

MR. CHAIRMAN: You are mistaken. At the production stage it is excise duty.

SHRI MANUBHAI PATEL: Will they see that it is levied only at the initial stage and it is abolished at all other levels.

SHRI SAWAI SINGH SISODIA: There is a widespread and longstanding demand from various Chambers of Commerce, associations of industries and trade and the general public for basic reforms in the sales tax structure prevailing in the country. In terms of the election manifesto of our Party, the present Government is committed to explore the possibility of replacing the existing sales tax structure with a more modern, effective system so as to afford relief to customers. The Government have to keep all these things in mind. Therefore, this Committee has been appointed to consider certain items in detail and submit the report.

As far as prohibition is concerned, the question is not relevant.

MR. CHAIRMAN: I do not think that we need to spend any more time on this question since the entire thing is being reconsidered.

SHRI R. MOHANARANGAM: Sir, four resolutions were passed in 1980 at the conference of Chief Ministers of different States of our country. Out of four resolutions, three were dissented to by the Chief Ministers of West Bengal, Tamil Nadu, Kerala and Tripura. Sales tax is considered as KAMADHENU of all taxation measures of our country. It was invented by our late lamented leader, Rajagopalachari in Tamil Nadu. I do not know whether sales tax can ever be replaced by introducing some other excise duty. If it is changed into some other tax, will it not affect the revenue of the States and reduce their revenue?

SHRI PRANAB KUMAR MUKHERJEE: Here I would like to clarify one

point to which the hon. Member has referred. It is known to all that this is an issue involving the State Governments. When the other side was running the Government, they also had made a commitment to abolish sales tax. They could not do it . . .

SHRI MANUBHAI PATEL: If we were allowed to complete five years, we would have done it.

SHRI PRANAB KUMAR MUKHERJEE: The basic point is that the States are afraid of losing their revenue or the elasticity of their revenue. Therefore, my colleague in a meeting of the Chief Ministers tried to impress upon them that it would be possible through certain mechanism to ensure that their existing revenue would be protected and not only that, it was possible to increase their revenue by making it elastic enough so that their future requirements, could be accommodated. In that context in the second Conference of the Chief Ministers, certain propositions were made. Then, these three State Governments objected to it. Certain other States agreed to the proposals. Then a Committee was appointed and the Committee is looking into it. Unfortunately, the Chairman expired and as a result there is some dislocation and as I have pointed out it will be taken care of in course of time. But this is not a very simple formulation. We just cannot take a decision which will disturb the States' revenue and their resources. At the same time the traders and a very wide section of the community want that there should be some sort of scientific approach towards the problem. We are trying to strike a balance between these two competing demands.

**WELCOME TO HIS EXCELLENCY
MR. LEON BOLLENDORFF, PRESIDENT
OF THE CHAMBER OF
DEPUTIES OF LUXEMBOURG**

MR. CHAIRMAN: May I have your attention, please? I have an announcement to make.

We have with us this morning, seated in the Special Box, His Excellency Dr. Leon Bollendorff, President of the Chamber of Deputies of Luxembourg, who is on a visit to India from the 21st to 27th February, 1982.

On behalf of the Members of the House and on my own behalf, I take pleasure in extending a very hearty welcome to the distinguished guest and wish him a very enjoyable and fruitful stay in our country. He has already had a glimpse of our country and I hope by the time he leaves us, he will have learnt more about our country and our people. Through him, we convey our greetings and best wishes to the Chamber of Deputies and the friendly people of Luxembourg.

ORAL ANSWERS TO QUESTIONS— contd.

SHRI PILOO MODY: Mr. Chairman, Sir,....

MR. CHAIRMAN: You are on prohibition or on sales tax?

SHRI PILOO MODY: I am on the question of sales tax. Anyway, I will ask after him.

SHRI N. P. CHENGALRAYA NAIDU: Sir, when Rajaji introduced sales tax, it was only $\frac{1}{2}$ per cent and now the States have taken it to about ten per cent or so. There is no control over the State Governments. That is why I want to know from the honourable Minister whether there is any proposal with the Central Government to have some control over these people so that these people do not increase the sales tax as they like. Due to the sales tax, Sir, there is corruption and there is also harassment. So, it is better to abolish it and have excise duty instead of sales tax. I want to know from the honourable Minister whether they are going to do it or not. You are asking the State Governments. But no State Government would agree to leave its right. So, it is for the Central Government to

do it. Instead of asking the State Governments, you straightway take some decision and implement it.

SHRI PRANAB KUMAR MUKHERJEE: That is within the constitutional right of the State Governments and the honourable Member knows it. So far as the sales tax is concerned, if you want to have any rationalisation, we shall have to try to do it with the consent and concurrence of the State Governments and we cannot ignore them.

MR. CHAIRMAN: Yes; you cannot ignore them and you cannot order them. Yes. Mr. Mody.

SHRI PILOO MODY: Mr. Chairman, I would like to know one thing. I think that it is generally agreed by all concerned that sales tax is one tax which must go. However, there are certain State Governments which are reluctant to let it go because of the facility which the honourable Minister has already explained. I want to know whether all the States have to wait till something like this takes place or something can be done for making these four States realise how much more profitable it is to do away with sales tax and have some other facility in the place of sales tax. Further, is it possible to do it piecemeal or it has to be done all at one time?

SHRI PRANAB KUMAR MUKHERJEE: If the honourable Member wants to point out what the constitutional right is, I am not here just going into the question of constitutional rights of the States. But it would depend on the individual commodities also in which certain States may be vitally interested. But our approach is just to take them along our line and convince them. As Mr. Venkataraman explained earlier, it would be inelastic and the moment you bring it within the purview of additional excise duty, the scope of its elasticity would be limited as has been pointed out. Sometimes the taxes have gone up from $\frac{1}{2}$ per cent to 10 per cent or 12