

12.16 hrs.

**STATUTORY RESOLUTIONS RE:
DISAPPROVAL OF VOLUNTARY
DISCLOSURE OF INCOME AND
WEALTH ORDINANCES, 1975
AND
VOLUNTARY DISCLOSURE OF
INCOME AND WEALTH BILL**

MR. SPEAKER: We shall take up the next item, Resolution regarding Voluntary Disclosure of Income and Wealth Ordinance, 1975.

Shri Bhogendra Jha. . . he is not there; Shri M. Kalyanasundaram. . . he is also not there. Shri C. K. Chandrappan.

SHRI C. K. CHANDRAPPAN
(Tellicherry): Sir, I beg to move:

"This House disapproves of the Voluntary Disclosure of Income and Wealth Ordinance, 1975 (Ordinance No. 15 of 1975) promulgated by the President on the 8th October, 1975."

While opposing this Ordinance as also the Bill we find that the Government perhaps have got only one argument to substantiate and justify the promulgation of the Ordinance and introduction of this Bill. That argument may be based on the well known saying that nothing succeeds like success.

This Voluntary Disclosure scheme after its promulgation has brought to light about Rs. 1450 crores of black-money and from that amount, the Government is expecting Rs. 200 to Rs. 250 crores to be added to the revenue by way of taxation. These disclosures of Rs. 1450 crores and the expected addition to the revenue has raised the Minister to philosophical heights. For example, after congratulating the officers of the Income-tax Department, the Minister for Finance, Shri C. Subramaniam had stated: 'To err is human, but to have the courage to confess is truly divine. The Minister had raised the black-marketeers and the criminals who committed

crimes knowingly against the society to divine heights and now because they disclosed some of their incomes, that made the Minister to say this.

What is the question now? The question is not what happened after the promulgation of this Ordinance. This Ordinance was necessitated to fight the black-money, to eradicate the parallel economy which is playing havoc in our society. If that was the purpose, then we have to go a little deeper into the matter before we raise ourselves to the exalted heights.

This Government had appointed a Committee, known as the Wanchoo Committee, which presented the Direct Taxes Enquiry Report. That report says about the magnitude of the problem of black-money and the parallel economy in our country. According to Mr. Wanchoo, Chairman of this Committee, in 1968-69 the value of money circulated in the world of parallel economy was to the tune of Rs. 7,000 crores. Another Member of the Committee, Shri D. K. Rangnekar differed from Shri Wanchoo and said that the quantum of black-money is not possibly Rs. 7,000 crores, it could be just double that amount, i.e. Rs. 14,000 crores. There is no dispute when we read this report that the amount of black-money in circulation in our country at that time was between Rs. 7,000 crores and Rs. 14,000 crores. Almost a decade has passed and if we again go by the report, every passing year had added more than a thousand crore of rupees black money to the aggregate total of the black money that we had in our country.

So, safely one can conclude to-day that the problem of black money that we are facing, the dark face of the parallel economy which we are trying to see is something like Rs. 25,000 crores of rupees in circulation. The value of black money is that much. If that is so, then the amount disclosed, I am very sorry to say, is not very much. It is only Rs. 1450 crores

[Shri C. K. Chandrapan]

and all the experts who spoke about this thing agreed that it may not be more than 10 per cent of the total black money which is in circulation to-day. The *Economic Times* of day before yesterday came out saying that when the Ministry finally go into the arithmetics of it, what they would get after eliminating the double disclosure and all that may come to Rs. 1200 crores and the revenue the government is expected to get for the exchequer will also be to the tune of Rs. 200 or Rs. 250 crores. It may also be less.

Now, the opinion expressed by the Wanchoo Committee about the voluntary disclosure scheme itself also is worth noting, because, this is not a new suggestion or a new invention made by the Minister. Formerly we had done it. I am quoting from the Wanchoo Committee.

"A voluntary disclosure scheme is an extraordinary measure meant for abnormal situations such as after a war or at times of national crisis. Resorting to such a measure during normal times and that too frequently, would only shake the confidence of the honest tax-payer in the capacity of the Government to deal with the law-breakers and would invite contempt for its enforcement machinery. Any more disclosure scheme would not only fail to achieve the intended purpose of unearthing black money but would have a deleterious effect on the level of confidence among the tax-paying public and on the morale of the administration. The idea of introduction of any general scheme of disclosure either now or in future is, therefore, strongly opposed."

This is what the Wanchoo Committee said. Then also, the Government did not pay any attention to the suggestion made by that committee.

We have the experience of introducing such schemes. In 1951 this

Government introduced a scheme of voluntary disclosure. The result was Rs. 70 crores of income was disclosed by 21,000 persons and that added Rs. 11.5 crores to the taxes. In 1965 they again tried this. Then, what happened? Rs. 51 crores. Less than what we got in 1951 and by 12,000 persons and the tax revenue was Rs. 31 crores and in the same year, they again tried and they got Rs. 145 crores from 10,000 people and Rs. 19 crores to the tax revenue. This time, they got Rs. 1450 crores from 1,50,000 persons and expect a tax revenue of Rs. 200 crores.

There is a serious question. When we discuss this, we consider this is an immoral action taken by the government. The step taken is thoroughly immoral. Why? Because, the taxpayer, the honest man who pays the tax is penalised for not paying tax by harassing him all these years and he has paid tax and for his honesty he paid more and this Bill now keeps the secrecy of those who disclosed their ill-gotten wealth. They will not tell us who are the people who disclosed this and they will not ask them how they got the money. The officials are given immunity. They need not disclose to Parliament or anybody or even to committees of Parliament. This kind of a thing is a crime committed by the Government against the honest people in this country.

If you go to the results of the voluntary disclosure schemes, immediately after the Ordinance was announced, you will find that the Minister threatened that we will do everything possible and we will intensify the raids. That was a good thing. For that, there was no necessity of ordinance. His hands were free and especially after the emergency with added strength, power, Government could have struck at the very root of the problem of black-money. Government did not do it. But, Government on the contrary, said, you disclose your ill-gotten

wealth, otherwise you will be in trouble. In the last days disclosures were made and thus this result.

Government had to take further steps, steps towards surrender. Government took seven steps towards surrender, to capitulate itself and its policy to the blackmarketeers any to the chieftains of the parallel economy of the country. I would explain all those seven steps:—

- 1 Immunity from confiscation, penalty and prosecution under Gold Control Act and Customs Act.

This was the first step. But immunity and confiscation from whom?

The fact of the matter is that your income tax people have found out the wealth after various searches. They assessed the value of the new constructions in the Malabar Hills, in Bombay, in Madras, in Delhi and many other places. All the actions are now stopped because they have to voluntarily disclose. This is rather strange! This is a shameful position taken by the Government. One they found a thief. They caught him red-handed. Instead of seizing the property they gave him an opportunity. Well, this is the land of Buddha, land of Gandhi, you come and disclose voluntarily! This is a very strange fashion.

2. The second step is about the dropping of proceedings in regard to compulsory acquisition of immovable property.

Government identified the ill-gotten wealth with which immovable properties were purchased or created. But Government said we will not proceed any further if you disclose it.

3. Withholding action under the Sales Tax Law.

4. Exemption from disclosing the nature of source of Income.

This is something very interesting. This, I think, is an attempt to white wash the dirty face of tycoons in the country who are holding black money with them. They are the back-moneyed people who have scuttled your policies. They are responsible for hoarding the grains when the Government took over the wholesale trade in wheat. They are the people who have been financing J.P. movement in this country.

You are speaking so much that you will fight, you will smash the socio-economic base of fascism in this country. Let me tell you the base of fascism. Do you think that this threat has come from heaven? No, it has a social base in this country. That 'social base' is the economic base of the monopoly houses in our country. That 'social base' is deeply rooted in the parallel economy. That 'social base' again is deeply rooted in the economy controlled by the 'kulaks' in our country.

And, if you have got to break that base, then, you cannot go with just folded hands and pray to God, saying, let there be wisdom, let them be honest, etc. That will not do; you cannot treat them like that. But you have done exactly like that. You have not only done that, but you have committed another crime against yourselves. There are gentlemen like Goenka against whom cases are pending, there are women like Gayatri Devi and many other Devis, who became champions of the JP movement, against whom cases were pending. Now, if such kinds of persons disclose a little amount, the Government is so very happy about it, that the further proceedings are stopped. Is this the way to fight these tendencies? I don't know: but this is the dangerous path in which you are trying to move. I would like to strike that note of warning to you.

[Shri C. K. Chandrappan]

Then came another surrender. This is the fifth step that is to say, facility for the same individual to make any number of disclosures on behalf of different tax entities like wife, children, relatives and even employees. Then, who is out of it,

SHRI N. K. P. SALVE (Betul):
Where do you get this, which Section?

SHRI C. K. CHANDRAPPAN: Let him come to the clauses. Mr. Salve, being a lawyer, knows it better. Let him see the clauses. When we discuss the clause, we will discuss this.

Then comes the fifth step, that is, levy of tax on the current value of assets declared. This value would be whatever was the value at the time of acquisition as claimed in the declaration. So, this is another strange step which has been taken by the Government. What is the actual value of the declaration made? Nobody can find that out. Even the Government will be unable to say what it is. Suppose a person says that at the time of constructing a building in 'Malabar Hill' that cost him only Rs. 2 lakhs, even if the value of that same building today may be Rs. 2 crores, if the declaration is only of Rs. 2 lakhs what happens is, he is only responsible for Rs. 2 lakhs and nothing more. In this way, the Government is giving licence to makers of black money. Rs. 193 crores will then again become black money. Mr. Justice Wanchoo has stated that black money is a peculiar phenomenon. It would breed more black money. Now, the Government becomes a party in that effort of those people having black money to breed more black money in our economy. That will not help anybody.

And then, see the last one, the absence of any challenge of the claims made by the declarant. Suppose I declare Rs. 10 or may be Mr. Goenka

declares. The Government will not say anything. They will happily accept it. They will accept that Rs. 10. Rs. 10 will be added to the voluntarily disclosed amount. The Government could not have brought forward a more ridiculous scheme than this. This is the crux of the matter. And, in this context, certain other things also should be told to the Government and told to this House.

The Government says that they have succeeded, that is to say, they have got greater amount of money, disclosed from the parallel economy, from this world of black money. What has actually happened? Why did it not happen in 1951 and 1965 and why should it happen only today? The fact of the matter is, today there is emergency. And this emergency has put the fear of God into the minds of these people,—not that Mr. Subramaniam today sees them as angels of virtue, fluttering around now! It is the fear of hell into the minds of the tax evaders, they thought that they will be punished and that they will have to face the serious consequences that had helped the disclosure. With that fear in the minds of the people, the condition was there in our country to mobilise the all round support of the people to unearth the black money and weed out this malady from our socio-economic life. Instead of doing that, the Government merrily went and shamelessly surrendered to the black money. That is what our criticism is about this. What is this black money? The black money means a parallel economy, it means corruption, it means hoarding, it means ostentatious and vulgar spending; it also means boot-legging, vandalism and it also means, in short, creation of fascist atmosphere in the country.

Government instead of fighting it and instead of demolishing the edifice of black money and parallel economy, just went with folded hands to worship at the feet of the cheats of the parallel economy. This is our complaint.

Before I conclude, I would also bring to the notice of this House the fact which was revealed by this Minister; in 1974, 2029 raids were carried out and they got Rs. 17 crores of concealed income. This was answered by him in regard to a question in the other House. In 1975, upto November 30, 1523 raids were conducted. After declaration of emergency, in 1975, it has become 1523 from 2029 in 1970.

The figure was Rs. 17 crores in 1974 and it has come down to Rs. 14 crores in 1975. What does it show? It shows the Government slackened itself. It sat leaned back without going further with a new vigour and with enthusiasm with which it should have done. If they had done that, then, I am very sure, the results would have been much better even with this voluntary disclosures scheme.

There is now another danger. The hon. Minister himself, after the voluntary disclosure scheme was concluded, made a statement. He made it clear that 'it was not necessary that the law should take its own course now that the period of leniency was over. The policy of forget and forgive was over.'

He is modern Jesus Christ, so to say. Let me remind him what Jesus Christ said about the black marketeers —'if I see a blackmarketeer in the church, with a whip I will beat him and send him out'. Here are our Ministers who are saying 'the period of forgetting and forgiving is over.' But, even then, he told the black-marketeers to go and again confess as there was a possibility that the officials might give them some discretionary concessions. There is this danger even after the voluntary disclosure period is over. There this danger of the bureaucracy using the discretion in favour of the black-marketeers is on the horizon. This is a very serious danger. Now to conclude, I must say that to-day or

tomorrow you will have to sit down and make out your accounts of how much you got and what was the result of it. I am very sure that when you go to writing down in black and white your account, the big amount about which you are tom-tomming to-day, will be much less than what you claim now. Secondly, the amount also should be understood in the present context when the value of rupee has gone higher than it was in the last decade. When the other schemes were introduced, you would find that what you got disclosed is nothing more. I have made some studies about it. In 1951, the disclosed amount was 0.75 per cent of the GNP. and in 1965 it was 1 per cent and in 1975 it will be 1.75 per cent. You can clap and have the ovation for 1.75 per cent but when the ovations are over you will be in the dock where you will find that you are with the hoarders and black-marketeers who are controlling the parallel economy in the country.

So, Sir, I request that the Government should consider all this and this Bill should be withdrawn and the House reject this Ordinance and, I hope, the Government will agree with this and scrap this exercise in futility. With these words I oppose this Bill and request the House to reject the Ordinance.

SHRI ERASMO DE SEQUEIRA
(Marmagoa): Mr. Speaker, Sir, I beg to move:

"This House disapproves of the Voluntary Disclosure of Income and Wealth (Amendment) Ordinance, 1975 (Ordinance No. 23 of 1975) promulgated by the President on the 29th November, 1975."

Sir, these two ordinances that are now before the House and the Voluntary Disclosure Bill to my mind are a very good example, or a very bad example, of the cynicism of this Government.