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THE PROCEEDINGS IN THE RAJYA SABHA ON 29.7.2009

DR. E. M. SUDARSANA NATCHIAPPAN (TAMIL NADU): Thank you, Mr. Deputy Chairman, Sir. It is a great honour for me to speak on the Finance Bill, which has created history, presented by the hon. Finance Minister, Pranabji. India will never forget what he has done as Defence Minister, as Foreign Minister and now as Finance Minister. He had avoided the war between India and Pakistan when there were so much of emotions. He never asked the Army to go to the western border of India or to the eastern part of Pakistan three years ago as had happened when the other Government, the NDA Government, was there. The movement of two lakh soldiers to the western part of the border had made the Taliban to come nearer to Lahore. He had avoided that as the Defence Minister and subsequently as Foreign Minister. Even after 26/11 he tried to create calmness among the people of India and Pakistan and see to it that there was no war again.

The history of India will be written in his name because he has avoided the war and made efforts for a peaceful existence between India and Pakistan. Similarly, he has created a great impression in the world by allowing our nuclear establishments to enter the global market. They were doing research for the last forty years or sixty years. Pandit Jawaharlal Nehru has created a separate department for nuclear energy. The researches done by the Tata Institute of Nuclear Science, Bhabha Atomic Research Centre, etc, are able to get the greatest market in the world as a result of the Indo-US Civil Nuclear Agreement.

The third one, which India will never forget, is the Budget that he has presented. I read in one weekly what Bernard Shaw had said. He said, "A Government with a policy to rob Peter to pay Paul can be assured of the support of Paul". But here, our hon. Finance Minister has never stolen anything from Peter and, at the same time, he has given Peter, Paul and everybody and tried to please everybody, from the *am admi* to the income-tax payers with an assessed income of more than Rs.10 lakhs. This is the way of presenting Budget by one who understands the whole Indian context. This type of a Budget has not been presented here earlier. We feel that we will also suffer just like the western countries. If you look at the daily share market everything goes red throughout the world except in India where we are playing certain games only. Otherwise, everywhere the share market is in the red. But we are going up in a proper way. The share market could not understand certain things which were visualised by the hon. Finance Minister for depending on the domestic money rather than on foreign money. He could understand that there is huge surplus money in the hands of the people in rural areas. Many landlords do not know where to put their money. They keep the money in their own house or their nearby relatives' house. This is what is happening. Now, we are opening more branches of the banks and making the people to understand that they can put their money in the banks. The banks are now widening their net by opening more branches in the rural areas. That is also one of the achievements of the hon. Finance Minister. (Contd. by 2H//VK)VK/2H/2.40

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We are very happy that the entire service tax structure is having a new look. The revenue that we are getting from customs duty is Rs. 98,000 crores and from Central excise is Rs. 1, 06, 477 crores. Before 2007-08, service tax was expected to be Rs. 51,000 crores. In the Budget Estimates, it was increased to Rs. 61,000 crores. But now it has increased to Rs. 65,000 crores. We are expecting more revenue from service tax. Sir, I would like to draw the attention of the hon. Finance Minister to the structure of the Department. It needs to be restructured. The Department of Excise and Customs is being controlled by one C. Commissioner. There is only one C. Commissioner to look after the affairs of this Department whose collection is Rs. 65,000 crores. There is a condition that there will be one Commissioner up to a business of Rs. 300 crores to Rs. 500 crores. But here one Commissioner, one Joint Commissioner, one Additional Commissioner and a few Dy. Commissioners are handling Rs. 15,000 crores. We need to improve that structure so that we can get more revenue from service tax. Persons working in the Excise Department should be given promotions. The persons working at the Inspector level can be promoted to higher levels. They will also feel happy that, at least, after 15 years they are getting some promotion.

Sir, when we talk of service tax, a new clause has been included here, that is, legal service. I would like to quote this clause. It says, "To a business entity, by any other business entity in relation to advice, consultancy or assistance in any branch of law, in any manner; provided that any service provided by way of appearance before any court, tribunal, and authority, shall not amount to taxable service." This clause divides the legal profession into two categories. Everything has been merged under the Advocates Act. Solicitor, arguing lawyer, advocate, lawyer, etc. have all been merged. But now the arguing lawyer has been separated. It means the arguing lawyer does not come within the purview of service tax. But a person who is having an association or a firm, and doing a solicitor's job, will be taxed. Immediately, after the Budget Speech, some of the Bar Associations went on strike. But I hope they have understood that the arguing lawyers would not be affected by this classification. At the same time, the Explanation says, "For the purposes of this sub-clause, business entity includes an association of persons, body of individuals, company or firm." But it does not include individual. That means, Sir, if a senior lawyer argues a case for one hour or two hours and charges Rs. 10 lakh or Rs. 15 lakh, like Shri Ravi Shakar Prasad, he does not have to pay any service tax. But the poor juniors have to pay service tax if they are having a firm. If young lawyers after coming from law schools form their own firm, they have to pay service tax. But a senior arguing lawyer does not have to pay any service tax. I think the senior lawyers should be taxed and the junior lawyers should be protected. I am also a senior lawyer in the Supreme Court. Even then I am arguing for junior lawyers. (Interruptions). There is no vested interest. I am basing my argume

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this particular clause needs to be given a re-look. There is another clause in regard to coastal goods. This clause relates to transportation of coastal goods. Here service tax has been imposed even on goods which are transported through coastal areas, National Waterways and Inland Waterways. (Contd. by 2J) *RG/2.45/2J* But we have to take the case of Lakshadweep, or, Andaman and Nicobar Islands. Andaman and Nicobar Islands is depending totally on the mainland. All the goods, right from rice, clothes, medicines, everything has to be transported from the mainland. The transport of these goods is facilitated by the cooperative sector. Now, when they are taking the goods from here, they have to pay service tax. Also, when they transport the goods by sea or by air, they have to pay the tax. It means that there will be a 10 per cent increase in prices of products which are sold at Andaman and Nicobar Islands. Therefore, they have to be excluded, when this service tax is imposed upon them, so that the mainland price is maintained in the inland also.

Sir, I am very happy that our young Minister of Textiles has stated in a reply to today's question that the Government had announced two stimulus packages on 7th December, 2008, and 2nd January, 2009, to boost exports, arrest the impact of economic slowdown and to improve the liquidity. Here, we find that an amount of Rs.1400 crores was given in 2008-09 for the Technology Upgradation Fund scheme. So, an additional fund has been given. Sir, the small and medium sized textile units are not getting these benefits. In another clause, clause 8, it is stated that the State-level Bankers Committee would hold meetings for resolution of credit issues of small, medium and micro enterprises. But none of the banks is ready to co-operate with the Government; they do not want to sit along such industries and help them get out of the trap. But they only want to see that every mill is closed down. For revision of loans and other things, they are not ready to come forward and help them. They want that the industry should close down. That mentality should go away from the mind of the bankers. The bankers should feel that they are partners in the business. They are shareholders of the business because they have also put their money there. Therefore, they have to have the mindset, just like the Board of Directors, to revive the industry in some way or the other. Another thing to which I would like to draw the attention of the hon. Minister is regarding agriculturists, whose sons and daughters wish to be educated in foreign countries. Nowadays, even in the rural areas, people want to go in for higher education in foreign countries. For this, they would, at least, require a loan of Rs.15 lakhs. Now, there is a provision that up to Rs.4 lakhs, the banks should not ask for any security. For loans more than that, they can ask for security. Now, they say that the agriculturists' sons and daughters are not eligible for this. This is because under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, it was giving powers to the bankers that in case of default of payment of loan up to Rs.10 lakhs, the assets can be seized by their bank associates. But there is an exemption under Section 31 (i) that agricultural lands are excluded from that. Therefore, they say that since the agricultural land cannot be taken away in case of default

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not get the loan. Now, the basis for giving loans to students is on his ability to earn after he finishes his education. And, we are investing on human resources so that these boys and girls can develop their skills and come forward to develop the nation. That is the purpose of educational loans. Just like the investment that we make on building other infrastructure, we will have to invest on building human resources. The bankers do not have that in mind. They say that because of this provision, we are not ready to give the loan. It means that there is total discrimination towards sons and daughters of these agriculturists, who cannot think of getting themselves educated at all in foreign lands, or, for that matter, go in for higher education even in our own country. Therefore, that has to be rectified. They have got other means to get money. Here, even the hon. Minister has given an exemption under Section 80 (E) that interest on loans taken for higher education is exempt from tax. (Continued by 2K) 2k/2.50/ks. When such an exemption is given, poor agriculturists' children alone are discriminated. Finally, before concluding, I would like to mention that I had raised this issue regarding savings bank accounts and agents in the Question Hour yesterday. I have been raising this issue again and again. I had raised it with the Communications Minister, Shri A. Raja, and he had said that it was for the Finance Ministry to deal with it. When the hon. Finance Minister replied yesterday, he said it was a matter for the State Governments to consider. Now, where do we go? Sir, it is poor people like widows, pensioners and really small people who depend upon these services of the Post Office. They have been depending upon the Post Offices for the past 150 years. They deposit very small amounts of money in those Post Offices. Normally, agents come to their doorsteps, collect the amounts and give them receipts. Therefore, they are confident that their money is in safe custody. Now, about three years ago, the interest was reduced by one per cent. That needs to be restored after proper discussion with the State Governments. It is said that the Central Government and State Governments are ready to borrow money at low rates of interest from the World Bank and the IMF, rather than taking it from its own people. Now, that may not be the case. But they have to depend upon this. This interest must be treated the way we treat the PF; they should be given more interest for that. Yesterday, the hon. Minister announced in the Lok Sabha that a rebate of one per cent would be given for housing loan. This should be increased further and bonus and other commissions which were given to poor people, the agents, who are depending upon should also be restored. (Ends)

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The Finance Minister in the Rajya Sabha

THE MINISTER OF FINANCE (SHRI PRANAB MUKHERJEE): Mr. Deputy Chairman, Sir, at the very outset, I would like to express my gratitude to all the hon. Members and my distinguished colleagues who have participated in the discussion on the Finance Bill. We have entered the last phase of the annual budgetary exercise which is a time-consuming exercise and a bit laborious, no doubt. Today with the seal of approval of this House when the Finance Bill will be returned to the other House, that annual exercise will come to an end so far as the year 2009-10 is concerned. I deeply appreciate the observations of the hon. Members who have made their contribution while participating in the General Discussion on the Budget, subsequently, on the Appropriation Bill, and also on the Finance Bill. There is one current trend in the observations of all the Members. They want that this country's economy should stand on sound footing; the fundamental problems should be addressed; poverty should be alleviated and regional and other disparities prevailing in various strata of the society should be eradicated. That is the common theme of all the hon. Members. Of course, there will be emphasis on certain aspects. But this very basic common objective is not diluted by their observations and this is the strength of our multi-party democratic system. Therefore, I deeply appreciate it. The initiator of the discussion, my good friend, Shri Ravi Shankar Prasad, who is an eminent lawyer and a veteran parliamentarian -- veteran not in the sense of age, but his competence and capability in parliamentary intervention -- has paid me handsome compliments. I accept them with all humility at my command. But, perhaps, I do not deserve that. I am just like any other ordinary Member of this House. (Contd. by 3s/KSK) KSK/5.30/3S

SHRI PRANAB MUKHERJEE (CONTD): So far as this House is concerned, as you know, Mr. Deputy Chairman, Sir, I have some sort of nostalgia because till now, of my 40 years' presence in these premises, merely six years, little more than five years, I have spent in the other House, but seven times more than that, I have spent in this House. So, it is quite natural that whenever I come here, I find myself more comfortable, more at home. Of course, that does not reflect that I am not at home in the other House. Otherwise, I will be summoned to the Bar of the House there. But, somehow or other, as I spent much more time in this House, it will understand me and I understand the nuances of this House very well. It is also a very interesting feature of our Parliamentary system that normally, the Upper House does not have much say in the financial matters. But, we have evolved mechanism, in our Constitution itself, and subsequently, through other innovations, for the involvement of the Upper House, which is not directly elected by the people, in this process. They also have a say in these matters. For instance, the Appropriation Bill, like any other Bill, is also to be discussed in this House. They do not have the right to approve the Demands for Grants, but we have evolved a mechanism through which they express their views on the functioning of the Ministry and in that way, they can make necessary suggestions and corrections which can be surely examined by the Minister in charge. And, on the top of it, through the instrumentality of the Department-related Standing Committees, of which eight such Committees are being chaired by the hon. Members of this House, and each of 24 Committees has representations of Members of this House. They have the

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mechanism through which they can scrutinise the entire expenditure proposal, Demands for Grants, and which is an elaborate exercise which we do every year. This year, we had to dispense with it because of certain reasons. But, this is a noble mechanism. As Foreign Minister, when I used to visit many parliamentary democratic countries, they were curious about this mechanism. I used to advise them to send some of their people to our Bureau of Parliamentary Studies and Training and to see our Committee system functioning, and they would appreciate it. Therefore, it is not correct to say that Upper House has nothing to do with matters of money and finance. They make their very valuable contribution by being associated with the watchdog Committees like PAC, COPU and various other Committees in addition to the Department-related Parliamentary Standing Committees. Sir, the basic approach which Ravi Shankarji and many other Members have also elaborated is that I have taken a risk, no doubt, by having 6.8 per cent fiscal deficit, having substantial quantum of borrowing. No doubt, there was a little bit risk in it. But, the option before me was just to tread the conservative route of reducing the deficit, not borrowing so much, settling myself with whatever be the level of growth for four-and-a-half per cent. After all, this country has the experiences. As other veteran Members and my good old friend, Shri Rahul Bajaj, are fully aware, at one point of time, people used to tell jokingly, "India's growth syndrome is the Hindu growth rate." From 1951 to 1979, long 28 years, it was just three-and-a-half per cent at the annual average. Though in every Five Year Plan, we used to project a higher level of growth, but we could not reach that level of growth. In the 80s, there were improvements. From three-and-a-half per cent, we reached 5 per cent-plus. In the 90s, there were further improvements. And, during the last six years, I would say, the higher growth scenario began from 2003-04, the last year of the NDA Government, and continued. (continued by 3t - gsp) GSP-AKG/5.35/3T.

SHRI PRANAB MUKHERJEE (CONTD.): Though there was a sliding down in 2008-09 but taking the average in these six years, it was 8.6 per cent. Therefore, I thought, let us try to build up, as quickly as possible, and achieve higher level of growth of around eight to nine per cent; and, for that investment is required. From where will the investment come? Surely, with regard to the revenue, you cannot expect to have the buoyancy which we enjoyed, our economy enjoyed from 2004 to 2007-08. As you will recollect, the tax GDP ratio was around 9.6 per cent up to 2003-04, but from 2004-05 to 2007-08, the tax GDP ratio reached to 12.6 per cent, and, last year, it came down to 11.6 per cent because there has been a revenue shortage. If the manufacturing sector goes down, if the exports go down, then, it is not possible to have the mobilisation through the revenue route; the mobilisation of resources. And, we had to, therefore, resort to borrowing, and, dispense with the fiscal prudence. I am fully aware that this level of fiscal deficit is not sustainable. That is why, I have myself indicated in my Budget speech that I would like to come back sooner than later to FRBM, at least, to four per cent by 2011-12, and, around five per cent by 2010-11. But this year, it is not possible to have the FRBM level which has been prescribed. Look at the world around us; I am not going to compare with the level of some advanced countries where the deficit is 11 or 12 per cent, where substantial quantum of money, budgetary resources are being injected to revitalise their banking system because of the collapse of the banking system in many developed countries as a result of this international financial crisis. I am not going to that level but I thought that -- the phrase which I used, and, which has been repeated by Shri Ravi Shankar Prasad -- I must have some litt

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surely, it is for a temporary period, and, I cannot afford to have it for every year. And my optimism that I would be able to come to the reduced level of fiscal and revenue deficit is based on the fact that the type of expenditure which we had to bear this year, is some sort of extraordinary situation and extraordinary responsibility. I would not like to join issue about Rs. 1,86,000 crore fiscal stimulus because the subsidies are already there. If the financial crisis was not there, if the tax reduction would not have taken place in two phases, practically, in three phases, excise duty, customs duty, even then the subsidies were there. During 2008-09, fertilizer subsidy had been substantial, food subsidy had been substantial, and, interest payments and defence expenditure are more or less the committed expenditure. Therefore, how do we account for it? It is not necessary that these amounts have come out of Rs. 1,86,000 crore. It is not that. Therefore, my submission is, yes, I wanted to create a fiscal space to achieve the higher growth trajectory and I have felt little confidence from the sense that these stimulus packages starting from December, January, February, and, subsequently, in the Budget of July, there has been positive impact on it. (Contd. by sk-3u) Sk/3U/5.40

SHRI PRANAB MUKHERJEE (CONTD.): There has been some positive impact on it. Particularly, if you look at the manufacturing sector's growth in the month of June, there has been a positive indication. With regard to crude oil, steel, cement, consumer items, etc., there has been a positive trend in the first quarter. I would not say it is very high. But from continuously downward trend -- that downward trend has been arrested -- certain positive trend has begun. I do hope it will be possible to maintain that and it will gather momentum particularly when the busy season comes. With that momentum, it will be possible to achieve the desired level of growth. As you know, normally the RBI's estimate is a bit conservative; I would not say very conservative, but a bit conservative. Even they have upgraded our GDP growth. The international rating agencies, including IMF, have also graded it a little. Earlier it was thought of 5 per cent or less, but now everybody agrees that India will have around 6.6+ per cent of GDP growth. Certain other issues have also been raised. I would definitely like to respond to those issues. But, before that, I do feel, the Finance Bill, which I have presented to the hon. Members, is not exactly the same which I presented at the time of the Budget which I introduced. I made certain amendments and those amendments were approved by the Lok Sabha yesterday. Through the specified amendments, I have brought changes in the Finance Bill and the Finance Bill, as amended, has been circulated to the hon. Members. For instance, there were all procedural aspects. **When we were adding the new areas of service taxes, expanding it,** bringing new services, then the various industries and others made a representation saying that when you bring the changes from the day of notification to the day of application, you allow us some time for adjustment. I find it a legitimate claim. So, I have made the necessary amendments in the relevant sections of the Finance Bill. I do hope all the notifications will be issued latest by 1st of August and it will be applicable from the 1st of September. Similarly, I have introduced another amendment. Everybody understands the importance of roads. Earlier the facilities were on the tax front. Construction or laying of a new road was excluded from the service tax. But construction and laying a new road is okay. It is desirable. But maintenance and repairs of the existing roads is equally desirable. Therefore, it was found necessary to extend the same benefit, which was not available earlier, for maintenance and repairs in this Finance Bill. I have made the additional facilities, i.e., exemption from the service tax for

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maintenance and repairing of the roads. Clause 32 of the Bill proposes to amend the provision of Section 80 (E) of the Income Tax Act. (Contd. by yrsr-3W) -SK/YSR/5.45/3W

SHRI PRANAB MUKHERJEE (CONTD.): It will allow deduction in respect of interest paid on higher education loans. Sometimes beneficiaries are self-employed persons who go abroad to pursue higher education by availing themselves of bank loan or sometimes parents. We received some representations in this matter. Sometimes parents of students are not alive. In that case, their grandparents or somebody else or their legal guardian bear the expenses of education by borrowing money from banks. But they are not entitled to have tax benefit. So, instead of going into the details, I have decided that parents or legal guardians, parents are always the legal guardians, of the students will be entitled to have this tax benefit. Section 80-IA of the Income-Tax Act provides for tax holiday in respect of profits derived by an undertaking from the development, operation, and maintenance of industrial park. This benefit was available and the sunset clause was applicable up to 31st March 2009. Representations were received from various stakeholders. They wanted to have the extension of the sunset clause, because the year 2008 was extremely difficult for the world economy and our economy. Therefore, I have made the necessary amendment by extending the sunset clause for two more years up to 31st March 2011. Clause 37 of the Bill seeks to amend the provisions of sub-section (9) of section 80-IB of the Income-Tax Act. It is to provide tax holiday on undertaking engaged in commercial production of natural gas in blocks licensed under new exploration licensing policy (8th round). Representations have been received asking that this benefit should also be extended to the commercial production of natural gas in blocks licensed under 4th round of bidding of exploration of the coal-bed methane. Therefore, as I have extended the benefit to the gas, I extended this benefit to the coal-bed methane. This benefit will be available, of course, prospectively from the assessment year 2010-2011. In respect of housing, particularly for the lower and middle-income group, we feel that it deserves to be supported. This general criticism was made in this House and the other House also. In order to stimulate this segment of house owners, I extended the benefit of providing one per cent interest subvention for the lower-income group persons who will buy house, and those who will take loan up to Rs. ten lakh, an interest subvention of one per cent will be provided to them. We have also stipulated that this interest subvention will be available to buyers belonging to the lower-income group and not for construction of commercial usage of skyscrapers and others. Therefore, we have stipulated that the value of such should not be more than Rs. 20 lakh. For this, I have made an additional provision of Rs.1,000 crore in the Budget. I also made some arrangements for providing further stimulus to housing sector by providing some tax relief. I made the necessary amendment in section 80-IB (10) of the Income-Tax Act, so as to allow tax holiday in respect of profits derived from projects approved between 1st April 2007 and 31st March 2008, if such projects are completed on or before 31st March 2012. Because, practically, from the middle of 2007 to 2008, housing activities were slowed down. So, I want to provide this benefit to them. Of course, I am reiterating my expectation from the developers, who will get this advantage, that it should get reflected in the reduced price of houses which they will sell to buyers. (Contd. By VKK/3X) -YSR/VKK/3x/5.50

SHRI PRANAB MUKHERJEE (CONTD.): Unfortunately, it happens in our country. They forget it and they do not pass it on. (Interruptions) I have sc

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sense that they should do it. Otherwise, no Finance Minister would extend this concession to them in future which they require. And, I do hope, a good businessman will keep his customers happy. Sub-Section (11A) of Section 80-IB of the Income-Tax Act provides tax holidays in respect of profits derived from business of processing, preservation and packaging of fruits and vegetables. Representations were made that we extend it to other perishable products. Therefore, we have extended this facility to milk, poultry, meat, dairy products, etc. so that they can also get this benefit which is available to fruits and vegetables. Under the existing provisions of Section 80U of the Income-Tax Act, an assessee being a person with disability and severe disability is eligible for a deduction of Rs.50,000 and Rs.75,000 respectively. These limits were fixed in 2003-04 and I thought that I should give some relief, not a very substantial relief. So, I have enhanced this limit from Rs.75,000 to Rs.1,00,000. There has been some consequential amendment and except that, there is no other substantive amendment and this amendment Bill has been placed for your consideration and return. Sir, a couple of other general issues have been raised. Particularly, several Members have raised a point that I have expressed my confidence about the introduction of GSP from April 2010. What is the basis of my expectation? My basis of this expectation and confidence is the type of support which I receive from both sides of this House. After all, they man the State Governments. Their parties form State Governments. This time, as you know, because of the extraordinary situation, I thought that I should expand my consultation mechanism. So, instead of having limited four groups, those which represent interests of farmers, organised trade union movement, industrialists and economists, I extended it to larger group. I had interactions with the exporters; I had interactions with the IT industry; I had interactions with the financial sectors; and also, I thought it prudent to invite my colleagues from the State Governments, the State Finance Ministers, to give their inputs, not merely on Budget but how to tackle the overall economic situation. I had one full day session. I came out with very high satisfaction with the type of deliberations which we noticed there and the commitment which the State Finance Ministers showed. Therefore, I feel, there is a broad consensus that economy is to be revived and the country has to be brought back to the high growth trajectory. Yes, we have divergent political views. We fight against each other before the people who are our supreme masters to seek their support. But, when we assemble here, on the other side also, on broad national issues, there is more convergence than divergence. I did not have the privilege of listening to each and every speech sitting here, but I had the privilege of listening to them on television sitting in my office. (Contd. by MKS/3y) MKS-DS/5.55/3Y.

SHRI PRANAB MUKHERJEE (CONTD.): So, what I found, both in the general discussion on the Budget and in the discussion on the Finance Bill, is that there is an urge, that we would like to see, that the financial crisis is over and the country is brought back to the higher growth trajectory. If a broad consensus among the political fraternity is there, why can't it get reflected in the States? After all, those who are ruling the States belong to these political parties. They have not come from a separate planet. So, it is possible. And if there is a broad consensus, if a constitutional amendment is required, whatever legal requirements are there, it can be done. I am told by the empowered Group of Finance Ministers that they have brought broad convergence of views. In a limited area, there are differences of opinion, which, they hope, they will be able to sort out. I am also cooperating with them. After the Budget Session is over, again, I will have intera

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are trying to do that because these are the two major steps concerning tax reforms. One is GST in respect of Indirect Taxes. Ravi Shankar Prasadji very correctly pointed it out, and many other Members have also shared with him, that if he, even as an eminent lawyer, does not understand the complex Direct Tax laws, or requires the help of tax experts, what will be the situation for a poor person like me who does not understand anything of the law? Therefore, it is necessary that we must have simplified the tax laws. Coming to the Direct Tax Code, I promised that within 45 days, after the presentation of the Budget, I will put it on the website; I am working on that. I would like to adhere to the deadlines and, preferably, I would like to pre-pone it a little bit so that there is informed discussion, and, thereafter, I won't like to make it in a hurry.

I would like to consider all the inputs; I would like to have informed discussions consisting of as many stakeholders as possible so that the new Direct Tax Code which we present for you and to the other House for their approval, that becomes simple, that becomes user-friendly, and that is not as complex as it is. One of the reasons is, maybe, it is our psychology because I was associated with the Revenue Ministry for quite some time. Even I was very young in the early seventies. I found that you want to achieve too many objectives with one set of instrument. Sometimes, I wondered: Is Income Tax merely for collecting taxes or is it for providing encouragement to charitable work, encouragement to research and development, encouragement to family planning, encouragement to benevolent actions, encouragement to many other social objectives, and if we want to achieve too many objectives with one set of instrument, it is bound to be complex, and more we tried to simplify it, the more complex we made. Therefore, the decision was taken, under the guidance of the Prime Minister, to scrap it, bring out a new code. My predecessor, distinguished Finance Minister Mr. Chidambaram, did a good job; he prepared it. It is a new Code; it is simplified. It will be put on the website for the information and structured discussions. After that, we will be doing that. Another important issue has been raised: Why are we trying to make 'retrospective effect' in respect of certain provisions of the Income Tax Act? Generally, I agree with the view that there should not be any 'retrospective effect'; there should be 'prospective effect'. But you know about the constitutional scheme. The Leader of the Opposition is present here, an eminent constitutional lawyer; if I am wrong, he can correct me. (Contd. by TMV/3Z) -MKS-TMV-AKA/3Z/6.00.

SHRI PRANAB MUKHERJEE (CONTD.): So far as the Constitutional practice is concerned, we impose taxes for a year. Article 265 vests this power in the law-maker. No tax can be levied, except by the authority of the law. So, with an intention we impose a tax. But, ultimately, it is the highest court, the Supreme Court, which has to interpret the law. When it interprets the law, that is the final law. It is not necessary that it will always reflect the intention of the law-maker. Therefore, how can we achieve that? Now, what would happen? Imagine a situation where it gives to a particular provision a particular meaning by interpretation. If you want to implement it prospectively, then the result would be a difficult situation. There was a specific case, 147, where retrospective effect had been given from 1989. If retrospective had not been given to it, all the amounts collected from 1989 would have to be refunded because that tax would become an illegal tax. That is the interpretation of the Court. Therefore, to obviate that, sometimes, with the help of lawyers like you, we have to bring the necessary amendments and, sometimes, give retr

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the scheme of the Constitution through the separation of judicial power and other things. We have to do that. Another important issue, which has been raised on earlier occasions also, is disinvestment. As I mentioned, disinvestment is a continuing process. There is nothing dramatic about it. From 1991 onwards, if I remember correctly, we have mobilised Rs. 53,000 crores. This level of resources has been mobilised through the process of disinvestment. We have clearly spelt out the Disinvestment Policy in the President's Address which she delivered to the Joint Sitting of the Houses on 4th July, in my Budget Speech on 6th July and in my response to the General Discussion on the Budget. It is a continuing one. It is an obvious and continuous process. By whatever nomenclature you may call it -- you may call it disinvestment or people's participation or strategic sale; you can give whatever nomenclature you may like to give -- it is a continuing process. But our present policy, as was decided earlier, is that it should be invested in the National Investment Fund (NIF) and from the corpus of the National Investment Fund it may be used for specific social sector projects. Part of it will be utilised for meeting the requirements of the public sector like upgradation, modernisation and expansion and in whatever manner necessary. Therefore, it is not merely to meet the fiscal deficit. In respect of unearthing the black-money, the Prime Minister suggested that we would initiate action within 100 days. Actions have been initiated within 100 days. Now we are going to accept the code which has been prescribed by G-8 countries by which the exchange of information will take place. The legal framework for that is the avoidance of double taxation. We have entered into such avoidance of double taxation agreements with various countries, which are nearly 100. We have taken up amending the provisions of those Acts so that exchange of information is possible. There was a case. To a particular question and supplementaries, I responded in this very House itself that we had difficulty. We had got certain information. But we got that information under the condition that we would not disclose that information even to our sovereign Parliament. They said that otherwise it would not be possible for them to give the information. (Contd. by 4A/VK) VK/4A/6.05

SHRI PRANAB MUKHERJEE (CONTD): Every country has its own rules. Certain countries have their own secrecy banking rules. Switzerland is well known for it. But in the context of the financial crisis, now they have agreed to share this information, provided there is a legal framework and it is required only for the purpose of tax collection, not for any other purpose. Keeping that in view, we are proceeding. Therefore, action to bring back the money, which has been stashed away, is also being taken. Mr. Deputy Chairman, Sir, I would not like to prolong my observation at the fag end of the debate. Many valuable suggestions have come. One point has been raised about NREGA. NREGA is, basically, an employment generation scheme. It is a wage-earning scheme. In order to make it effective, we have entrusted the Panchayat, which is the lowest representative body of the country, to implement it to avoid the bureaucratic control. If there is any misuse, as some hon. Members have pointed out, surely we shall be in touch with them. The Administrative Ministry, the Ministry of Rural Development is fully aware of it. There is a very competent Minister. He will take it up with the State Governments to find out a mechanism through which the misuses could be avoided. This is one benefit which can reach the people directly. The Government of India has accepted, despite its financial difficulties, that 100 per cent wage component will be met by the Government of India and 75 per cent of the material component will

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also be met by Government of India. Therefore, practically, it is almost a totally Centrally-funded project, except a small component of it. After all the State Governments are also elected by the people, the same electorate, but a little small in size. Therefore, we need not have this sense that only we are the custodians of all wisdom and knowledge and they are not responsible to their people. Let us not assume that. If there is any irregularity, if there is any deficiency, let us sit with them and try to rectify it. This scheme has been very effectively implemented in certain areas. We have seen the experience in certain areas where the local bodies, the civic authorities and other authorities have done a very good job. Restoration of water bodies, apart from providing employment to people for 100 days and construction of good roads in some places has taken place. As the hon. Members have pointed out, in many other areas this might not have taken place. Therefore, the answer does not lie in abandoning this scheme, but the answer lies in rectifying the deficiencies and in pointing out how you can do it. There is one last point which has been pointed more than often. I know every State has its own problems. It is not that out of 28 States, there is a single State which is problem-free and which does not have a problem specific to it. But if we want to address that, it would be a conglomeration of the State-specific issues in the General Budget. That is an extremely difficult position. Secondly, when we discuss the Budget, any Finance Minister will expect from his colleagues, as they point out that for this area you have given less, for this area you should have given more, for that area you should have allocated to this extent, at least, from the next year, to please indicate where the Finance Minister will find the money from. (Ends) (Contd. by 4B) RG/6.10/4B

MR. DEPUTY CHAIRMAN: Now, the question is: That the Finance (No.2) Bill, as passed by the Lok Sabha, be taken into consideration. *The motion was adopted.*

MR. DEPUTY CHAIRMAN: Now, we shall take up clause-by-clause consideration of the Bill. *Clauses 2 to 117, the First Schedule, the Second Schedule, the Third Schedule, the Fourth Schedule and the Fifth Schedule were added to the Bill. Clause 1, the Enacting Formula and the Title were added to the Bill.*

SHRI PRANAB MUKHERJEE: Sir, I move: That the Bill be returned.
The question was put and the motion was adopted. (Ends)