

Thumbs down on 'Thums up' probe

BY OUR SPECIAL CORRESPONDENT

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The government today rejected the demand from the members belonging to the ruling party for a CBI investigation into the alleged cheating by manufacturers of "Thums up".

Though members, notably Mr. K. Lakkappa, from the treasury benches persisted with the demand for a CBI probe, the finance minister, Mr. R. Venkataraman took a firm stand that there could be no CBI inquiry without specific charges.

Mr. Venkataraman told Mr. Sanjay Gandhi that the question of cheating by the company did not arise under the excise notification in vogue at that time. The Parle group of companies could not have been taxed higher duty as there was no cola content in the soft drink.

Raising the question, Mr. Sanjay Gandhi had suggested that the government had lost revenue worth Rs. 2.5 crore since the drink was not entitled to the concessional duty.

Mr. Venkataraman explained that the concessional rate of assessment of 25 per cent. **ad valorem**, as against the statutory rate of 55 per cent **ad valorem** for aerated waters or soft drinks became operative from July 4, 1977 and was dependent on the absence of extracts of cola nuts in them. This concessional rate was also conditional on a quantity limitation of the number of bottles being not in excess of 50 lakh in a financial year, cleared by a manufacturer or on behalf of a manufacturer from one or more factories.

The chemical test conducted on "Thums Up" showed the presence of caffeine. Caffeine is the active ingredient of cola nuts, but there are other sources of caffeine in tea dust or decaffeinated coffee. It is understood that while it is possible to establish the presence of caffeine by chemical test it is not possible to determine its source.

Hence even though "Thums Up" contained caffeine, the manufacturers declared it as "not containing extracts of cola nuts" and the

concessional rate had to be allowed to them subject to the quantity limitation as prescribed in the notification.

Concessional assessment under notification issued in 1977, as it then stood could not be denied to the manufacturers. The minister, however, added that the notification of July 4, 1977 has since been rescinded on March 1, 1979. The concessional rate, which was now 30 per cent. **ad valorem** had been made dependent on the absence of caffeine as such, and has not been related to the number of bottles cleared.

Apparently not satisfied with an elaborate statement the finance minister had made in this regard, a number of other issues were raised. And as a result, this question took nearly twenty out of the sixty minutes for the question hour.

Mr. Sanjay Gandhi wanted to know what the government proposed to do regarding the case registered against this company for violating the Foreign Exchange Regu-

lation Act which had been withdrawn under pressure from Mr. Morarji Desai, former Prime Minister.

Mr. Venkataraman replied that he would require a separate notice on the FERA violation question.

Mr. Gandhi, Mr. Lakkappa and others then drew the attention of the finance minister to the fact that the government had suspended an advertisement that the drink was "a refreshing cola", but the advertisement was reintroduced under Mr. Morarji Desai's instructions. Members asserted that it was a clear case of cheating by the company since the drink did not contain cola nut.

The finance minister said that so far as he was concerned the question really was whether there had been cheating in tax payment. As the notification then stood, there was no loss of revenue. It was a case of misleading advertisement, but under the Indian Penal Code there was no cheating involved, Mr. Venkataraman added.