी ने रामरतन गुप्ता की बात कही मैं भी एक केस कोट कर रहा हूं । एक बिल्कुल प्रीविलैज्ड क्लास है इस गवर्नमेंट में जो कि कोई टैक्स नहीं देते उससे टैक्स वसूल करने की कोई परवाह नहीं की जाती बाकी लोगों को दबाया जाता है । मैंने एक उदाहरण दिया है । मैं आल इंडिया कांग्रेस कमेटी का एक उदाहरण देना चाहता हूं । आल इंडिया हिन्दू महासभा पर टैक्स लगे, उसकी आमदनी पर टैक्स लगे लेकिन आल इंडिया कांग्रेस कमेटी पर टैक्स नहीं लगता । आल इंडिया हिन्दू महासभा की प्रापरटी पर टैक्स लगता है लेकिन आल इंडिया कांग्रेस कमेटी की प्रापरटी पर जोकि सारे देश में है उस पर टैक्स नहीं लगता है । कलकत्ते में इनकी बनी हुई बिल्डिंग का इंटरैस्ट कितना है ? मैं उनकी प्रापरटी की लिस्ट बना सकता हूं । मैं चैलेंज के साथ कहता हूं कि मेरे को दीजिये यह काम और मैं आपको उसकी लिस्ट बतला दूंगा कि आल इंडिया कांग्रेस कमेटी के कितने ज्यादा एसैट्स हैं सारे हिन्दुस्तान में टैक्सेशन के लायक लेकिन वह टैक्स नहीं हो रहे हैं । इस पर टैक्स लगाने से बहुत इनकम आयेगी । यह केवल दिल्ली की कांग्रेस का सवाल नहीं है बाकी दिल्ली प्रदेश कांग्रेस कमेटी की बात देख लीजिये कि एक न्यू साइंस का बोर्ड दिल्ली प्रदेश कांग्रेस कमेटी के आफिस के ऊपर है जिससे कि

प्रदेश कांग्रेस कमेटी को लगभग 1000 रुपया महीना आता है। 1000 रुपया महीना वह एक फर्म से लेते हैं और कुल मिला कर कितनी उनकी इनकम होगी लेकिन उस को कोई टच नहीं करता।

मैं प्रधान मंत्री जी की बात कह कर समाप्त करूंगा। मैंने यह सुना है कि जवाहर लाल जी की मृत्यु के बाद जो इस्टेट ड्यूटी दी गई उसके अन्दर आनन्द भवन का वैलुएशन केवल 55000 रुपये लगाया गया है। किसी ने उसको पूछा नहीं है। इस तरीके से जितने मंत्री हैं, उनके रिश्तेदार हैं और जितने सेक्रेटरीज हैं, प्रधान मंत्री के पहले पी० ए० थे उनका भी एक मकान का झगड़ा हुआ और इन्होंने जो वैलुएशन रक्खा मकान का वह 200 रुपए ज्यादा हो जाता वह रेजम्पशन लिमिट के आगे चला जाता।

इनकम टैक्स आफिसर ने नोटिस दिया और कहा कि आपकी वैल्यु इतनी ज्यादा क्यों है? एक डंडा पड़ा कि तुम इतने बड़े आदमी से पूछते हो? वह बेचारे हाथ जोड़ कर बैठ गये। मैं चाहता हूं कि एक इनक्वायरी हो आडिटर जनरल के जरिए या किसी सीनियर इंडिपेंडेंट अथारिटी के जरिए कि यह जितने मिनिस्टर्स हैं और जितने उन के सेक्रेटरीज हैं उन का इनकमटैक्स का, वैल्थ टैक्स का, गिफ्ट टैक्स का और इस्टेट ड्यूटी का जो टैक्स है, आया वह ठीक तरीके से एसैस हुआ है या नहीं। ऐसा कदम उठाने के बाद ही आप मोरैल बेसिस पर लोगों को कह सकते हैं कि वह अपना वाजिब टैक्स अदा करें अन्यथा आपको कहने का कोई हक नहीं है। मैं जानना चाहता हूं मंत्री महोदय से कि आप छोटे-छोटे लोगों को, 27 लाख एसैसीज हैं हिन्दुस्तान में और उसमें करीब 10 लाख एसैसीज ऐसे हैं जिनकी कि सारी टैक्स की इनकम मिला कर 5 परसेंट भी नहीं होती। उनको आप दबाते हैं और बड़े-बड़े लोगों को छोड़ देते हैं तो मैं चाहूंगा कि मंत्री महोदय इसके बारे में स्पष्टीकरण करें।

SHRI SRINIBAS MISRA (Cuttack) : Sir, this side of the House, if not the whole House. has time and again objected to the rule by ordinance, but it appears that these observations from this side have fallen on deaf ears, as in June 1967 the Finance Act was passed and within 45 days an ordinance became necessary. It has to be seen whether this is justified, and whether there was an urgency for promulgating such an ordinance. Was the financial year coming to a close? Was the Government in need of this paltry sum which will come out of this ordinance? Sir, there was no necessity. Presumably, the Deputy Prime Minister, from his newly assumed position and in view of his proclaimed view that he is against deficit financing, wanted to by-pass this House and to show that he has not resorted to deficit financing just after six weeks he came out with this ordinance for more finance.

To come to this Bill itself, what does it achieve? Does it touch the higher slabs of income? It does not touch them at all. Again, does it touch the 13 or 14 big business-houses? What does it seek to do? It is only seeking to curtail the entertainment expenditure that is allowed to the assessees.

16.31 HOURS

[MR. SPEAKER *in the Chair*]

Of course, I welcome this as a step in the right direction, but still it will be seen that the assessees are left with Rs. 30,000 per annum in the name of entertainment expenditure. I think Rs. 30,000 is enough to corrupt at least 30 officers, if not more. What is this entertainment expenditure for? They are paying salaries to their officers and they are paying wages to the workers but they do not want to increase it. But we are allowing them this entertainment expenditure. Of what use is this entertainment expenditure unless it be to prod the noses of some hounds? It will be seen that many of our industries in which these high income groups

[Shri Srinibas Misra]

are functioning are having a surplus and not deficit production, because the prices are rising; therefore, there is no necessity to entertain people from whom they would get supplies. In order to by-pass the regulations and in order to get more favours, they are only to entertain the officials. Now, the step has been taken in the right direction to check this. But still I feel that the amount of Rs. 30,000 which has been provided for should have been brought down to the bare minimum of Rs. 10,000.

My suspicion is that this Bill has only been brought forward as an eye-wash. You will find from clause 4 :

"On the first Rs. 10,00,000 of the profits and gains of the business or profession } at the rate of ½ per cent or Rs. 5,000, whichever is higher."

Half a per cent of Rs. 10 lakhs is Rs. 5,000. It would be clear for anyone to see that. So, where is the necessity to provide that it will be ½ per cent or Rs. 5,000, whichever is higher? Could not the draftsmen have found out that it is so? If you go through this Bill you will find several such things. Sometimes they will say whichever is less, and sometimes whichever is more they would say something which is favourable to the assessees in the higher income groups.

If Government wanted to raise some money they could have raised it by recourse to direct taxation. In fact, we, for our part, are prepared for a single tax legislation which will mop up all the income beyond a certain limit. Government will get our full support if they say that all income beyond a certain limit would be mopped up. But why should they adopt this circuitous way? In this way Government are trying to take something like a loan by force. When they had come forward with the annuity deposit, of course, they had done it. They tried to raise small savings, but that did not come up to the expectations but went on falling. This year, as has already been pointed out, this is far short of the expectations. Before the annuity deposit scheme was introduced again, the Bhoothalingam committee had reported that it should be dropped because it was ineffective and very little money was coming out of it and that had made the assessment cumbersome. But I do not understand why and how and on what principle Government say now that there will be interest when they get a deposit from the assessee? Normally interest is paid when somebody has given money to somebody else. But here it is interest on the deposited money of an assessee. Do Government want to take it as a deposit? Again, if the assessee does not pay, it is said that he will be chargeable for interest. This is the conception that has come into effect here. Now, Government want to raise the rate of interest.

As regards the other part also, Government will perhaps say that we have raised the rate of interest for the money that we have to pay. But there is discrimination. Why this discrimination? When an assessee has to make a deposit and fails to do it, he will be chargeable from the date the deposit becomes due, but when Government have to pay interest, they will pay after the expiry of the six months from the date of the order. Why this discrimination? It is a question of interest, a question of monetary transactions, the relationship between creditor and debtor. Government should also pay interest from the date when the money was deposited. This does not make any sense. Simply they want to take some advantage here and they will get a paltry sum of a crore or so of rupees. Their estimate is Rs. 22 crores, but I am very doubtful if they will get more than a crore of rupees or so.

Some observations have been made by one hon. Member that this sort of taxation and rise in the rate of interest is exorbitant and usurious and would not help capital formation. My view is that this is not relevant to the purpose. Taxation has to be resorted

to for getting money for meeting expenses. It has to be made direct. So while supporting the principle of the Bill, what I object to is the circuitous method of realising taxes in the garb of loans and penalising persons who do not give the loans. This is really ridiculous. Government should be straightforward and come forward with legislation for direct taxes to augment their resources.

SHRI K. C. PANT : I thought after the introductory statement I had made and the statement of reasons for immediate legislation by ordinance which had been circulated to hon. Members earlier, this debate would have confined itself to the narrow limits that had been prescribed and it would be relatively easy for me to try to persuade hon. friends who differed about the reasonableness of the proposals I have put before the house. But the debate did not remain confined to those limits; as a matter of fact, sometimes it seemed to me as though we were discussing the entire question of income tax administration, taxation rates and so on.

I must begin with a confession that in the short time available to me I shall not be able to do justice to all the points raised here, useful as they might have been, and I can only assure hon. Members that Government shall take note of the various suggestions, even though the occasion may have been somewhat irrelevant, and try to take full advantage of these.

Two broad points have been raised. One is regarding the ordinance as to why it was necessary to promulgate it. Secondly, there have been attacks from two opposite sides on the intention behind the ordinance and the Bill. Taking up the latter first, we have had Shri Dandeker on the one side supported in part by Shri Gupta throwing up his hands in horror at the excesses being committed through this legislation and middle income and higher income groups, and on the other hand, we have been accused by Mr. S. M. Joshi and Mr. Ramamurti of shadow-boxing and pretending to hit the rich. Although the hon. members all sit on the same side of the House, if they can look at it from two different angles, probably the mean is the correct one, and I think the Government is on solid ground.

श्री मधु लिमये (मुंगेर) : बस यही दलील है ! एकमात्र दलील !

SHRI K. C. PANT : I am glad that even Mr. Limaye recognises the force of this.

श्री मधु लिमये : फ़ोर्स क्या है ? यह कोई दलील ही नहीं है ।

SHRI K. C. PANT : What is inconvenient is not an argument.

One of the reasons given in the statement of reasons for the immediate promulgation of the ordinance was the prevailing inflationary pressure in the economy at the time and the need for securing a larger contribution to savings from the middle income and higher income groups. I would only touch on this briefly.

The House will recall that for the last three years we have been passing through a difficult inflationary situation. Prices have gone up at the rate of 15 per cent or so in the last three years every year, and I think that all sections of the House are agreed that the need to control this upward spiral of prices deserves priority, and so it was in this background that the Government held talks with the representatives of labour unions and of Government employees with regard to the additional dearness allowance that had become due to them, and it was as a result of these talks that the employees agreed to pay a part of their arrears of DA due to them into their provident fund accounts. It was in this context that it was felt that if we asked the employees to make a sacrifice by putting what is their due into their provident fund accounts, which amounts to giving a kind of loan to the Government, then it is only fair that those sections of the society which are

[Shri K. C. Pant]

better off should also be asked to contribute their mite to enable the country to get over a difficult situation, in which it was not possible to suddenly increase agricultural production but it was possible through injection of more money to continue to raise prices, and therefore when the chief occupation was to curtail the injection of more and more money into the economy, and, as I said, the Government employees agreed to the logic behind this proposition, it was felt it was only fair that the middle income and higher income groups should contribute. We had even promised the representatives with whom we had the dearness allowance matter that the Government would come forward with proposals like this. In fact, some of these proposals had been spelt out to the time.

The second point was that the additional dearness allowance that became payable was worth Rs. 30 crores, apart from the arrears in the provident fund which were Rs. 24 crores, and this Rs. 30 crores had to be found. I can tell the House, certainly there was some provision in the budget, but the provision was not enough.

SHRI S. M. BANERJEE : Only railways.

SHRI K. C. PANT : There was some in the general budget also, but it was not enough, because it had already been eroded by various concessions that were made at the time of the budget, and this was a hard, practical question, where to find the money. Therefore, I would beg of hon. Members to consider this whole question against the background of the need for generating more resources at the moment for finding some money, and the changes we have made in the annuity deposit scheme will yield about Rs. 10 crores this year in addition. Therefore, it is not right to say that this has not helped in that particular situation.

SHRI N. DANDEKER : How much during the last two months ?

SHRI K. C. PANT : I do not have all the figures, but I shall enlighten him about the details of the thing later. This is the broad background and it is against this broad background that the need to promulgate this ordinance should be appreciated.

Secondly, Mr. Dandeker at least will appreciate that if a man has to make the annuity deposit this year, he would like to know as early as possible that he has to make this deposit so that he can provide for it, and if this was done in September already six months had gone by; it was only fair that the annuity deposit should cover the whole year and he would get as early a notice as possible of the Government's intention to levy annuity deposit from him.

Various other points have been made, and I do not want to go into all of them; I shall briefly cover the main points, made by some of the speakers. There was reference to the fact that the raising of the interest rate from six per cent to nine per cent on taxes due to Government but not paid to Government is usurious; it was the word used by Shri Dandeker. He said Government was profiteering : Would he say that the assessee was also profiteering because he was also getting nine per cent ? After all, what is the intention behind this ? The intention behind this is to recognise the fact that today in the money market unsecured loans can be obtained at only much higher rates. It recognises the fact that the rate of interest charged by banks on overdrafts ranges up to 10 per cent today. Therefore, I am sure he will agree that it would not be right to create conditions in which a man would not pay tax but would go out and borrow money from elsewhere. After all, why should it be cheaper ? We should persuade him to pay the tax and I think if he counts it as a disincentive against those who would rather not pay taxes in time, I am prepared to accept the charge; and the Government wants to have this kind of incentive.

There was the basic criticism of the annuity deposit scheme from several Members of the House, and it was said by many of them that the Deputy Prime Minister had once expressed some

views about this particular scheme. It was also said that the Bhoothalingam Committee had recommended the scrapping of this scheme. Now, at this juncture, all I can say is that in order to raise this extra revenue it was necessary to make the changes that have already been made in this scheme, but I cannot possibly say anything about the future. I am sure that this scheme, like other taxation measures, will be constantly under review and such changes as will be necessary are not ruled out.

Then, a word about entertainment expenditure. Now, Mr. Dandeker thought that it was reasonable to give cups of coffee as entertainment, but he thought that others should be allowed to give something more. He said Ministers give cups of coffee and Secretaries give cups of coffee. I think cups of coffee are provided for here already.

SHRI N. DANDEKER : Entertaining foreign delegations.

SHRI K. C. PANT : I know you can entertain foreign delegations and others surely within the limits that have been prescribed and if not, you can spend part of it, because you have heard what Mr. Ramamurthi said. He asked, why any entertainment allowance at all? Without going as far as that, I would request you to consider the psychological atmosphere in the country. When we ask small sections to make contributions, surely if those sections which receive large salaries by Indian standards are asked to contribute by paying for a part of their own entertainment, this is not something which should be considered at all unreasonable.

Mr. Kothari said that the Bhoothalingam Committee's recommendations had been rejected. I do not have the papers with me, but we have accepted many of the recommendations. We have not accepted a few and many of the recommendations are under consideration. It is not correct to say that we had rejected them.

A few hon. members referred to the lowering of limit to Rs. 15,000. Mr. Kothari said, why did you complicate the law in this respect? What he calls complication is really an attempt to recognise Mr. Banerjee's point that even at Rs. 15,000 or Rs. 25,000 level today, the middle class deserves some consideration. What has been done is this. Previously Rs. 25,000 was the limit and above Rs. 25,000 penal tax was charged. Below Rs. 25,000 no penal tax was charged. Now the rate has been increased from 5 to 6 per cent for the slab Rs. 15,000 to Rs. 20,000 and from 7½ to 9 per cent for the slab Rs. 20,000 to Rs. 25,000. But it has not been made obligatory on these middle income groups to pay the entire 6 per cent or 9 per cent compulsorily. They are only required to pay the difference between the old and new rates, *i.e.* only 1 per cent for the slab Rs. 15,000 to Rs. 20,000 and 1½ per cent for the slab Rs. 20,000 to Rs. 25,000. The compulsion is only to that extent. On the other hand, if they want to save on the taxes, they can pay the full 6 or 9 per cent. They are not debarred from doing that. So, what Mr. Kothari refers to as complication is really a recognition of the fact that some special consideration has to be given to the relatively lower income brackets among the annuity depositors.

Mr. Kothari took objection to the fact that although many of the bureaucrats do not want the scheme, Government is still implementing it. Usually the criticism is that the bureaucrats run this Government and we are not able to resist them. I am very glad that it is recognised that at least in this respect, Government is run by the ministers and the bureaucrats do not have their say.

Mr. Sanghi made a wide-ranging speech on tax administration. I cannot take up all his points, though I have made a note of them. The only thing I would submit is, in regard to the question of tax arrears, which was referred to by some other hon. members also, we are very much conscious of the fact that arrears should be cleared quickly. We have in fact set some target dates by which time we want to clear the arrears.

SHRI KANWAR LAL GUPTA : What is that date ?

SHRI K. C. PANT : You will know in due time. At the same time, we have introduced a system under which the smaller income groups, below Rs. 7,500, are treated leniently in the sense that their returns are not scrutinised in the same intensive manner as larger income-groups and accepted at face value, so that these arrears do not keep piling up. Considering the fact that the total income-tax collections have increased greatly in the last few years, one has got to recognise the limitation of making do with a limited number of Income-tax Officers.

In this context I would only like to say that the arrears of Rs. 500 crores has to be viewed against the annual collections which are of the order of Rs. 640 crores. You cannot view this question in the abstract. When you consider that in one year the collection is Rs. 640 crores, there are bound to be a few cases which overlap into the next year and there is carry-over. This question of Rs. 500 crores arrears has to be seen in that perspective.

SHRI S. M. BANERJEE : In Kanpur income-tax arrears amounted to Rs. 4,98,00,000 in 1957. I know, non-payment of Government revenues is their working capital. From Rs. 4,98,00,000 in 1957 it has been reduced to Rs. 3,98,00,000 in 1967.

SHRI K. C. PANT : Kanpur has the most difficult people in this country.

Shri Joshi, in fact, confused this question of arrears with evasion. He said that there was Rs. 500 crores evasion. I do not want to go into that. He also referred to the fact that Government promised to reduce prices. It is difficult to promise to do that. But I am glad to say in the last few weeks there has been a certain steadying of prices, even a certain marginal reduction, and with the promise of the new crop we are certainly hopeful that the situation will at least be stabilised if not completely controlled.

SHRI S. M. BANERJEE : Say something about Ram Rattan Gupta.

SHRI KANWAR LAL GUPTA : Shri Kamaraj also.

SHRI K. C. PANT : Shri Sezhiyan talked about recession and inflation. Again, that is not really germane to the discussion we are having today. But, again, I hope, because both of these are rooted in the failure on the agricultural front, with the improvement in the agricultural front this problem will also become more amiable to treatment.

Shri Banerjee talked about tax evasion. Other hon. Members also talked about tax evasion. I certainly do not want to go into this question which comes up almost once a week in Parliament during Question Hour. It has been gone into at great length and in reply to questions statements have been issued to all the hon. Members outlining the various measures—legislative, administrative etc.—which have been taken in the last few years. I certainly do not want to take the time of the House by recounting all those steps once again, but as a proof of the pudding I would only like to state the figures for 1965-66. In 1965-66 the number of cases in which penalty was levied was 24,165 and the total amount of penalty levied was Rs. 4,59,28,541. Extra tax demanded on concealed income was Rs. 7,60,51,804. Therefore, I hope even those who are not fully satisfied will concede that the department is doing its bit.

SHRI SURENDRANATH DWIVEDY (Kendrapara) : How much was realised out of it (*Interruption*) ?

SHRI K. C. PANT : That is not given here, but if the hon. Member is interested we can give it. I hope one of them will table a question and we will certainly look into that.

श्री मधु लिमये : अध्यक्ष महोदय, मेरा ख्याल है कि अब मंत्री महोदय कल अपना भाषण पूरा करें ।

SHRI K. C. PANT : I will take only two or three minutes more.

श्री कंवरलाल गुप्त : मैं यह जानना चाहता हूं कि मंत्री महोदय बताएं कि कामराज के ऊपर कोई कार्यवाही होगी? आल इंडिया कांग्रेस कमेटी के बारे में कोई जांच होगी ? अगर टैक्स ईवेड किया है तो उसकी इन्क्वायरी होनी चाहिए ।

SHRI K. C. PANT : I am glad he is giving so much attention to our President (*Interruption*).

Now, Shri Ram Rattan Gupta's case was cited by my friend, Shri Banerjee. I would like to remind him that this Rs. 30 lakhs had been written off and now this has been revived and it is attempted to collect it. Therefore, instead of charging us, he ought to have congratulated us.

17.00 HRS.

SHRI S. M. BANERJEE : I thanked Shri Morarji Desai for that 100 per cent. But I thank you also 50 per cent. May I know how much of it has been collected so far ?

SHRI K. C. PANT : I would not like him to be more generous. I will be satisfied with his miserly 50 per cent, because he has already paid 100 per cent and I do not think he has any surplus left.

But the fact remains that in this particular case we have re-opened the case. Though these Rs. 30 lakhs had been written off, we are trying to realise it. It is not a case in which Shri Banerjee should have any complaint. Again, this is a question which comes up every time in Parliament and, certainly, we will answer any question he has to ask

Shri Misra said about entertainment allowance, ½ per cent or Rs. 5,000, whichever is more, that if you calculate it on Rs. 10 lakhs at ½ per cent, it comes to Rs. 5,000. So, why do you say more ? The whole point is, if the profit is below Rs. 10 lakhs, then too Rs. 5,000 would be permissible. That is the point.

Shri Kanwar Lal Gupta referred to matter which the Presiding Officer thought were not quite relevant. But, unfortunately, he persisted in referring to them. In order to set the record straight, since he has made certain remarks about the Congress President, I should only like to tell him that his objection to the Congress President not filling a return after 1962-63 is really not well founded. After all, the Congress President was the Chief Minister of a State till a certain date and he had a certain income. So, till then he had paid tax on that income and he filed a return. After that he had no taxable income at all. Now, I do not see how you can compel anybody to file a return ...

श्री कंवरलाल गुप्त : अध्यक्ष महोदय, मैंने 1963-64 की रिटर्न के लिये कहा था, गवर्नमैंट की तरफ से नोटिस ईशू हुआ, लेकिन उन्होंने कम्पलाई नहीं किया । उसका क्या जबाब है । मैंने कोट किया है कि उनकी इन्कमटैक्स बिल है, तीन-साढ़े-तीन हजार रुपये है ।

SHRI K. C. PANT : How can one compel somebody, who does not have a taxable income, to file a return ? There are millions of people in this country who do not file a return because they do not have any taxable income.

श्री कंवरलाल गुप्त : मैं तो कहता हूं कि इन्कम है ?।

Will he make inquiries if the income is there or not ?

SHRI K. C. PANT : He interpreted the law in a certain way, saying that he was exercising or carrying on a vocation That is an interpretation which is not accepted by the Law Ministry. I am sorry, the Law Ministry does not agree with him

SHRI KANWAR LAL GUPTA : Section 56 of the Act.

SHRI K. C. PANT : No income-tax is payable by Shri Kamraj. I am sorry, this is so. I am sorry I have to deny

[Shri K. C. Pant]

him the privilege of spreading sensationalism.

SHRI KANWAR LAL GUPTA : Why did he not file a return ? What action was taken against him for that ? He could have filed a nil return.

SHRI K. C. PANT : I am not yielding. I am very sorry that a member of Shri Gupta's....

SHRI KANWAR LAL GUPTA : Stature.

AN HON MEMBER : Not stature; standing.

SHRI K. C. PANT : The very fact that I have to grope for words shows that I am rather worked up now. He made certain statements which are absolutely false.

SHRI KANWAR LAL GUPTA : Let us have an inquiry then.

SHRI K. C. PANT : An inquiry about what ? An inquiry why he made baseless statements ?

SHRI KANWAR LAL GUPTA : Appoint somebody to find out whether the All India Congress Committee has income which is taxable, Shri Kamraj has income which is taxable. I challenge you.

श्री मधु लिमये : अध्यक्ष महोदय, अब यह बहस बहुत दूर तक चली जा रही है। इसीलिये मैंने सुझाव दिया था कि गुप्ता जी के प्रश्नों का जवाब कल दिया जाय मेरा यह प्रस्ताव लिया जाय जिसकी चर्चा पिछले दो दिनों से चल रहीं है।

SHRI K. C PANT : He talked of the valuation of Anand Bhavan in Allahabad. He gave the figure of Rs. 55,000 which is not correct. But it is a fact that it was valued in the normal manner at Rs. 36,000 by the Income-tax Department.

SHRI KANWAR LAL GUPTA : I am prepared to get it for Rs. 36,000.

SHRI S. M. BANERJEE : Shri Kamaraj should be *kamarajed.*

SHRI K. C. PANT : When this fact came to the knowledge of Pandit Nehru he sent for the papers. He said, "This is absurd; this is worth more" and he raised it to Rs. 1,75,000 with his own pen.

I hope that in future my hon. friend will be far more responsible and will go into the facts before he makes charges on the floor of this House. That is all that I have to say in this regard.

Sir, I have done. I hope, I have dealt with all the points that have been raised I commend this Bill to the House.

MR. SPEAKER : The question is :

"That the Bill further to amend the Wealth-tax Act, 1957, the Gift-tax Act, 1958 and the Income-tax Act, 1961 and to amend the Finance (No. 2) Act, 1967, be taken into consideration."

The motion was adopted.

MR. SPEAKER : We will take up the clause-by-clause consideration tomorrow.

17.06 HRS.

MOTIONS *RE.* REPORTS OF PUBLIC ACCOUNTS COMMITTEE

श्री मधु लिमये (मुंगेर) : मैं प्रस्ताव करता हूं कि :—

(1) "कि मैसर्स अमीं चन्द प्यारे लाल से अधिभार वसूल न किये जाने से सम्बन्धित चूकों के विषय में लोक लेखा समिति के 54वें प्रतिवेदन (तीसरी लोक-सभा) में की गई सिफारिशों पर सरकार द्वारा की गई कार्यवाही के बारे में लोक लेखा समिति के पांचवें प्रतिवेदन में, अन्य बातों के साथ-साथ, प्रकाश में लाये गये लोक लेखा समिति तथा सरकार के बीच मतभेदों के बारे में विचार किया जाये।"