

MR. CHAIRMAN: I am not hesitating. I will have to decide.

SHRI BHUPESH GUPTA: You decide and...

MR. CHAIRMAN: Very good.

**THE CENTRAL SALES TAX (AM-
ENDMENT) BILL, 1978—contd.**

SHRIMATI SUMITRA G. KUL-KARNI (Gujarat): Sir, this morning's discussion is about the Central sales tax and which should be exempt—By this amendment it is proposed to increase the list of the declared items which should be included for Central sales tax and which should be exempted from the State sales tax list. Thereby, we are adding, as per this amendment, pulses, foodgrains, crude oil and other essential items to this list of declared items for which the Central Government will be regulating the sales tax.

Another aspect of this Bill is the definition of export. Here, the definition is being widened so that all the goods which may not be directly intended for export, even if they may be passing through intermediaries or through agents, will be exempted from this sales tax.

These are the major recommendations of this amendment, which are very wholesome. And nobody can have any quarrel with that. However, as we know, every issue has two aspects. And I have a serious reservation whether we have examined in detail the other aspects and implications of the recommendations about this sales tax, which are put in this amendment.

As we look at it, in each State the major source of revenue is the sales tax. But there is also the land revenue. We know through experience over the years that land revenue is gradually dwindling because there are thousand and one exemptions from land revenue collection. It is

not that anyone can quarrel with those exemptions; they are very rightly given to the marginal farmers and other weaker sections. But the fact remains that the income from land revenue that the State is getting is going down gradually. Also, industrialisation is increasing. Therefore, the major source of revenue in a State is only the sales tax that it imposes on the goods produced and sent out of that State. As per this things, you will see that the major portion of revenue is only the sales tax and this is attacked by this particular amendment.

Now, I will give the example of one or two States. It applies to the rest of the country also. Take Kerala. Kerala will be losing, as per this amendment, Rs. 23 crores annually. Most of their items are export items like coir, cashew, copra, rubber and other things. They will be losing revenue to the tune of Rs. 23 crores annually. Similarly, take Maharashtra. It will be losing about Rs. 25 to Rs. 27 crores. Now I come to Gujarat. Gujarat will be losing about Rs. 10 crores of revenue. I will explain how we will be losing. Gujarat and Assam are the two States which are producing oil. Crude is added to this list of declared items, with the result that Gujarat will be losing nearly Rs. 5 crores purely on the sale of crude oil. Today Gujarat gets about Rs. 10 crores worth of revenue from the sales tax imposed on the sale of crude which is produced in Gujarat. That will be slashed by 50 per cent because, according to the amendment, the maximum amount of sales tax that a State can impose is not more than 4 per cent.

Today Gujarat imposes on its crude oil eight per cent sales tax. Now, straightway from Rs. 10 crores, it will become Rs. 5 crores. That is the direct hit that Gujarat State will be suffering just as Maharashtra. Kerala, Andhra Pradesh and other States will also, in turn, be suffering on account of this amendment.

[Shrimati Sumitra G. Kulkarni] Sir, my point is that this may be necessary and this may be considered, but the Government's decision has to be taken on an all-India level after considering all the aspects. It cannot be taken in a piecemeal way. My fear is that we are looking at it from the Banking Ministry's point of view and we have not taken an integrated view of this sales tax amendment. I will show how it is so. Now, on the one hand, the Planning Commission has stated time and again that every State should become self-sufficient and raise its own resources for its development projects and that the States should stand on their own feet as far as their development projects are concerned. This is the exhortation of the Planning Commission very seriously made that in future, the Centre cannot be supplying them all the money needed for the implementation of their development Projects, and that the States should raise their own finances for carrying out their development work on the other hand, here is this Sales Tax (Amendment) Bill whereby the States' revenue dwindles. On the one hand, we are taking away their right to raise revenue and, on the other, we are insisting, on behalf of the Planning Commission, that the States should become independent as far as finances are concerned.

Again, Sir, let us take another issue. You will recall that the sixth Finance Commission under the Chairmanship of Shri Brahmananda Reddi, the present Home Minister, had recommended that the States should take care of all the drought and scarcity conditions and any natural calamity that may be faced by the States, on their own, that the Central Government would not be in a position to meet this extraordinary expenditure and the Central assistance would be limited. As far as Gujarat is concerned, I know it is only Rs. 4 crores annually. Otherwise, for the other States all over the

country, this figure has been drastically cut down. Now, if these recommendations of the Sixth Finance Commission are there, then naturally every State will have to have finances for meeting these natural calamities. Gujarat, as I have already repeated on earlier occasions in this House, has suffered drought and scarcity conditions. It had a cyclone last year and right now it is having stupendous rain. Therefore, in the face of all these natural calamities, already Gujarat State has incurred an expenditure of Rs. 125 crores on those items. Now, Sir, out of that, only a sum of Rs. 4 crores is to be given by the Centre. The rest, Rs. 121 crores, is left to be borne to the Government of Gujarat. Now, if it has to find this amount by itself, if it has to adhere to the recommendation of the Sixth Finance Commission, I would like to ask the hon. Minister as to how it is going to do it. From where are we going to get finances? The major source of revenue, that is, sales tax, is being reduced, on the one hand and, on the other, a request is being made to the State Governments to take care of their finances themselves. Where is the integrated policy? I feel that there is a serious contradiction. Obviously the Planning Commission, the Sixth Finance Commission, the Ministry of Finance and the Banking Department do not seem to have any co-ordination and they do not seem to have any integrated policy decision on this issue. Until and unless this issue is taken up in this light, I do not think we can implement this kind of suggestion of the Sixth Finance Commission or carry out the exhortation of the Planning Commission. So this is the basic weakness of this amendment which I feel requires a second, very serious thought. It is perfectly all right that the Centre should regulate the essential goods, their disposal and their movement all over the country. But for this purpose, should we reduce the sales tax revenue of the States? There is also the question of relations between the States and the Centre. What kind of liberty we want to give to the State admi-

illustrations, how far it is in our interest that the States should have their own privileges and raise their own finances, these are the various problems which come up because of this Sale? Tax (Amendment) Bill.

In the end, if these amendments are considered necessary, then I think the Government should come up with a proposal whereby the States can take care of their finances. Again and again I have raised it before this House and now again I cannot help repeating that the question of royalty on the crude produced in Gujarat has been hanging fire for the last six years. Sir, Gujarat and Assam are the two States which are producing oil. They have been requesting for some relief in this regard. For instance, our demand is for only 20 per cent *ad valorem* of the international posted price. That is, out of Re. 1/- we want 20 paise. If that is given to us, then the sales tax will not reduce the finances of Gujarat. That will take care of developments in that State, that will take care of the drought and scarcity conditions and natural calamities in that State. These are the things which we must consider. Otherwise, there will be a serious financial dislocation in these States. Their economic development will be impeded and financially the States will become so weak that they cannot even implement the Twenty Point Programme. And they will not be able to bring about the economic regeneration of the backward areas without financial help. The States will be looking to the Centre for financial help and the Centre will not have enough finances to help the States. This will create such a problem that our progress will be retarded. For this reason, I submit to the hon. Finance Minister to examine this issue before we increase our list of items of declaredness or widen up the definition of export goods. This is going to hit the economic viability of every State and unless this aspect is taken care of we will be in a serious difficulty which no Minister would like to take place.

SHRI M. ANANDAM (Andhra Pradesh): Mr. Chairman, I support

this Bill. I heard with interest the speech made by Shrimati Kulkarni, my colleague, just now.

[Mr. Deputy Chairman in the Chair]

I have also heard the speeches of various Members of the Lok Sabha opposing this Bill. Most of them seem to be led away by the misapprehension that the States are going to lose crores of rupees of tax, if the provisions of the Bill are implemented. There is need for me to explain in a short manner the Constitutional responsibility of the States for levy of sales tax.

Mr. Deputy Chairman, you may be aware that under the State List tax on sale of goods excluding newspapers is within the purview of the States. Other taxes such as tax on inter-State trade and commerce and on sales during the course of inter-State trade and sales outside the territory of India are outside the purview of the States. For quite some time the States thought that by not having power to levy tax on inter-State trade and commerce, they have been losing lot of revenue. It was then felt that the Central Government may come up with a proposal to have a Central sales tax law in order to levy tax on inter-State and commerce and by virtue of this Act the administration of the Central sales tax has been given away to the States so that even with regard to the inter-State sales, the revenue derived has gone to the States. Now, the question is with regard to the sales outside the territory of India or sales in the course of export or import.

There is a provision in the Constitution, namely, article 286(1), which says that no tax can be levied in respect of sales outside the territory of India or if they are in the course of export or import. But again the same article says that in order to determine what is sale in the course of export and import, the Parliament should formulate principles. It is not for the Central Government to decide by notification. It is for us in the Parliament to enact a law to say

[Shri M. Anandam] what exactly is sale in the course of export or import. Section 5(1) and (2) of the Central Sales Tax Act has defined what exactly is the sales outside the territory or sale in the case of export or import. Now, in respect of sales made which are definitely ascertainable as sales outside the territory of India or in the course of export trade, it may be said that these should not fall within the scope of the State Legislature. It so happens that many of the industrialists are unable to make direct sales to the foreign buyers. There are two reasons for this. One reason is that they are so small in number that they cannot have any direct contact with the buyers outside the country. So, they have to canalise it through the export houses. The second reason is this: After the State Trading Corporation has taken over the export trade and also after the MMTC has taken over the export trade, many of the goods that are purchased in India have to be canalised through these two Corporations. So, in effect though the small buyers or the small exporters have been exporting goods and have been entering into contracts with the two Corporations, the STC and the MMTC, on an FOB basis, they cannot get any exemption from the Sales Tax merely for the reason that there is no direct contact between the exporter here and the foreign buyer there. This is exactly the implication of the decision in the *Muhammed Serajuddin* case. The *Serajuddin* case was a case where *Serajuddin* entered into a contract with the STC for the export of iron ore to foreign countries. They entered into a contract on an FOB basis and on an identical basis the Corporation also entered into a second contract with the foreign buyers. Now, the Supreme Court held that these two were separate sales though they are inextricably connected with the export of *common Utes*. Unfortunately, as there are two sales, the first sale is not covered by section 5(1) of the Central Sales Act. This is their decision. So, Sir, what exactly Parliament is trying to

do is to get over this technical difficulty and see that the export trade is protected and see that the State Governments do not take advantage of this decision and tax all the export transactions. If one properly understands the implication of this provision, one will know that it only deals with cases where you can very well establish that the seller who has canalised it through the STC has not only the intention to export it, but also has made all precautions to see that the goods are really exported and not diverted to any other place. The decision has, therefore, to be remedied properly or removed and I think Parliament is now trying to do just that. What I want to say is that if the States are losing tax, they are not losing something which they are legitimately entitled to, but they are losing something to which they are not entitled at all. So, there is no use blaming Parliament unnecessarily for passing a law which is just trying to remove a lacuna in the Act.

There is another thing which I wanted to say. The new sub-clause (3) to section 5 of the Act which is now being introduced is given retrospective effect from 1-4-1976. But I can very well say that within the mischief of this section, the States have been levying taxes on the sales and this has been there even earlier. I would very much feel pleased if this section is given retrospective effect from the time the Central Sales Tax Act was introduced or was implemented in the States.

Then, Sir, the other thing to which there is some opposition is with regard to the question of enlarging the number of items the category of declared goods. If we just go through the list of declared goods, we will find that most of them are cereals and pulses. But the one salutary item is crude oil. We know that cereals and pulses are essential commodities, essential for the community, especially the poorer sections of society.

We have been seeing that a number of States, especially States like Andhra

Pradesh which is considered to be the granary for paddy in India, have been paying a tax of 7 per cent on paddy. They have also been paying a levy of 4 per cent on rice. If it is proved that the rice has remained within the State, they get an exemption of 4 per cent on rice, but if it is exported to other States they have to pay 4 per cent tax; they do not get any exemption. So much so, most of the sales that are made outside the State have been carrying with them a sales-tax of 7 per cent. Now, because of this there are two things that have been happening. One is that there is a lot of smuggling going on between States and States, so far as rice and paddy are concerned. By this the State is not only losing the Central tax but also the State tax. The second thing which is happening is that the cost of rice has gone up like any thing, and it has become worthwhile for some of the merchants not to show any turnover at all in their books. They think of evading the tax. That will be benefiting them very much. My own inference is that with this reduction to 4 per cent the traders do not think it worthwhile any more to evade tax and they show the correct turnover. And by showing the turnover, I feel there is a boost in the turnover and whatever is lost on account of reduction in the rate of tax is made up by the additional turnover that is shown by the dealers. Therefore, let us not feel that because of this the State Governments are losing anything.

Then, Sir, finally I would like to say one thing and close. With regard to crude oil, it has been said that by reducing the tax from 8 per cent to 4 per cent, the State Governments are also going to lose heavily. I would like to know what exactly is the motive behind this. State Governments pay a tax of 8 per cent on crude oil. Crude oil, as you will understand, is in crude form and not in finished form and cannot be used. It is just because you have the local advantage that some of these oil resources are available in Maharashtra and Gujarat that you have the advantage of levying a tax of 8 per cent. But actually this crude oil is

taken to various refineries, and it is refined. Petroleum products go to various States. They are again levying a tax of 11 to 12 per cent on all petroleum products. So just because you have the advantage of raw material in your state, it is not just and proper to levy a tax of 8 per cent on crude oil.

There is another thing which Mrs. Kulkarni pointed out, which I want to refute. She said that under section 14 of the Central Sales Tax Act by declaring crude oil as an essential commodity they were depriving the State of this revenue. Actually it is not so. If she refers to section 15 of the Central Sales Tax Act, she will find what exactly is implied by declaring goods. You can only levy the Central sales tax, and not the State tax. That is, if you pay the Central sales tax, the State tax has got to be refunded. It has got to be refunded. And we see, Sir, that the Central Act is also operated, implemented or administered by the State Government and resources are going only to the State Government, and actually there is no loss to the State Government. They are getting one tax whether it is inter-State tax or anything else. Therefore, the State Governments do not lose anything. The only difficulty is that instead of 8 per cent single tax, they will be getting 4 per cent single tax.

With these remarks, I whole-heartedly support the Bill.

SHRI D. P. SINGH (Bihar): Mr. Deputy Chairman, Sir, I welcome this Central Sales Tax (Amendment) Bill. This is so in spite of the fact that, as various hon. Members have pointed out, many of the provisions might hit my State more than many other States. As I had occasion to point out in the past, many of the legislations have been at the cost of my State. Nationalisation was at the cost of my State. Socialism was at the cost of my State. Acquisition for the prosperity of the country was at the cost of my State. My poor State has suffered and endured all that in the hope that when this

[Shri D. P. Singh] nation and the nation's economy is strengthened, the Finance Minister will take a kindly view of things and make sufficient and necessary allocation for the development of my State.

Sir, Article 286 of the Constitution has been a little baffling and the history of this legislation and the history of this constitutional provision would show that every word of this article has been subject to conflicting decisions in various courts, including the Supreme Court. I deal with sales first. There have been numerous decisions all over the country and sometimes it has taken 15 years to decide—I do not know whether it is the final decision—as to what a sale is and whether it is a sale at all. Later on, when it was getting somewhere, the question arose as to what is an inter-State sale and ultimately the Supreme Court decided it in the United Motors case. No sooner than we had collected revenue going up to crores of rupees, than the Supreme Court itself changed its decision in the case of Bengal Immunity and thereby caused a serious loss of revenue to our State. Well, whatever it may be, now the Central Government seems to be proceeding on the line that in the matter of exports at least they will clearly state that not only the last sale which has taken place for the purpose of export, but immediately anterior sale where the buyer made it for the purpose of export would also be exempted. I see that this is a very very valuable, necessary and proper amendment because that augments our capacity to compete in the world market in the matter of limit-items of goods that we are exporting and in the matter of a large items of goods that we hope to export in the near future. Sir, more than this provision, I see in this a direction and the direction is to streamline the collection of taxes so that things are run in a proper order. In this regard, I venture to make a suggestion. This country is loaded with multi-point taxation. I am not speaking about the exports. In various other items, there is sales tax

on inter-State sales or other sales in the State find on sales from one businessman to another businessman and so on. By the time, it reaches the hands of the consumer, sales tax has to be paid at so many points.

And it is creating such a disorder today that many of the dealers, in order to compete in the market, do not charge any sales tax at all, and that creates an anomalous situation. Therefore, to avoid the difficulties arising from this multi-point tax, Sir it appears to my mind that it is advisable that the sales tax may be collected like the excise at one single point. And whenever it affects the revenue of a particular State, then that State's interest may be looked after and sufficient allocation may be made. That will save the public from harassment and the unnecessary increase in the price and the money from being going into unscrupulous hands because, it is functioning in such a manner today that many of these dealers who are collecting the sales tax pocket it themselves, and it never reaches the State authorities and is intercepted in the meantime. Many of those dealers who do not give the receipts have augmented their own income on this basis. Therefore, my suggestion is that it may be collected at one point and then the distribution made. Occasionally one hears the argument that this is the only flexible source of revenue whereby the States can augment their resources as most of them are not in their hands. But, Sir, if the resources aspect is looked into and the Finance Ministry makes a proper allocation to them, then there could be no objection to that aspect. Again and again, they are trying to raise this issue. I hope the time has come now when an overall view will have to be taken regarding the assessment of sales tax and the machinery to collect such a tax.

Sir, I welcome the amendment ~* under section 7 which concerns the deposit of security. In fact, this provision is likely to help the dealer and he is not required to deposit unneces-

sarily an exorbitant amount. The provision under section 9 dealing with the penalties is coming in merely to fill in a vacuum as a result of a decision in the Maharashtra case whereby the State laws were held not to be applicable to assessment for the purposes of Central Sales Tax. And that was creating a vacuum, and many of the dealers were likely to go scot-free in that aspect even if they contravened the provisions and incurred the liability. So, Sir, that is also a welcome provision.

Sir, generally we welcome this Bill. This is going to have a very beneficial effect. And, Sir, in this connection, one thing needs to be stated. Whenever a Central legislation comes of this nature, it is bound to affect one State or the other, the revenue of one State or the other. We do not blame, of course, the States who raise the question of their revenue. But then, when you think of the country as a whole and when the country is taking steps to see that its resources are augmented, then it would appear that such an approach would not fit in with a national approach on this subject.

But having said that we again emphasise that the mere fact that those sales are treated as sales in the course of export there is actual deprivation of the States of their revenue, when the interests of the State may not only be partially disregarded but there is the danger that their interests may be disregarded altogether. When the States use their powers for the benefit of the country, the Finance Ministry must look to their needs, must look to their interests and must compensate them suitably wherever necessary. Thank you.

SHRI HAMID ALI SCHAMNAD (Kerala): Mr. Deputy Chairman, Sir, I oppose this Bill because this is going to adversely affect the finances of the Kerala Government and the structure of the Kerala economy is going to be adversely affected if

this Act comes into force. Section 5 of the Central Sales Tax Act, deals with exemptions on sale and purchase of goods taking place in the course of export and import. If this amendment is passed into law, the purchase of goods by exporting agencies will exempt them from Central Sales Tax.

Sir, the intention of this Bill may be good and welcome, namely, to boost up the export trade of the country. Most of the exports from Kerala are plantation crops like pepper, ginger, cardamom, cashew and marine products. If these are exempted, the Kerala Government would lose Rs. 2.3 crores. Kerala being a small State, a baby State, cannot afford to lose such a huge revenue that is being collected by way of sales tax now. The Government of Kerala has requested the Government of India to consider these aspects and has suggested the addition of the following proviso in sub-section (3) of section 5 of the Central Sales Tax (Amendment) Bill. The amendment suggested is:—

"Provided that nothing contained in the sub-clause¹ shall apply to sales of purchase of hill produce, cashew nut, coconut fibre or its products or sea foods."

For the purpose of this proviso, 'hill produce' shall include pepper, green and dried ginger, lemon-grass oil, nuxvomica, laurel oil, kachalam, and 'cashewnut' shall include cashew-nut with or without shell, and 'coconut fibre or its products' shall include coconut fibre, coir yarn and their products and 'sea foods' shall include prawns, lobsters, frog and frog legs.

SHRI U. K. LAKSHMANA GOWDA (Karnataka): You refer to all the products of Kerala.

SHRI HAMID ALI SCHAMNAD: Sir, these are the products which yield sales tax revenue to the Government of Kerala and unless you exempt them, the Government is going to be a pauper and I definitely tell the

[Shri Hamid Ali Schamnad] hon. Minister who has got sympathy for the people of Kerala that this is a Bill against the people of Kerala. Now you are taking away Rs. 23 crores and in that case the Kerala Government would be compelled to tax the poor man of Kerala again because they are losing Rs. 23 crores and that will have to be made up. The officers of the Kerala Government will have to be paid and this drain of Kerala revenue will have to be made up by some other resources. Naturally, the Government of Kerala will be compelled to tax the common people again in order to make up these losses. Now, we have already been burdened with so many taxes and a small cultivator in a village has to pay plantation tax, land revenue, agricultural income-tax and so many other taxes like that. Even if a man has got only two acres of land or one acre of land, he has to pay land revenue in the State of Kerala. He has to pay all the taxes that Government wants. Even the petty businessman whose turnover is only Rs. 25 per day, has to pay sales-tax and so many other taxes. Now, again, the common man in Kerala is going to be squeezed if this Act comes into force. I, therefore, consider it as an Act against the people of Kerala. I would appeal to the hon. Minister to consider my points and amend this Act so that the people of Kerala could be helped.

With these words, Sir, I conclude.

SHRI GOVINDRAO RAMCHAN-DRA MHAISEKAR (Maharashtra): Sir, I rise to support the Bill, firstly because it defines a dealer in a very extensive manner. Through clause 2(b) of this Bill, section 2 of the Act is being amended to define a dealer very extensively. It is so extensive that it could cover all those who perform these activities in this field. Firstly, it covers individual as a person, secondly, as an agent, thirdly, a corporate body, fourthly, a State Government to the extent it is concerned and fifthly, a

branch office of a company or a firm or a corporate body which has been registered outside that particular State. Sir, I draw your attention to the last part of the definition which is very very important from my point of view because this would stop all unhealthy activities by way of modifications, and manipulations in the accounts of taxes in the head offices of different firms and companies.

Sir, there is clause 6 also which seeks more or less an amendment equivalent to this, which makes it obligatory to collect the sales-tax from authorised dealers of a State from which the sale is subsequently made. Though this would be out of place for me to say that such provisions should also be made for the assessment of income-tax in the country. I feel this would avoid all unhealthy activities in the field of trade and commerce on the basis of regionalism by opening branch offices, in the States, of trade and commerce, and thus playing mischief by manipulating accounts in the head offices registered in some other State.

Secondly, Sir, I welcome the amendment that is being brought about under clause 9, section 10 and 10A which, of course, is consequential to the judgement of the Supreme Court but through it, the Sales-Tax Officers are being empowered for assessment and reassessment and to levy penalties. This clause also empowers these officers with retrospective effect to collect whatever fines have already been levied and which were being declared null and void because of the decision of the Supreme Court. Section 9 also is being amended. That also is a welcome change.

Then, Sir, I must make a few observations, with due regard to the observations that have been already made in the House by my honourable colleagues, and say that this sales-tax exemption is no loss to the State Governments, because the sales-tax which was being collected was not

deserved to be collected. I have nothing to say about deserving or not deserving but I do say that it was illegal tax that the State Governments were collecting and as long as it was permitted by the Union Government, the tax was being collected and was a part of the revenues of the States. The State Governments were relying on this revenue for their budgets and for their plans and planned development. When you are reducing the revenues of the States and when the revenues of the States are getting depleted because of certain actions and legislations in Parliament, it is natural that the States should feel that they are going to lose a part of their revenues. It is a different matter whether they deserve it or not. This is a question which is open for discussion. But legally, it belongs to them. There are certain amendments in this Bill which are likely to affect the revenues of some States. Their cases are identical. This is likely to affect the revenues of States like Kerala, Gujarat and Maharashtra. Somebody said that in the interest of the national objectives, the States should be prepared for this and they should voluntarily support such a legislation when it is brought in. I quite agree. I do not see any reason why we should not agree. We do agree. In the interest of the national objectives, in the interests of national welfare and national development and in the interests of interstate trade, it is necessary that the impediments in the way should be removed, as is being done here. Clause 4 seeks to amend section 6. Section 6 is being amended to have

an export incentive policy. This is quite correct. We have got two types of export houses in this country. Firstly, we have the State export houses, mainly the State Trading Corporation. Secondly, we have the private export houses. Through this amendment, it is being provided that in order to have competitive prices in the international market for

our products, the private export houses will have the commodities at lesser prices. Therefore, they are being exempted from sales tax. Now, my fear is that if we give this exemption to the export houses, in toto, there is every likelihood that this particular facility would be abused by the export houses and they are likely to approach the primary producers directly.

There is also another lacuna. There is no stipulation in regard to exports. I have gone through this Bill. Perhaps, I may have wrongly understood it. Here, I would like to point out that there is a provision in the Maharashtra Sales Tax Act, which permits the export houses to be exempted from sales tax for nine months. If during these nine months the goods are not exported, sales tax is levied. I do not see any objection in this particular provision. It stands to logic and such a provision should be there. I would like to draw the attention of the hon. Minister to this particular provision.

Then, I come to certain articles which are proposed to be included through an amendment to section 14. This is contained in clause 7. One is crude oil. Though I said that the cases of the States are identical, in regard to Maharashtra, the case is a little different. Although crude oil is being extracted near Maharashtra, it is not in Maharashtra. It is on the high seas. Therefore, there would be no royalties. No royalties would accrue to the Government of Maharashtra because of this. It would be only when the crude arrives at the shore that sales tax would be levied. Obviously, that would be at the rate of 4 per cent instead of 8 per cent, crude being made an article of special importance. If we calculate the loss, it comes to somewhere around Rs. 20 or Rs. 30 crores. To this, if you add the loss likely to be incurred because of the loss of royalties in the pulses trade, it is likely to go up to Rs. 35 crores. This is not a negligible

[Shri Govindrao Ramchandra
[Mhaisehar]

amount. I do not complain. But I only want that it should go on record here that this is a major loss to the revenues of the State and all these points may be considered seriously when the Seventh Finance Commission is appointed. Compensation on uniform principles of fair-play and justice should be provided to all the States which suffer because of this Central legislation in their revenues of sales-tax. Once more I submit to the hon. Minister, through you, to consider this suggestion.

Thank you.

MR. DEPUTY CHAIRMAN: The House stands adjourned till 2 P.M.

The House then adjourned for lunch at one minute past one of the clock.

The House reassembled after lunch at two minutes past two of the clock, Mr. Deputy Chairman in the Chair.

**THE CENTRAL SALES TAX
(AMENDMENT) BILL 1976—Contd.**

SHRI SANTOSH KUMAR SAHU (Jhansi): Mr. Deputy Chairman, Sir, at the beginning, I would like to support this Bill because it seeks to clear some anomalies which have accrued as a result of the various judgments of the Supreme Court regarding the inter-State sales-tax and the Central sales-tax and then it seeks to bring out a type of uniformity about the position of the sales-tax as regards the inter-State trade and the export and import of different commodities.

While we analyse the different sections of the Bill, we find that the Bill seeks to make explicit, very clear and very emphatic the definition of what is meant by business. Secondly, also, in tune with the times, to have a greater export trade of our country, it has tried to exempt from the purview of sales-tax the goods

which we were thinking of exporting to other countries. In the world today there is a lot of competition in the market of international trade where, if we want to have a good deal of export, it is necessary that we must give some incentive?

While agreeing generally with all the broad principles which have been enunciated in the Statement of Objects and Reasons of the Bill, I would like to submit before you to impress upon the honourable Minister that it is also necessary to remove some of the misapprehensions in the minds of some honourable Members. Sir, it is accepted in our country, and it is gradually felt more and more every day, that indirect taxation is one of the major sources of revenue of the nation. As such, sales tax is playing a very pivotal role in augmenting the resources of the different States of the country. In our Constitution it has been provided for a federal structure of taxation; it has also been provided therein that the States also should mobilise additional resources and that the Centre should assist the States which are suffering and which are backward. That is why we have made a provision in our Constitution, as a permanent feature, for the distribution of different categories of taxes among the States and there is also a Commission set up for the distribution of the resources.

It is true that we have to tie up the loose ends in the Central Laws. Clause 4 of the Bill reads—

"Provided that a dealer shall not be liable to pay tax under this Act on any sale of goods which, in accordance with the provisions of subsection (?) of section 5, is a sale in the course of export of those goods out of the territory of India."

Sir, it is true that many of the developing countries of the world do not levy any purchase or sales tax on items which they intend to export. But there is the basic difference. The