

**STATEMENT BY SHRI Y.B. CHAVAN MINISTER OF FINANCE PROPOSING  
ADDITIONAL MEASURES FOR MAXIMUM MOBILISATION OF  
RESOURCES FOR DEFENCE EFFORT**

Sir,

I rise to take the Honourable House into confidence regarding the additional measures we propose to adopt for ensuring the maximum mobilisation of resources for the defence effort. But before I do so, I would like to review briefly the developments since the presentation of the Budget in May.

2. Honourable Members will remember that the regular Budget for the current year as it was finally passed had envisaged a substantial increase in the outlay on the Plan and on social welfare as also a modest provision of Rs. 60 crores for providing relief to refugees from Bangla Desh. The last provision had to be increased by Rs 200 crores in August and another demand for Rs.100 crores is before the Parliament.

3, In addition to this staggering burden of refugee relief which has been mitigated only in part by assistance from the international community, we have had to reckon with natural calamities in a number of States including the devastating cyclone that hit the coast of Orissa; and these have necessitated much larger assistance from the Centre to the States concerned. Defence expenditure is also likely to exceed the provision envisaged in the Budget. We have not stinted and will not stint in ensuring that our armed forces are well equipped to carry out their heroic responsibility to safe-guard the integrity and honour of the motherland.

4. Against this background, it has been our endeavour for the past several months to keep the fiscal position under constant review. Our first endeavour has been to ensure the utmost economy in non-Plan expenditure. Guidelines have been issued to the Central Ministries to curtail their non-contractual non-Plan expenditure to the extent of at least 5 per cent and we expect this to result in a sav-ing of Rs.50 to 60 crores. We have also urged the State Governments and public sector enterprises to attempt similar economies. In the matter of Plan expenditure too, the Planning Commission, in consultation with the Ministries and the States, has been currently engaged in an exercise to explore the scope of effecting economies in Plan projects without affecting the progress of continuing schemes. We have also held a series of meetings with the Chief Ministers with a view to bringing about an orderly reduction in the size of the States' overdrafts with the Reserve Bank of India.

5. Alongside with these steps to restrain fiscal expenditure, the Government have been endeavouring to augment resources. The Board of Direct Taxes has been asked to expedite the collection of income and corporation tax arrears; and total collections under direct taxes this year may well exceed the Budget Estimates by Rs. 70 crores. Owing to the liberalisation of import licences, I also expect from collection from Customs to be higher by about Rs. 80 crores than what was earlier thought of. An improvement in the realisation from small savings over what was indicated in the Budget is also expected; and the net yield from market loans has already been better than what I envisaged at the time of the Budget. Apart from improved collections from existing taxes and other revenue heads, Honourable Members are aware that I have also initiated some steps in recent weeks to raise resources through fresh imposts. I am grateful for the most understanding cooperation extended by the States in this matter. These measures have had a salutary effect in curbing the overall deficit that was threatening to emerge. But even so, during the first eight months of the current year. i.e. from end March to end November, the Centre had already incurred a deficit of Rs. 340 crores as against the provision in the Budget, as finally passed by the Parliament, Rs. 233 crores for the year as a whole.

6. The desperate attack launched by Pakistan has now added a further dimension to our economic and fiscal tasks. As I have already said there is no question of our stinting on the defence effort, Honourable Members may rest assured that whatever extra outlay will be necessary to back up the heroic deeds of our forces will be provided for. In addition, the suspension of economic aid on the part of some foreign countries may call for a fresh look at our overall resource position; whatever has

to be done on this score too will be done. Honourable Members are aware that in addition to the greatly increased capability of our industry and agriculture, we have improved our foreign exchange reserves considerably over recent years. As long as we remain united and determined in our purpose, there is no need for any apprehension whatsoever that we can be deflected from our just course by any threats or pressures, economic or otherwise.

7. All this calls for a careful husbanding of resources in the economy, and the adoption of fiscal and other measures appropriate for promoting economies, including economies in the use of foreign exchange. In this task, the entire people have to cooperate with the Government. For, what the nation abstains from utilising is what is available for the defence effort. On the other hand, it is all the more incumbent upon us at the present juncture to ensure that prices are kept stable and essential supplies are made regularly available particularly to the weaker sections.

8. The Defence of India Rules now permit us to deal effectively with the pricing and distribution of essential goods. I would however hope that on their own, the responsible sections of the community, including industrialists and traders, would take such measures as would make it unnecessary to have recourse to the Defence of India Rules. While I am aware that trade union leaders and others are doing their utmost towards strengthening the defence effort, I hope they would also exert their influence towards restraining such demands as could lead to an added strain either on the exchequer or on prices. Similarly, companies too, I hope, would follow a policy of restraint regarding the distribution of dividends.

9. I have little doubt that, irrespective of creed or class, each member of the community will contribute his or her mite to the defence effort. Honourable Members are aware of the important role of the National Defence Fund. On two occasions during the past decade, when we were similarly attacked, namely, 1962 and 1965 we had a most encouraging response from the public to this Fund. The response on the present occasion, I am sure, would be no less. In contributing to the national effort, we should not also overlook the needs of other agencies such as the Red Cross or the Prime Minister's Relief Fund on which also much greater responsibility— will devolve at the present juncture.

10. There are in addition several other special schemes in operation for the mobilisation of savings, including the large array of national savings certificates; and I would urge that the people contribute generously to these schemes too. In this connection, I wish to express my appreciation to representatives of Central Government employees who have shown the utmost sense of responsibility and patriotism in offering, as I will have occasion to elaborate in another statement which I propose to make shortly, that a part of their emoluments may be credited to their provident fund accounts or to the National Defence Fund. I hope and trust their example will be followed by all sections of society who will save additionally at least one day's income in a month and contribute it to the National Defence or to the various savings schemes.

11. We are proposing to float soon a new series of National Defence Loans to which banks and other institutions should be in a position to contribute substantially. It is my hope that the response to these National Defence Loans will not be less than Rs. 100 crores.

12. But Honourable Members will appreciate that we have to be prepared for all eventualities. We must take measures whereby a general restraint would be exercised on the demand for imports. We have also to take particular care to restrain the use of strategic commodities, such as steel and steel products, as well as of non-ferrous metals such as zinc, aluminium and copper. Whatever fiscal measures would bring about a reduced level of utilisation of imported goods and, in general, would lower consumption of scarce commodities have to be enforced in the present circumstance

13. Powers are already available under Section 4 of the Finance Act, 1971 to impose a levy by way of a regulatory duty on customs to exercise restraint on imports. I propose to avail of this power in the

present context and impose a general levy of 2.5 per cent of the value of all imports with the exception of foodgrains, books and a few other special categories. In addition, the same regulatory provision is also proposed to be invoked to impose on a few specified items a higher rate of duty of 10 per cent.

14. A corresponding provision exists in Section 7 of the Finance Act, 1971 giving the Central Government powers to impose regulatory duties of excise to achieve a similar purpose in relation to domestically produced goods. It is proposed to invoke this provision in relation to a few commodities, such as iron and steel products, copper, zinc, aluminium and unmanufactured tobacco. The additional duty on iron and other metals will apply only to domestic production without any corresponding countervailing duty on imports and will thus narrow the difference between domestic and import prices. The duties on the three non-ferrous metals are so graded as to promote general economy in their use as well as to encourage greater use of aluminium. The duty on unmanufactured tobacco, which was not touched in the last Budget, will yield a significant revenue of about Rs. 9 lifts in a full year.

15. There is one further proposal in relation to the jute industry where profitability has increased greatly as a result of buoyancy in the market for jute products both at home and abroad. I propose to take advantage of this situation and increase the export duty on carpet backing and hessian by Rs.400 per tonne. I also propose to increase the excise duty on sacking by Rs. 175 per metric tonne.

16. Notifications giving effect to all the above proposals are being issued and these will come into effect immediately. Copies of these Notifications are being laid on the table of the House.

17. It is also proposed to levy a surcharge of 2.5 per cent on income-tax payable by all companies, including foreign companies. The new surcharge will be applicable with reference to current incomes which will fall due for assessment in the assessment year 1972-73. It will not be possible to collect the new levy through the existing scheme of advance tax payments in the Income-tax Act. It will, therefore, be necessary to sponsor a Bill to achieve the object. The bill will, inter alia, provide that an amount equal to 2.5 per cent of the advance tax otherwise payable for the financial year 1971-72 should be paid before 15.3.1972. Credit in respect of the surcharge thus collected will be allowed against the income-tax liability for the assessment year 1972-73. The yield from this measure in a full year will be of the order of Rs. 10 crores out of which Rs. 7.5 crores is expected to be realised this year. I am bringing forward a separate bill to give effect to these proposals.

18. The combined revenue effect of all the measures proposed will be Rs.135 crores in a full year of which Rs.60 crores will be under Customs and Rs.65 crores under Central Excise. In the remainder of the current fiscal year, the yield will be roughly Rs.40 crores.

19. Honourable Members, I am sure, would agree that the measures I have proposed will strengthen the economy in meeting the present challenge. The heroism and valour of our men in the Army, Navy and the Air Force and in other para-military forces demand a similar dedication on the part of all of us to contribute our utmost to the defence effort. Sir, it is in that endeavour that I have claimed the indulgence of this Honourable House to make this statement.

(December 13, 1971)