

that, it is said, the work will suffer; the Collector has got no time. Now, if hon. Members have read the outline, they will find that the work does not hang on him. There is the Development Commissioner—a whole-time person; there is the Project Officer—a whole-time person. And in between, for the purpose of co-ordination, for the purpose of getting more co-operation, facilities, etc., the Collector is brought into the picture. And one thing I would ask hon. Members to bear in mind: we must not think of the officials as a class apart. That has come down to us as a heritage of the past, and we have to get rid of it. We have to bridge the gulf between the officials and the non-officials. The non-officials must become more responsible, and the officials must become more responsive. That is what we are aiming at, and I hope the old attitude will not persist.

Regarding public co-operation, it has been stressed that this is an indispensable element in the success of any Plan; just as financial resources are, just as efficient administration is, so also public co-operation is indispensable. These are among the major prerequisites of successful implementation of a Plan. For the purpose of public co-operation, steps have been taken which Members of the House know. A suggestion was made to me that this organisation which is being formed should receive very careful attention and should be organised on sound lines. I thought of saying something about that but I do not want to overstep the limits.

I thank the Members of the House for the patient hearing which they have given me.

**Mr. Deputy-Speaker:** I am not placing the Demand for the vote of the House now. This Demand forms part of the Demand under the Ministry of Finance, though it refers to Planning. I shall dispose of the cut motions and reserve Demand No. 37 for voting by the House along with the other Demands relating to the Ministry of Finance. Now, I will put out motion No. 1164 to the vote of the House. The question is:

"That the Demand under the head, 'Miscellaneous Departments and Expenditure under the Ministry of Finance, be reduced by Rs. 100."

The motion was negatived.

## PAPER LAID ON THE TABLE

### NOTIFICATION AMENDING INSURANCE RULES

**The Minister of Finance (Shri C. D. Deshmukh):** I beg to lay on the Table a copy of certain further amendments to the Insurance Rules, 1939, published in Notification No. 102-I.F.(1)/51, dated the 26th September, 1951, under sub-section (3) of section 114 of the Insurance Act, 1938. [Placed in Library. See No. P-20/52.]

## GENERAL BUDGET—DEMANDS FOR GRANTS

### DEMAND No. 25—MINISTRY OF FINANCE

**Mr. Deputy-Speaker:** Motion is:

"That a sum not exceeding Rs. 80,77,000 be granted to the President, out of the Consolidated Fund of India to complete the sum necessary to defray the charges that will come in course of payment during the year ending the 31st day of March, 1953, in respect of 'Ministry of Finance'."

### DEMAND No. 26—CUSTOMS

**Mr. Deputy-Speaker:** Motion is:

"That a sum not exceeding Rs. 1,74,11,000 be granted to the President, out of the Consolidated Fund of India to complete the sum necessary to defray the charges that will come in course of payment during the year ending the 31st day of March, 1953, in respect of 'Customs'."

### DEMAND No. 27—UNION EXCISE DUTIES

**Mr. Deputy-Speaker:** Motion is:

"That a sum not exceeding Rs. 4,49,79,000 be granted to the President, out of the Consolidated Fund of India to complete the sum necessary to defray the charges that will come in course of payment during the year ending the 31st day of March 1953, in respect of 'Union Excise Duties'."

### DEMAND No. 28—TAXES ON INCOME INCLUDING CORPORATION TAX

**Mr. Deputy-Speaker:** Motion is:

"That a sum not exceeding Rs. 2,85,36,000 be granted to the President, out of the Consolidated Fund of India to complete the sum necessary to defray the charges that will come in course of payment during the year ending the

31st day of March, 1953, in respect of 'Taxes on Income including Corporation Tax'."

**DEMAND No. 29—OPIUM**

**Mr. Deputy-Speaker:** Motion is:

"That a sum not exceeding Rs. 23,01,000 be granted to the President, out of the Consolidated Fund of India to complete the sum necessary to defray the charges that will come in course of payment during the year ending the 31st day of March, 1953, in respect of 'Opium'."

**DEMAND No. 30—STAMPS**

**Mr. Deputy-Speaker:** Motion is:

"That a sum not exceeding Rs. 67,14,000 be granted to the President, out of the Consolidated Fund of India to complete the sum necessary to defray the charges that will come in course of payment during the year ending the 31st day of March, 1953, in respect of 'Stamps'."

**DEMAND No. 31—PAYMENTS TO OTHER GOVERNMENTS, DEPARTMENTS ETC., ON ACCOUNT OF THE ADMINISTRATION OF AGENCY SUBJECTS AND MANAGEMENT OF TREASURIES**

**Mr. Deputy-Speaker:** Motion is:

"That a sum not exceeding Rs. 8,55,000 be granted to the President, out of the Consolidated Fund of India to complete the sum necessary to defray the charges that will come in course of payment during the year ending the 31st day of March, 1953, in respect of 'Payment to other Governments, Departments etc., or account of the Administration of Agency Subjects and Management of Treasuries'."

**DEMAND No. 32—AUDIT**

**Mr. Deputy-Speaker:** Motion is:

"That a sum not exceeding Rs. 5,02,62,000 be granted to the President, out of the Consolidated Fund of India to complete the sum necessary to defray the charges that will come in course of payment during the year ending the 31st day of March, 1953, in respect of 'Audit'."

**DEMAND No. 33—CURRENCY**

**Mr. Deputy-Speaker:** Motion is:

"That a sum not exceeding Rs. 1,53,36,000 be granted to the

President, out of the Consolidated Fund of India to complete the sum necessary to defray the charges that will come in course of payment during the year ending the 31st day of March, 1953, in respect of 'Currency'."

**DEMAND No. 34—MINT**

**Mr. Deputy-Speaker:** Motion is:

"That a sum not exceeding Rs. 65,03,000 be granted to the President, out of the Consolidated Fund of India to complete the sum necessary to defray the charges that will come in course of payment during the year ending the 31st day of March, 1953, in respect of 'Mint'."

**DEMAND No. 35—TERRITORIAL AND POLITICAL PENSIONS**

**Mr. Deputy-Speaker:** Motion is:

"That a sum not exceeding Rs. 15,33,000 be granted to the President, out of the Consolidated Fund of India to complete the sum necessary to defray the charges that will come in course of payment during the year ending the 31st day of March, 1953, in respect of 'Territorial and Political Pensions'."

**DEMAND No. 36—SUPERANNUATION ALLOWANCES AND PENSIONS**

**Mr. Deputy-Speaker:** Motion is:

"That a sum not exceeding Rs. 2,07,75,000 be granted to the President, out of the Consolidated Fund of India to complete the sum necessary to defray the charges that will come in course of payment during the year ending the 31st day of March, 1953, in respect of 'Superannuation Allowances and Pensions'."

**DEMAND No. 38—GRANTS-IN-AID TO STATES**

**Mr. Deputy-Speaker:** Motion is:

"That a sum not exceeding Rs. 8,85,96,000 be granted to the President, out of the Consolidated Fund of India to complete the sum necessary to defray the charges that will come in course of payment during the year ending the 31st day of March, 1953, in respect of 'Grants-in-aid to States'."

**DEMAND No. 39—MISCELLANEOUS  
ADJUSTMENTS BETWEEN THE UNION  
AND STATE GOVERNMENTS**

**Mr. Deputy-Speaker:** Motion is:

"That a sum not exceeding Rs. 85,000 be granted to the President, out of the Consolidated Fund of India to complete the sum necessary to defray the charges that will come in course of payment during the year ending the 31st day of March, 1953, in respect of 'Miscellaneous Adjustments between the Union and State Governments'."

**DEMAND No. 40—PRE-PARTITION  
PAYMENTS**

**Mr. Deputy-Speaker:** Motion is:

"That a sum not exceeding Rs. 1,05,85,000 be granted to the President, out of the Consolidated Fund of India to complete the sum necessary to defray the charges that will come in course of payment during the year ending the 31st day of March, 1953, in respect of 'Pre-Partition Payments'."

**DEMAND No. 41—EXTRAORDINARY  
PAYMENTS**

**Mr. Deputy-Speaker:** Motion is:

"That a sum not exceeding Rs. 11,16,35,000 be granted to the President, out of the Consolidated Fund of India to complete the sum necessary to defray the charges that will come in course of payment during the year ending the 31st day of March, 1953, in respect of 'Extraordinary Payments'."

**DEMAND No. 109—CAPITAL OUTLAY  
ON THE INDIA SECURITY PRESS**

**Mr. Deputy-Speaker:** Motion is:

"That a sum not exceeding Rs. 6,39,000 be granted to the President, out of the Consolidated Fund of India to complete the sum necessary to defray the charges that will come in course of payment during the year ending the 31st day of March, 1953, in respect of 'Capital Outlay on the India Security Press'."

**DEMAND No. 110—CAPITAL OUTLAY  
ON CURRENCY**

**Mr. Deputy-Speaker:** Motion is:

"That a sum not exceeding Rs. 27,000 be granted to the President, out of the Consolidated

Fund of India to complete the sum necessary to defray the charges that will come in course of payment during the year ending the 31st day of March, 1953, in respect of 'Capital Outlay on Currency'."

**DEMAND No. 111—CAPITAL OUTLAY  
ON MINTS**

**Mr. Deputy-Speaker:** Motion is:

"That a sum not exceeding Rs. 22,01,000 be granted to the President, out of the Consolidated Fund of India to complete the sum necessary to defray the charges that will come in course of payment during the year ending the 31st day of March, 1953, in respect of 'Capital Outlay on Mints'."

**DEMAND No. 112—COMMUTED  
VALUE OF PENSIONS**

**Mr. Deputy-Speaker:** Motion is:

"That a sum not exceeding Rs. 66,43,000 be granted to the President, out of the Consolidated Fund of India to complete the sum necessary to defray the charges that will come in course of payment during the year ending the 31st day of March, 1953, in respect of 'Commutated Value of Pensions'."

**DEMAND No. 113—PAYMENTS TO  
RETRENCHED PERSONNEL**

**Mr. Deputy-Speaker:** Motion is:

"That a sum not exceeding Rs. 1,52,000 be granted to the President, out of the Consolidated Fund of India to complete the sum necessary to defray the charges that will come in course of payment during the year ending the 31st day of March, 1953, in respect of 'Payments to Retrenched Personnel'."

**DEMAND No. 114—OTHER CAPITAL  
OUTLAY OF THE MINISTRY OF  
FINANCE**

**Mr. Deputy-Speaker:** Motion is:

"That a sum not exceeding Rs. 10,00,03,000 be granted to the President, out of the Consolidated Fund of India to complete the sum necessary to defray the charges that will come in course of payment during the year ending the 31st day of March, 1953, in respect of 'Other Capital Outlay of the Ministry of Finance'."

DEMAND NO. 115—LOANS AND  
ADVANCES BY THE CENTRAL  
GOVERNMENT

**Mr. Deputy-Speaker:** Motion is:

"That a sum not exceeding Rs. 11,37,38,000 be granted to the President, out of the Consolidated Fund of India to complete the sum necessary to defray the charges that will come in course of payment during the year ending the 31st day of March, 1953, in respect of 'Loans and Advances by the Central Government.'"

*Refusal of Supplies*

**Shri Vallatharas (Pudukkottai):** I beg to move:

"That the Demand under the head 'Ministry of Finance' be reduced to Re. 1."

*Acquisition of British assets in India against our sterling balances*

**Shri K. Subrahmanyam (Vizianagaram):** I beg to move:

"That the Demand under the head 'Ministry of Finance' be reduced by Rs. 100."

*Imposition of Capital Levy*

**Shri K. Subrahmanyam:** I beg to move:

"That the Demand under the head 'Ministry of Finance' be reduced by Rs. 100."

*Relief in indirect taxation*

**Shri K. Subrahmanyam:** I beg to move:

"That the Demand under the head 'Ministry of Finance' be reduced by Rs. 100."

*Taxation policy*

**Shri Nanadas (Ongole—Reserved—Sch. Castes):** I beg to move:

"That the Demand under the head 'Ministry of Finance' be reduced by Rs. 100."

*Policy and economy in the Department*

**Shri K. K. Basu (Diamond Harbour):** I beg to move:

"That the Demand under the head 'Ministry of Finance' be reduced by Rs. 100."

*Disinflationary measures taken by Government*

**Shri S. S. More (Sholapur):** I beg to move:

"That the Demand under the head 'Ministry of Finance' be reduced by Rs. 100."

*Enforcement of prompt action with reference to audit objections*

**Shri B. S. Murthy (Eluru):** I beg to move:

"That the Demand under the head 'Ministry of Finance' be reduced by Rs. 100."

*Smuggling of goods from French and Portuguese territories into India*

**Shri K. Subrahmanyam:** I beg to move:

"That the Demand under the head 'Customs' be reduced by Rs. 100."

*Policy*

**Shri Nanadas:** I beg to move:

"That the Demand under the head 'Customs' be reduced by Rs. 100."

*Customs policy*

**Shri K. K. Basu:** I beg to move:

"That the Demand under the head 'Customs' be reduced by Rs. 100."

*Policy*

**Shri K. K. Basu:** I beg to move.

"That the Demand under the head 'Union Excise Duties' be reduced by Rs. 100."

*Grievances of income-tax employees especially the income-tax employees of West Bengal*

**Shri T. K. Chaudhuri (Berhampur):** I beg to move:

"That the Demand under the head 'Taxes on Income including Corporation Tax' be reduced by Rs. 100."

*Activities of the Income-tax  
Investigation Commission*

**Shri T. K. Chaudhuri:** I beg to move:

"That the Demand under the head 'Taxes on Income including Corporation Tax' be reduced by Rs. 100."

*Policy with regard to settlement  
of cases of concealed income*

**Shri T. K. Chaudhuri:** I beg to move:

"That the Demand under the head 'Taxes on Income including Corporation Tax' be reduced by Rs. 100."

*Tax evasion*

**Shri K. Subrahmanyam:** I beg to move:

"That the Demand under the head 'Taxes on Income including Corporation Tax' be reduced by Rs. 100."

*Working of Income-tax Department  
and its policy*

**Shri K. K. Basu:** I beg to move:

"That the Demand under the head 'Taxes on Income including Corporation Tax' be reduced by Rs. 100."

*Economy*

**Shri Nanadas:** I beg to move:

"That the Demand under the head 'Audit' be reduced by Rs. 100."

*Working and policy*

**Shri K. K. Basu:** I beg to move:

"That the Demand under the head 'Audit' be reduced by Rs. 100."

*Currency policy and control over  
inflation*

**Shri Sivamurthi Swami (Kushtagi):**  
I beg to move:

"That the Demand under the head 'Currency' be reduced by Rs. 100."

*Question of cancelling the payment  
of territorial and political  
pensions*

**Shri Nanadas:** I beg to move:

"That the Demand under the head 'Territorial and Political Pensions' be reduced by Rs. 100."

*Policy*

**Shri K. K. Basu:** I beg to move:

"That the Demand under the head 'Superannuation Allowances and Pensions' be reduced by Rs. 100."

*Working of Controller of Finance  
and the Registrar, Joint Stock  
Companies*

**Shri K. K. Basu:** I beg to move:

"That the Demand under the head 'Miscellaneous Departments and Expenditure under the Ministry of Finance' be reduced by Rs. 100."

*Working of the Statistical  
Institutions*

**Shri K. K. Basu:** I beg to move:

"That the Demand under the head 'Miscellaneous Departments and Expenditure under the Ministry of Finance' be reduced by Rs. 100."

*Need for setting up of a Planning  
Committee in each district to  
advise the Planning Commission  
on the development of roads,  
water supply, electricity, educa-  
tion, health, protection against  
T.B. and Leprosy*

**Shri Rajagopala Rao (Srikakulam):**  
I beg to move:

"That the Demand under the head 'Miscellaneous Departments and Expenditure under the Ministry of Finance' be reduced by Rs. 100."

*Need for setting up of a Planning  
Committee in each district to  
advise the Planning Commission  
regarding the improvement in the  
standard of agricultural and  
landless labour*

**Shri Rajagopala Rao:** I beg to move.

"That the Demand under the head 'Miscellaneous Departments and Expenditure under the Ministry of Finance' be reduced by Rs. 100."

*Policy of control over all the  
Insurance Companies by  
the Reserve Bank*

**Shri Rajagopala Rao:** I beg to move:

"That the Demand under the head 'Miscellaneous Departments and Expenditure under the Ministry of Finance' be reduced by Rs. 100."

*Community development projects*

**Shri Damodara Menon** (Kozhikode): I beg to move:

"That the Demand under the head 'Extraordinary Payments' be reduced by Rs. 100."

*Foreign loans*

**Shri K. K. Basu**: I beg to move:

"That the Demand under the head 'Extraordinary Payments' be reduced by Rs. 100."

*Sterling debts*

**Shri K. K. Basu**: I beg to move:

"That the Demand under the head 'Extraordinary Payments' be reduced by Rs. 100."

*Expenditure on Community Development Projects in pursuance of the Indo-U.S. Technical Co-operation Agreement*

**Shri H. N. Mukerjee** (Calcutta North-East): I beg to move:

"That the Demand under the head 'Extraordinary Payments' be reduced by Rs. 100."

*Financial policy*

**Shri Tulsidas** (Mehsana West): I beg to move:

"That the Demand under the head 'Ministry of Finance' be reduced by Rs. 100."

*Failure to allot suitable amount for the welfare of the Scheduled Castes*

**Shri P. N. Rajabhoj** (Sholapur—Reserved—Sch. Castes): I beg to move:

"That the Demand under the head 'Ministry of Finance' be reduced by Rs. 100."

*Refusal of Supplies*

**Pandit S. C. Mishra** (Monghyr North-East): I beg to move:

"That the Demand under the head 'Ministry of Finance' be reduced to Re. 1."

*Misuse of grants for Grow More Food Schemes*

**Pandit S. C. Mishra**: I beg to move:

"That the Demand under the head 'Extraordinary Payments' be reduced by Rs. 100."

*Refusal of Supplies*

**Pandit S. C. Mishra**: I beg to move:

"That the Demand under the head 'Other Capital Outlay of the Ministry of Finance' be reduced to Re. 1."

*Anomalies existing in the integration of services of employees of the Travancore-Cochin State Income-tax Department*

**Shri Nesamony** (Nagercoil): I beg to move:

"That the Demand under the head 'Taxes on Income including Corporation Tax' be reduced by Rs. 100."

*Necessity for granting larger grants-in-aid to Travancore-Cochin State*

**Shri Nesamony**: I beg to move:

"That the Demand under the head 'Grants-in-aid to States' be reduced by Rs. 100."

**Shri K. K. Basu**: There are a large number of cut motions and it is very difficult to find out which relates to a particular subject. In view of the fact that this Ministry is the nerve centre of the Government and the criticism of it will mean the criticism of the entire policy of the administration, I rise to support the cut motions in their entirety. However, within the short compass of time I will not be able to deal with all the points. But I shall touch firstly the taxation structure in our Budget. We will also see if we go through the literature that has been supplied to us that our taxation has a greater proportion of the indirect taxation which means the greater incidence on the common man. Sir, you will appreciate that even in the United Kingdom or the U.S.A. the proportion of the indirect taxation is much less. This method of greater emphasis on the indirect taxation reminds us of the legacy of the past administration of the British Government. We even in the new set-up of things are following the same method of fleecing the common people. Then again I only refer to one very important thing and that is about the tax on tobacco consumers. Certain forms of levies are made for taxation on the tobacco consumer. He is possibly the most meagre and most insignificant of our common men. Again I like to draw the attention of the Government on the income-tax

system. There has been criticism and there has been clamour from different sorts of people including the industrialists and the commercial people for the change of income-tax structure. Specially, I think the time has come for us to consider the possibility of extending the minimum limits of the exemptions for the assesseees and I think also we will have to consider the desirability of recommending some alterations in the slab of this class of people and those classes of earners whose savings constitute the investing capital. Again I would also like the hon. Finance Minister to consider the possibility of changing the corporation tax—at least introducing the slab system. This has also been clamoured for by the industrialists whom at least our Government professes to serve. Therefore I suggest that the time has come that a Taxation Enquiry Committee be set up to go into the entire structure of our tax system.

Another important aspect that we should consider is industry. We all agree that in the present world unless India progresses industrially there will be no increase in our national wealth and no future for the country. Taking the Budget figures I find that only about rupees ten crores has been allotted as grants or subsidies to industry. We can appreciate, if we bear in mind the great needs of the country in this direction, what an insignificant sum this is. I would even suggest that if out of the Defence budget of Rs. 197 crores we had set apart at least Rs. 20 or 30 crores for the development of essential industries vital to Defence requirements, like steel and heavy chemicals, it would have served the development of national wealth and also served our national security at a time of emergency.

I do not know if it falls strictly within the purview of the subject under discussion but I would like to mention here something about the import policy of the Government. I find in the Commerce Minister a great advocate of the benevolent foreign capital, especially British. I do not know whether the hon. Finance Minister shares the same view. However, I think our import policy has to be changed, and changed in the interest of our national industry. I saw a report—I do not know whether it is correct or not—that the Hindustan Motors and the Kirloskar factory producing diesel engines have closed down temporarily because they could not compete favourably with their British and other imported counterparts. In this connection I would like

to criticise the Government's policy of helping and giving enough scope for exploitation by foreign capital in the name of "(India) Ltd.". These firms come here with enormous resources and with their immense past experience to exploit the cheap labour in our country. Under our patent laws their foreign patents have the same unrestricted rights to exploit our markets as indigenous ones. Therefore, the time has come to change this attitude, at least to change this policy. Well, I am told that Government says there is lack of capital. But I understand that every year more than Rs. 30 crores are repatriated out of this country as dividend on foreign investment. Why not for the moment stop this and make it compulsory that this money should be utilised for our industry? We know how this foreign capital is utilised. It exploits the market and amasses profits. These foreign firms did not come here in the competitive market but they exploited the country with the machinery of the Government behind them and with special favourable conditions offered to them. Under the Moneylenders Act we do not allow more than double the capital to the moneylender. We should therefore consider how this foreign capital came here and how it exploited us. The time has come when we must deal with it properly. If the Government thinks that they do not want to create international complications by confiscation of the foreign capital, at least for the moment they should stop the repatriation of these Rs. 30 crores or more of our money. I would also suggest that separate legislation should be enacted about these foreign firms. If we go through the reports of the Company Law Enquiry Committees and through any books on Indian economics we will see how the British and other foreign managing agency systems have exploited our country. In a way it is not strictly legal or just. The time has therefore come for us to put a check on this system. From my own experience of that part of the country where I come from and where European capital plays a dominant part, and especially the British, I can say this managing agency system even today is behaving very shabbily with our nationals. The way they are behaving in making appointments to the senior grades of staff cannot be considered to be in our national interest. They give to raw European assistants much better terms than those given to better qualified Indians. All their requirements like houses, motor cars and even the pay of their servants are paid for out of the company funds and they go into the accounts against the normal expendi-

[Shri K. K. Basu]

ture of the company. I think this is a waste of our resources. This has to be stopped and this money should be utilised for the development of our industry.

I would like to refer to another aspect of our industry, namely international trade. The other day when it was asked why we should not open trade with those countries which are generally known as the Soviet bloc, our Commerce Minister said it was for them to send out advertisers or agents to roam about the districts and towns of India to find out the channels of trade and the possibilities. So many years have passed since we achieved 'independence'. May I know whether we have appointed a Trade Commissioner in the Soviet Union or even in the East European countries? At the Bombay conference the representative of the Soviet Government offered certain terms for opening trade negotiations with India. He said they are willing to take payment in rupees. May I know what action our Finance Minister has taken in this connection? There is no question involved here of aligning ourselves with either the Soviet bloc or the American bloc. We in India want the opportunity to fully develop and industrialise our country. Therefore, the best terms that we could get from anywhere should be utilised for improving the condition of the country.

Then I must deal with the sterling balances which have been accumulated with the blood and hunger of the common people. But these balances have been wasted to buy annuities and in other ways. We have not been able to utilise that money to buy capital goods which would have helped the industrialisation of our country and built the future prosperity of the country. In this connection I would also like to refer to the question of foreign aid. We do not for a moment say that foreign aid is not necessary, but it must be on our own terms. Foreign aid must not come with political strings attached. Whether the other side believes it or not, we have experience of the foreign aid and the foreign agents coming along with it. The Britishers also came as merchants, then they became the rulers. A recent statement appearing in the Press about the attitude of the Americans said that they want to build in Japan steel plants and other industries to exploit the South-East Asian market including India. That means that under their scheme India will remain an agricultural country where the industrial pro-

ducts of the foreign countries will be sold. This is also supported by our subscribing to the Colombo Plan and by our target fixed in the Five Years' Plan, namely the return to 1939 conditions, which in turn means to an agricultural economy.

One more point about the Grants-in-aid to States. In this connection I have to point out that cess is levied on commodities like sugar, tobacco, coal, jute etc., and under the terms of the Constitution and other laws the amount has to be distributed to the States. Hon. Members from Bihar will support me when I say that Government have collected crores of rupees from the sugar industry. I would like to know how much they have spent either for the improvement of the industry or for labour.....

**The Minister of Finance (Shri C. D. Deshmukh):** Cess on sugar is not collected by the Central Government.

**Shri K. K. Basu:** I come from a Province which has suffered the most in this respect. Of course, I know the matter is before the Finance Commission and the matter is *sub judice*. But the time has come for the Central Government—I do not speak in a spirit of provincialism or parochialism—to meet the just demands of the oppressed people of Bengal. The people of Bengal, along with their brethren in the Punjab, have sacrificed and suffered most for the freedom which we all enjoy now. But I think Bengal under the new set-up has had a raw deal and the time has come to consider her just demands. I trust the Government will concede her just demand of greater share and make Deshmukh award a sheet of paper

**Shri Shobha Ram (Alwar):** Sir, I am really thankful to you for giving me an opportunity to speak on this occasion. It is very difficult to speak on a delicate and complex subject like finance. Having regard to the short time at my disposal, I would like to confine myself to certain problems of Rajasthan and bring them to the notice of the hon. Finance Minister on this occasion.

In the first place I would like to refer to the division of the net proceeds of income-tax under article 270 of the Constitution. As part of the federal finance integration agreement, taxes on other than agricultural income are being levied in Rajasthan with effect from the 1st of April, 1950. I may add here that Part B States in

this connection should be entitled to a share in the net proceeds of income-tax on the same basis as other Part A States have been allocated. The Indian States Finances Enquiry Committee has also observed in this connection that there should be no departure whatever from the accepted principles—neither as regards the proportion of the net proceeds of the income-tax which should constitute the common divisible pool nor as regards the proportion thereof which might be allocated to the individual States. Article 270 of the Constitution has also not made any distinction between Part A and Part B States in regard to the distribution of the net proceeds of the divisible pool. Hence I appeal that the Rajasthan Government should be assigned a share in the net proceeds on the same basis as has been made applicable to Part A States. Once the percentage allocable to Rajasthan is determined on the considerations applicable to other Part A States, an adjustment may be made for the lower rates in force during the first five years.

**The Minister of State for Finance (Shri Tyagi):** Does the hon. Member mean to say that income-tax in Rajasthan may remain lower for five years?

**Shri Shobha Ram:** No; there has been a gradual increase in income-tax.

**Shri Tyagi:** And the share of revenue must be increased?

**Shri Shobha Ram:** I have made it clear that in the first five years adjustment may be made for the lower rates. Therefore, the most important question is the basis of the percentage which should be allocated to the Government of Rajasthan. To me it appears that the equitable basis would be that of population. Arguments may be advanced in favour of the other theory that the scale of consumption is not the same in all parts and in theory an adjustment can be asked for the difference in consumption standards. But I may tell the House that it is extremely difficult to make such adjustments for such variations. I hold that abstract considerations should be sacrificed in favour of practical suggestions.

I was rather amazed to see the recommendations of the Expert Committee on the financial provisions of the Constitution. That Committee has recommended that 60 per cent. of the net proceeds of income-tax should be assigned to the States and should be distributed among them as 20 per

cent. on the basis of population, 35 per cent. on the basis of collection and five per cent. for mitigating any sort of hardship to any particular State. It is very fortunate that the Drafting Committee did not accept this recommendation of the Expert Committee and left the matter to be decided by the Finance Commission. I hope that the Finance Commission will not let itself be influenced by the recommendations of the Expert Committee, but would judge the matter independently and on merits.

I suggest in this case that at least 60 per cent. of the net proceeds of the income-tax, including the Corporation tax, should be allocated to the common divisible pool and of this 90 per cent. should be distributed to the States on the basis of population and the remaining 10 per cent. on the basis of certain special needs which might be considered important in the case of particular States. The second thing I would like to refer is internal customs. Under article 306 of the Constitution (read with the federal financial integration agreement) it has been clearly laid down that the inter-State transit duties must be abolished by the 1st of April, 1955 so far as Rajasthan is concerned and it should be substituted by sales tax or other sorts of taxes of the State Government revenue. I want to know what steps the Government of Rajasthan have taken in this connection. I would suggest that the Government of India should see that the Rajasthan State customs is abolished before that period, as has been laid down in the agreement. It is no doubt true that the State of Rajasthan is facing a large deficit, and it is also true that the loss resulting from the abolition of the inter-State duties would not be fully compensated by the sales tax. I would therefore appeal to the Government that it would be desirable to make available to the State Government of Rajasthan, either by way of the net proceeds of income-tax or by grants or by subventions, an amount equal to the difference between the revenue coming out of the inter-State transit duties and the probable revenue coming out of the sales tax. I would humbly submit that to extend the period beyond the 1st of April, 1955, within which the inter-State duties are to be substituted by the sales tax, would not be proper, in the sense that it would mean an ineffective implementation of the policy with the result that the people would lose confidence in the administration.

Now I would like to mention the unscientific application of certain laws,

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particularly with respect to the tobacco duty. I have been receiving complaints from many parts of Rajasthan in regard to this duty. I know that normally the cultivator has to pay Rs. 600 to Rs. 700 per acre, and sometimes the duty goes even to Rs. 1,500 to Rs. 2,000 per acre. The poor grower does not know how much duty he is required to pay. The assessment of produce is made on an arbitrary basis which is not warranted by any law. If there is any rule or section in the Central Excise Manual, it is rule 25 which runs as follows:

“When the products are to be cleared on payment of duty, the curer shall apply to the nearest officer who shall cause the products to be weighed in his presence and shall deliver to the curer a notice in the proper form setting out the amount of duty due on the product and calling him to pay the sum into the treasury within ten days from that date.....”

What I have to say in this connection is that the local officers on the spot have restricted it arbitrarily to four functions, namely, registration of the crop, crop verification, crop cutting experiment, and assessment on the basis of the crop verification and crop cutting experiments. Now, so far as the question of registration of the crop is concerned, I can very well understand it, because certainly the rule gives power for it. But so far as the other functions are concerned they have not been warranted by any law.

I would also like to say one thing in this connection, that it is not a fact that the cultivator does not want to pay the tobacco duty. The taxes due to the Government should be paid without any hesitation on the part of the persons who have to pay or any relaxation on the part of the officers who have to collect them. But I want to make it clear that it is only the quantity of the produce which is shown in his demand note which has become a problem to the cultivator. He has not been able to reconcile himself in regard to the actual produce which is shown in his demand note. Therefore I hope that the Government of India will try to see that the matter is made more simple and the assessment is based on certain definite laws which must be clearly laid down and publicized for the information of the cultivators.

I wish to make one more suggestion in regard to the tobacco duty. I know that 15 to 20 seers of tobacco has been

exempted from the duty for the personal consumption of the cultivator. I suggest that this limit should be raised to one maund, because having regard to the actual consumption of the cultivator even one maund of tobacco as it is produced in certain parts of Rajasthan is not sufficient.

Lastly, there is one question which is very important. Large amounts of arrears are outstanding against the cultivators of some parts of Rajasthan. We wish that the arrears should be realized at an early date. We know that Rajasthan is socially and economically a backward State, where the fertility of the soil is comparatively poor, with the result that the cultivator remains half-fed and half-clothed. That is also the reason why the revenue from the tobacco duty from the State of Rajasthan is hardly half a per cent. of the total revenues of the Union. The manner of assessment of the produce, to which I have just now referred, has also resulted in the huge arrears. The problem of these huge arrears outstanding against the cultivators has become very important and delicate there. Moreover the forty per cent. fall in the prices of foodgrains has aggravated the problem to such an extent that it has become practically impossible for the cultivators to pay the arrears. I would therefore like to request the hon. Shri Tyagi to depute some special officer to look into the matter. I want that the special officer should, after visiting the areas concerned, determine the extent of the remission that might be granted to the cultivators. And it is only after such remission that the Government of India will be able to realize the arrears.

In conclusion, I would request the Finance Minister to look into the three important problems which I have just submitted before the House and to take a sympathetic view in this regard.

**Dr. Lanka Sundaram** (Visakhapatnam): During the short time that I have had the opportunity of acquainting myself with the work of the Finance Ministry, and the Finance Minister and his able colleague, my hon. friend Mr. Tyagi, I have come to appreciate one point, namely, the immaculate character of the statistical exposition of the Finance Minister, as far as the husbanding of the resources and expenditure of this country is concerned. But, I must say, with a sense of responsibility, that, judging him by the performance he has given us with his present Budget, the

Finance Minister has indulged in, if you will permit me to say so, in something like "body-line bowling." In other words, the Finance Minister has been merciless in his assault on the margins of the community in general. Pursuing this simile a little further, I may here tell him, again with a sense of responsibility, that it will not be very long before he will meet his Waterloo: either it may be "an LBW" or "clean bowled". I will come to that a little later, as to why I say this. But, before I do so, I would like to make one general observation and it is this. Judging the performance of the Finance Minister this year, it is clear to me that we are very swiftly and progressively reaching a position where our country would become beggar country No. 1 in the whole world.

I have said that the Finance Minister has indulged in something like body-line bowling. Why have I said so? I have worked out some figures relating to the Budgets of the past four years. In the Budgets presented in the years 1949 and 1950, there was tax relief from direct taxation of the order of Rs. 21 crores. In the same two years, additional tax relief was given to the extent of Rs. 14.8 crores, making a total of Rs. 35 crores. Why was this done? To my mind, this tax relief was given in order to enable this country to slide on from a war-time economy to a peace-time economy, in order to give incentives to all sections of the community, both the industrialists and the generality of the masses, to recoil, to react favourably, so that our finances and our system of economy may be placed on a sound basis. Now, see the contrast. What has happened this year? This year, Rs. 90 crores of revenue surplus have been appropriated for certain purposes. As a student of economics I have nothing to cavil about what you call the utilisation of revenue surpluses for certain purposes. I have nothing to say against that; but I have certainly something to say definitely against the body-line bowling methods of the Finance Minister, when you compare the relief of Rs. 35 crores suddenly being converted into excess revenue collection, if you will permit me to say so, of over Rs. 90 crores towards certain purposes.

I know that the Finance Minister has taken recourse to this expedient in order to enable his colleague, my hon. friend Mr. Gulzarilal Nanda, to move on with the planning schemes. I have no quarrel with that. Since this is not a Demand for Grants of the Planning Ministry, which we have

disposed of earlier, I would permit myself only one remark, and it is this. The entire planning scheme is conditioned, to my mind, on the availability of foreign aid. What is happening? Recently, we have reason to believe, and I believe authoritatively,—I do not think I could be contradicted by my hon. friend opposite—that the expected aid from the U.S.A. may not materialise, with the result that this planning in hurry, or rather the immaculate statistical exposition of the fortunes of this country, may not serve the purpose. The result is, that the incentives which were given three years ago are not only not given this year, but we are making inroads upon the marrow and the substance of the community.

It has been said that this year's Budget is an austerity Budget. Austerity is all right in respect of certain fortunate countries. The U.S.A., for example, can afford austerity. How can the poor *Daridra Narayan* in this country afford austerity? To my mind, if I am not doing my hon. friend the Finance Minister any injustice, it is something like this: the balancing of the present distress against future blessings. As a general proposition, I have no quarrel with that. If we look into the manner in which the taxation system is impinging upon the various strata of society in this country, it will be clear that we are now trying to impoverish not only the middle classes, but also making tremendous inroads upon the economic margins of the rural folk. The Finance Minister said, and I quote him, that he is not for any reckless pumping of purchasing power into the hands of the community. Where does that arise? I remember, two years ago, when Mr. C. Rajagopalachari, as the last Governor-General of India, made the statement namely that prosperity has shifted to the rural parts of this country. I still want evidence of that. I would request the Finance Minister, in terms of what he has said about the disastrous consequences ensuing from any attempt at reckless pumping of purchasing power into the hands of the community, to give us data on that point.

From the Demands for Grants which are put down for the vote of the House, I would like to select Demands numbers 38 and 115. These two represent a total of Rs. 20 crores and more, intended to be given to the State Governments as grants-in-aid, advances and loans. It is a well known axiom, at any rate as far as this country is concerned, and I believe it has been the practice for the past 30

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years when the Meston award was given, that grants-in-aid are given by the Centre to the States. I do not quarrel with that. I believe there will be cases where the State Governments will be unequal to the task entrusted to them, with the result that they direct their attention to securing assistance from the Centre. What occurs to me,—and this is a point which has not been properly emphasised in this House—is this. Is there any provision anywhere in this Constitution of ours, as also in the administrative practices of the Ministry of which my hon. friend Mr. Deshmukh is the head, to ensure that the monies given are properly given, that the monies given to the States are properly expended. Without going into details I would like to direct the attention of this House to one proposition. Is there any guarantee that the State Governments are not indulging in hair-brained schemes of a character which will destroy our financial stability all round? I want to refer to prohibition. To my mind, something like Rs. 100 crores are involved in a year. As a Gandhite, I have no quarrel with prohibition. But are we having prohibition properly enforced? I am prepared to say with all the sense of responsibility that I can command, after three years of work in the villages, that prohibition has become a total and cruel hoax. Why are these grants being given every year from the Centre? Only to feed certain State Governments, each one experimenting in a way different to the other, without any uniformity of approach to the problem of prohibition. By all means, let there be total prohibition and I shall be a party to it. But, are we having this? No. We are encouraging now the rack-renting of the substance of the community by certain State Governments, which have not cared to learn from the experience of the last four years. In particular, I speak with a sense of authority about the Government of the State from which I come, Madras.

Again take the sales tax. I am one of those who have agitated, and I take this opportunity to advocate again that the sales tax must be put on a basis analogous to Income-tax. The Centre must take it over. I am glad, and I take this opportunity to congratulate the Finance Minister for the Bill that he has brought forward, and I am sure that this beginning will be taken advantage of to ensure that this question of sales tax is properly disposed of in this country. Some of us remember very vividly the cases

fought by some State Governments against the Centre in the old days about the quantum of responsibility of the Centre versus the States as regards the allocation of sales tax. I hope that, as a result of this Bill which the Finance Minister has brought forward, an equitable system of taxation would emerge.

One other expression of opinion which I would like to make with all seriousness is that during the past five or six years, there has been a great amount of devolution of authority from the Centre to the provinces in terms of taxation matters. I believe in a strong Centre. Without a strong Centre, this country is bound to perish. The behaviour of the State Governments in the financial sphere during the past few years has convinced me that unless the Centre re-assumes the powers and functions which it was accustomed to have in the old days, there will be no possibility of ensuring that the economy of the country would not be jeopardised.

**Shri B. Das (Jajpur-Keonjhar):** How to do it?

**Dr. Lanka Sundaram:** Let us go backwards; go back to the Meston Award. I am very happy that my hon. friend Mr. B. Das has interrupted. I would say, go back to the Meston Award and make that the basic approach to the problems of the country.

I would like, in the few seconds I have got left now, to invite the attention of this House to one or two other questions. I have fortunately been for the past 15 years in touch with the operations of the various Ministries—as a newspaper man, with some sort of contact with as many Ministries as possible. Recently, I am afraid, my contact has become rather limited, because I have given up that profession and of going about as I used to do before. But still I do not think the hon. Finance Minister would object to what I am going to say. It is this, that day by day the old inescapable control of the Finance Ministry over the activities, especially the spending activities of the various Ministries of the Government of India, is slackening. In fact I would go to the extent of saying that each Ministry today is functioning as something like an *imperium in imperio* and on this I have his own statement, the statement of the Finance Minister who last year said that his economy proposals have proved to be a will-o'-the-wisp—they amounted to only rupees five crores out

of a total budget of Rs. 400 crores. I do hope within a very short time the Finance Ministry would set things right. I am here to fully acknowledge the splendid work done by the Estimates Committee, the Public Accounts Committee, the Auditor-General of India and such other aids which the hon. the Finance Minister has at his elbow, but I have got here a report to show the utter ineffectualness of the existing type of control, the financial control which the Ministry is exercising. Here are the Appropriation Accounts of the Posts and Telegraphs Department, 1949 and its Audit Report, 1951—the latest so far available. I am quoting paragraph 24 onwards to 30. I am not here to indulge in what are called scandals or the existence of alleged scandals, but I am here to make a proposition arising out of the facts published here in this book. Insulated armoured underground telephone cables from Japan were imported at a total cost of Rs. 82 lakhs. The profit allowed on this transaction which was entrusted to the care of an Indian firm was rupees seven and a half lakhs i.e., nearly ten per cent. whereas the Audit Report says the customary commercial practice is one to five per cent., nothing more. I am not going into charges like joy-rides for officers to Japan and that kind of thing. The point I am trying to direct the attention of the hon. Finance Minister to is this: What is the use of these inquests? How long are we going to have inquests on individual transactions, and every time get only an assurance that in the future it will be better. Instead, I want something like a pre-audit.

Arising out of this question—I am sure the hon. Finance Minister would have no quarrel with me on this point—these imported cables, 40 per cent. of them have become useless already. They are competing with indigenous industry. The same question is there in the Colombo Plan. A large number of trucks and vehicles are being imported as aid. They are going to compete with the operations of the assembly lines of the automobile industry in the country. I am only giving these two illustrations to rivet the attention of the Hon. Minister on the point that unless we do something to ensure that each Ministry does not function in a water-tight compartment, unless there is co-ordination, it will imperil our economy as a whole.

Finally, two more observations. I strongly and sincerely plead for something like a Retrenchment Committee. We are today shouldering the burden of an administration, a bureaucracy, which is vaster than what we had in the past. I want lesser staff, but more efficient staff, better paid.

Secondly, I want an enquiry into the incidence of taxation in this country. My hon. friend is not going to dispute my statement when I say that the yields of revenue on the four or five major heads of revenue are being altered. Customs has taken second place. The time has come for us to direct our attention to some sort of survey of the incidence of our tax system.

*The House then adjourned till a Quarter Past Eight of the Clock on Thursday, the 3rd July, 1952.*