

[Shri B. R. Bhagat.]  
 capital and have incurred liabilities  
 for acquiring their capital assets or  
 have to pay dividends on their pre  
 ference shares at a high rate, are  
 able to meet their financial obligations  
 from their profits.

Now, a small point was raised by the hon. Member who spoke last and that is about the amount carried forward in the balance-sheet. The point is very clear. If such amounts are specially earmarked as reserves within the meaning of the word in the company law or if they are earmarked as reserves in the company's accounts, they will be treated as part of the capital and reserve base. Otherwise, no such floating amount in the balance-sheet can be treated as reserves, unless they are specially declared as reserves.

With these words, I move.

THE DEPUTY CHAIRMAN: The question is:

"That the Bill to impose a special tax on certain companies, as passed by the Lok Sabha, be taken into consideration."

*The motion was adopted.*

THE DEPUTY CHAIRMAN: We shall now take up the clause by clause consideration of the Bill. There are no amendments.

*Clauses 2 to 27, the First Schedule, the Second Schedule and the Third Schedule were added to the Bill.*

•Clause 1, the Enacting Formula and the Title were added to the Bill.

SHRI B. R. BHAGAT: Madam, I move:

"That the Bill be returned."

*The question was put and the motion was adopted.*

## THE BENGAL FINANCE (SALES TAX) (DELHI AMENDMENT) BILL, 1963

THE DEPUTY MINISTER IN CHARGE OF FINANCE (SHRIMATI TARKESHWARI SINHA): Madam, I move:

"That the Bill further to amend the Bengal Finance (Sales Tax) Act, 1941, as in force in the Union Territory of Delhi, as passed by the Lok Sabha, be taken into consideration.

At a meeting of the Chief Ministers of States held in January, 1963 to consider ways and means of raising additional revenues to finance development plans of State Governments, it was agreed, among other things, that the tax on certain luxury goods mentioned in Schedule I of the Act, which were taxed in almost all the States, including the Union Territory of Delhi, at a uniform rate of 7 per cent., should be raised to 10 per cent., except in the State of Jammu and Kashmir where the rate was lower. There also these taxes were increased, but not to this extent on those items. Most of the State Governments have already taken steps to implement this decision, while others are expected to do so in the near future. The amendment proposed in sub-clause U) of clause 2 of the Bill seeks to implement this decision in the Union Territory of Delhi.

The general rate of sales tax in Delhi is lower than that obtaining in the adjoining States. These States regard this difference as a great handicap to their trade and have been pressing that the rates in Delhi should be raised. It may not be possible to bring about absolute parity in sales tax rates between Delhi and the neighbouring States, in view of the trade peculiarities of Delhi which has become a large distribution centre and which has no hinterland of its own. It may not be possible to make the sales tax completely uniform on the basis of those rates. But it is very desirable that the existing disparities should be reduced as far as possible, particularly in the case of luxury goods and other

high-priced goods. That should be done in order to safeguard the revenues and trade interests of the adjoining States. The matter has been very carefully examined in my Ministry and after taking into account all the trade peculiarities of Delhi and the prevailing situation, we have arrived at the conclusion that the sales tax in Delhi should be brought more or less on a par with the adjoining States. Therefore, it is proposed to increase the sales tax in Delhi from 4 per cent, to 5 per cent. Sub-clause (ii) of clause 2 of the Bill seeks to give effect to this. The proposed change will considerably reduce the existing disparity between Delhi and the adjoining States in the matter of sales tax rates.

SHRI BHUPESH GUPTA (West Bengal): Which adjoining States?

SHRIMATI TARKESHWARI SINHA: The adjoining States of Punjab, Rajasthan and U.P. U.P. is following a different system. They have multi-purpose sales tax. As I said, as far as possible, we have tried to bring about parity in rates.

Another important aspect of this has to be looked into from the point of view of additional resources. Delhi State would be able to get an additional and much needed revenue to the extent of Rs. 1.15 crores which would accrue to Delhi in a full year. In 1963-64, however, the additional revenue will accrue only for two quarters of the year.

SHRI BHUPESH GUPTA: Accrue to the Central Government.

SHRIMATI TARKESHWARI SINHA: Accrue to the Union, for the benefit of Delhi.

SHRI BHUPESH GUPTA: I am not sure about that.

SHRIMATI TARKESHWARI SINHA: Well, the hon. Member has yet to be sure about anything.

SHRI BHUPESH GUPTA: How do you say that? Do you think this

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money will be spent for Delhi or something else?

SHRIMATI TARKESHWARI SINHA: It will do some good to the hon. Member also because he is staying most of the time in Delhi. During 1963-64 only half of it will accrue. The amount will be about Rs. 57-5 lakhs. I may also add that having regard to the present need for additional resources and the desirability of effecting as much uniformity in the matter of sales tax rates between Delhi and the adjoining areas as possible, the Bill has been very much welcomed in the other House, and probably it will not be an information to the hon. Member sitting opposite, Mr. Bhupesh Gupta, that his Party was also very eloquently supporting the Bill. They spoke in that House supporting the Bill. I hope that the hon. Members sitting opposite will extend their whole-hearted support to this Bill, and I trust that this Bill will receive the unanimous support of the House.

With these words, Madam, I move.

The question was proposed.

SHRI BHUPESH GUPTA: Madam Deputy Chairman, the hon. Minister towards the end of her speech wanted to disarm me by saying that my Party in the other House had eloquently supported this measure. I believe I can add something more to the subject-matter by way of some original contribution.

First of all, I would like to say something about this Delhi business. When she was dealing with the subject-matter of Delhi, partly due to inadvertence and partly due to, if I may say so, a habit into which some^ times the hon. Ministers get, she said that the money would accrue undoubtedly the money will come from the people and the b»^jfl\$|^m^ of Delhi and the money wil^pcqgua^ fee Central Government and the Cens tral budget. Then when I in^i^gjl^ds she said that it would be .fpeft^^a;

[Shri Bhupesh Gupta.]

Delhi I do not think that the hon. Minister is entitled to say so.

SHRIMATI TARKESHWARI SINHA: I said the Union Territory of Delhi.

**SHRI BHUPESH GUPTA:** I do not think you are entitled to say so, because it has not been decided how the money is going to be spent. That forms another subject. Here in this Bill there is no such provision. You could have added a proviso to this effect with the permission of the President: "Provided that not a single naya paisa taken out of the people of Delhi in this manner shall be spent for people other than the people of Delhi". There is no such proviso in the Bill. Therefore, We are not easily taken in by the sweet reasonableness to which we are sometimes treated from the Treasury Benches, and the reasonableness becomes sweeter when it comes from the hon. Deputy Minister.

The position is this that you are taxing the people of Delhi. This is the straight position, and unfortunately Delhi does not have a popular representative body to discuss such matters as in the case of States where, as you have yourself said they are discussing these matters, they have passed some of them. In other words, if these matters go to the State Assemblies in order to have the opinion of the State Legislatures, only then can they become an Act of the State Legislature, that is to say. the people have a better chance of discussing such a thing. Here the people of Delhi unfortunately do not have much chance of discussing such measures as this. Now, you will say that Delhi is represented in Parliament. I agree, and so are the States represented in Parliament, West Bengal, Kerala, Punjab, Rajasthan, etc.; all these States have their representatives in Parliament. Yet when it comes to questions of taxation relat-

ing to States, the matter is discussed also in the State Assemblies where a larger representation is there and the representatives take part. Here in Rajya Sabha, I believe, we have got one Member or two at the most, and in the other House there are five, that is to say, practically seven or eight people we have got, and Parliament does not have ample time for this kind of business or discussion, and therefore the whole thing goes by default. If the principle in the Constitution was as in the U.S.A., that is, no taxation without representation—in effect it applies in the present case as far as Delhi is concerned—they might as well get up and say that "you are taxing us in the matter of State taxes, whereas we do not have a proper representative voice in the matter." Therefore, I think the hon. Minister should, for no fault of hers, keep this in mind when she speaks on this subject. I mention this thing because I want to emphasize, in passing, the need for a representative Government in Delhi, a responsible Government which will deal with such matter\* as these, a Government responsible to the State Assembly. Otherwise, it does not do any good to us or to the people of Delhi when we pass taxation measures because some other Chief Ministers from other States had met here and agreed among themselves that this should be extended with the support or, maybe, at the instance of the Central Government, that these taxes should be extended to Delhi. Now where do the people of Delhi come in? The Chief Minister of West Bengal, the Chief Minister of Kerala and the Chief Minister of my hon. friend, Mr. Annadurai's State, Shri Kamraj, and others may have settled the question amongst themselves. The people of Delhi do not come in. You will say that Delhi was represented by the Central Government but there I join issue with the Government. It is hardly responsible in this matter. Then you might as well say that other Union Territories are also represented by you, and therefore there would be no need to grant them, as in the case of Tripura and other

places, responsible Government. Therefore, on principle, I think, this thing should be contested in this manner. I should raise a point of principle in regard to this matter. Now I do not know how things in Delhi are settled. I think here is a Municipal Corporation. If I were in the Central Government, even informally or formally if possible, I should have consulted the Delhi Corporation about this matter because there is no other body which I can consult. The matter could have been referred to them, not officially in that form, but certainly the Government could have found its way to have consultations with the Delhi Municipal Corporation and the New Delhi Municipal Committee as to what they have got to say over such matters. Nothing would have been lost. The people would have felt that they had been consulted in some way, may be unconventional way, but nonetheless in some way they had been consulted in the absence of their State Legislature and responsible Government. I think that point also should be made by us. I do not know whether these things were said in the Lok Sabha, but I want to tell the hon. Minister this thing.

With regard to the sales tax business, as far as the Union Territories are concerned, I do not wish to say very much here. As far as the other Union Territories are concerned, they do not come in very much here. But even in the Union Territories you do not consult them. What you do is just to compel them to accept what you prescribe for them. The Territorial Council has no power. That is why we have decided to grant them a Legislative Assembly. As far as the sales tax is concerned, I think, in principle the sales tax cannot necessarily be supported always. There are certain sales taxes which undoubtedly merit support specially when you tax the luxury articles of the rich. But if I look at Delhi, I think there is a great scope for stepping up the sales tax on

the luxury articles which the rich in Delhi use, and I have my doubt whether we are taxing such luxury articles in the way we should have done. Here I think all of us will agree that we want to cut down luxury consumptions on the part of the rich. But Delhi is one of the cities in India, like two or three other places, where you see a lot of ostentatious display of wealth and ostentatious consumption by the upper classes and the rich classes. One has only to go sometimes to the fashionable marketing centres to see this, and I have no doubt in my mind that the hon. Deputy Minister sometimes visits such places. She will bear with me when I say that there is a lot of ostentatious and needless consumption, which is a social waste and which, from the point of view of State revenue, is impermissible in the present situation. Therefore I think that here we should consider as to how we can put a restraint on such an ostentatious and needless consumption by the richer sections of the community. I would like, for example, every luxury article to be taxed so heavily that the rich people are not in a position to buy many of these articles. I knew that some of them will always be able to buy them but I should like to tax them in such a manner as to put a stamp of social disapproval on the consumption of such articles. Irrespective of the fact that a certain rich person is in a position to buy it or not, because when I want to put such a restraint on such consumption of luxury articles, people are inspired by the fact that we are trying to cut down the consumption of the rich, especially in the sphere, in the matter, of luxury articles. That approach is a supportable approach, and in so far as this Bill achieves that object, the hon. lady Minister can certainly count on our unstinted support. But one has to see whether the middle classes are also affected by it. I would not be in favour of cutting down the consumption of the low-paid middle class or those who are in the middle income group. If we

[Shri Bhupesh Gupta.]

take the Income-tax Act and so on — because you have today got a series of measures to tax them—you have surrounded them from all sides, and on the top of it, you have ^ot what is called the Compulsory Deposit Scheme. I am not opposed to it but in *so* far as it harasses the poorer sections of the community, the middle classes, I am certainly opposed to that aspect of the Compulsory Deposit Scheme. I would not like to add to their economic burdens. This is what I would say. Therefore, there needs to be an equitable understanding and approach in matters of such taxes.

Madam Deputy Chairman, I think we are over-emphasising the possibilities of sales tax, and what is more, we are going far too ahead with this business of sales tax. Sales tax is paid really by the consumers. The producer or the manufacturer does not have to bear any part of it, as you know. Its incidence is entirely on the consumer. There the people suffer and what is more, it tends to restrict the business, especially of the smaller people and it also causes harassment to those who are small and medium-scale traders and so on. •-Small shops-may be in Connaught Circus. It is not that. I will not go to Connaught Circus where the fashionable ones go but those in Janpath. they are subjected to harassment. Many of them are in the colonies, running their own shops. They are not in a position to keep the requisite accounts and so on because they have to work themselves and they do not have the wherewithal to appoint an accountant and so on. And very often I find that sales tax becomes an instrument of oppression and harassment against this very section of people who are down and out and who deserve to be treated somewhat sympathetically by the Government. This aspect of the matter is not borne in mind, and the Central Government is now coming into this sphere of sales tax. The Central Government should set an example in the formulation of the sales tax measure and also in its

administration. In Delhi there are many, many small traders and shopkeepers. I would not like them to be harassed; I would like them to be helped in every possible way, and they should be allowed to continue without needless harassment or excessive economic burdens. And I should like to know from the hon. Minister exactly how this tax by which they are going to raise money would affect the business community, and I always have a differential approach in regard to the business community. Five per cent, means nothing to me that way. Well, the consumer will have to pay it but then how it will affect the economic activity in the business field, in the trading centres and so on, is also to be borne in mind. Otherwise, we have only a tax collector's approach. I think the Central Government should not have only this approach, more, especially in regard to areas which are under Central administration. I think the entire question of sales tax need3 to be reviewed. We have today a huge amount of money raised under this tax. There was a time after the Wa, perhaps, when we were raising from about Rs. 5 to Rs. 20 crores \*rer a period of soma years. Now it has gone up to nearly Rs. 100 crores, and under the Third Five Year Plan, it is Rs. 225 crores. This, I would say, is a huge amount. But somehow or other they turn this sales tax to these people and collect the money easily. It is not a good example to be set.

Therefore, I think these are matters which should be considered by the Union Ministry when they are dealing with the taxation measure which really applies to the State, not to the Centre. Since there is no State Assembly and so on, it is their task to see that the interests of the people of Delhi in this matter do not go by the board, but the utmost attention and care should be given by the Central Government which is responsible for sponsoring this measure.

KUMARI SHANTA VASISHT (Delhi):  
Madam Deputy Chairman, we understand and we know the pur-

pose of this Bill. This is to bring about the sales tax in harmony and in uniformity with the neighbouring States of Delhi. The neighbouring States have been generally complaining that the trade is affected because of lower sales tax in Delhi. I think people would certainly feel that this; increase of sales tax would be a sort of pinch but I think this is inevitable. It cannot be helped, it has to be increased because U.P., Punjab and other States are having a higher sales tax.

I would only bring to the notice of the Deputy Minister the fact that there is a very large-scale evasion of sales tax in Delhi. Quite a few shopkeepers never give cash memos whenever any purchase is made, whenever they sell the goods, and the consumers or the purchasers take away the things without ever taking cash memos, without ever making payment of sales tax. I feel personally that there is a large-scale evasion and that a large amount of money is lost by the Government due to this non-collection of sales tax, and this happens very extensively in a large number of these shops, in these pavement shops, corner shops, in the new shops which have been opened in the various colonies and even in the marketing centres of Connaught Place and the Chandni Chowk. So, I suppose that the amount of sales tax that is collected by the Government today, would be at least 14 times if regularly and honestly cash memos were made by the shopkeepers and the people paid sales tax. I think that there should be greater control and supervision and the provision should be enforced on the shopkeepers so that they give cash memos and they do charge sales tax honestly. Just they want to go on piling up their sales and have higher sales by giving certain concessions, etc. but never charging sales tax. They manipulate. Sales tax may be a different thing altogether. They somehow manipulate sales tax and so on but they do not always put it on their records. The records that they show to the sales tax inspectors and to the department are quite diffe-

rent. I think they show less sales than the actual sales made by them. Therefore, this evasion should not be allowed because it also creates in them a bad habit to be dishonest in their dealings; it creates a bad atmosphere. Also, the consumers want to buy something without paying sales tax, cheating the Government of sales tax. This, I think, should be looked into so that people have the habit of paying sales tax and the shopkeepers have the habit of charging the tax. That is all that I would say.

SHRIMATI TARKESHWARI SINHA: Madam Deputy Chairman, the hon. Mr. Bhupesh Gupta has raised certain points. Well, all the points really do not come under the purview of this Bill. But it has always been a treat to hear the hon. Mr. Gupta, if you do not go into the substance of that, and I always like to hear him because he has a ^ense of humour. Also, I must say that he says things when they do not exist. But making such an eloquent speech on such a small Bill—very harmless in nature— is really a talent by itself. Well, Madam, actually we are spending more on Delhi. The hon. Member raised this point that—well—it is not for Delhi that you would be spending that money, and as it will go to the Union Government, the money would be distributed. Well, technically he is right. He is always right and very intelligent to catch those points. But as a lawyer he should really himself feel that we should go after the substance and not the words of a particular expression. What I meant was that, because we are spending more on Delhi, this will help us to augment resources for the development of Delhi State.

SHRI BHUPESH GUPTA: I agree with you there. If we only take into account how much we spend on the Council of Ministers who live in Delhi, the expenditure is higher. I agree there also and you will also agree.

SHRIMATI TARKESHWARI SINHA: If the hon. Member has deve-

[Shrimati Tarkeshwari Sinha.] loped an allerg to the class of Ministers, I cannot help it.

SHRIMATI C. AMMANNA RAJA (Andhra Pradesh): You are very right, and the allergy is spreading.

SHRI AKBAR ALI KHAN (Andhra Pradesh): Quite right.

SHRI BHUPESH GUPTA: Not at all; I am not allergic.

SHRIMATI TARKESHWARI SINHA: There was another point that the hon. Member raised and that was — well, we knew that the hon. Member probably would raise such points—which is very pertinent indeed—and that was we should have consulted Delhi State. I would like to tell the hon. Member that we have already consulted the Delhi Advisory Committee and they examined all these matters in great detail and they came to the conclusion that this Bill is ultimately for the good of Delhi, and about the point that he has raised, actually, as I said in my speech, it is not the people of Delhi who were enjoying so much the benefit of the lower rate of Delhi, but the adjoining areas, the hinterland which falls within the purview of the different States adjoining Delhi. They used to take advantage of this situation, because Delhi became a large distributing centre, and therefore it was not that the burden was falling directly, on the people here, or that they were paying it. It was the adjoining areas which were paying that mostly, and therefore, to make some equitable proposition so that the burden of tax could be distributed between the people of Delhi as well as those in the adjoining areas of Delhi was not at all unfair.

Then another point that he raised was that—well—we should see that the middle classes are not affected, that the lower middle class or the poorer class is not being affected. Well so far as this increase in tax from 7 per cent, to 10 per cent, is concerned—

it covers almost all the luxury items. The hon. Member knows the list and I would not like to repeat all the items that I am seeing here. They are motor vehicles, motor bicycles, scooters, refrigerators, wireless reception instruments and cinematographs, photographic instruments and lenses, films, etc., also clocks, iron and steel safes, all these, and, then, rifles, revolvers, cigarette cases, dictaphones, transmitting equipment, typewriters, binoculars and gramophones, all these things. There are so many others and I have not read all. But this is the picture that emerges from this list; the articles of common consumption have not been taxed and they do not figure in this list. We wanted to increase the tax on these because we found that some of the State Governments, who were levying the tax, had their sources of revenue very much augmented—they were earning quite a handsome income out of this tax. Therefore this proposal was unanimously agreed to by all the Chief Ministers—because it would certainly benefit all the States—that on these items the rate should be increased to 10 per cent. Well, Delhi also has a big consumption of these items and therefore we hope that we shall be able to earn a large revenue on these.

Then he mentioned about Connaught Place. Now, Madam, the rate of tax either in Connaught Place or in the small shop in the far corner of Delhi, will be the same. Therefore it hardly makes any difference whether a person goes and buys from Connaught Place or any other place. If a person wants to go for a cheaper thing and he thinks that Connaught Place is too expensive, he is at liberty to go anywhere and visit some other shops away from Connaught Place, and it is very difficult . . .

SHRI BHUPESH GUPTA: People who go there for shopping are in a better position to pay the tax. Those sections of the consumers are the richer sections. Tax them.

SHRIMATI TARKESHWARI SINHA: I do not keep in contact with those people as the hon. Member does.

SHRI AKBAR ALI KHAN: Mr. Bhupesh Gupta is a frequent visitor of Connaught Place.

SHRIMATI TARKESHWARI SINHA: That is a revelation to me.

SHRI BHUPESH GUPTA: By the way when I go to Connaught Place I do not know which is the Place and which is the Circus. After ten years in Delhi I do not know these.

SHRI A. D. MAN! (Madhya Pradesh): Musing over so many things perhaps you lose your way.

SHRIMATI TARKESHWARI SINHA: It is good to see him taking some interest in things other than reading books and reports.

Then the hon. lady Member, who just now spoke, raised really a pertinent point, that tax evasion must be reduced. Nobody would disagree with what she has said. Naturally it is that when they see a Deputy Minister buying, they would not dare not to give me the cash bill. Therefore I am safe in that. But when you say, with the experience you have, that sometimes cash memos are not issued, you see on your own these things are not issued. But we are trying to see that our machinery is geared to look to these cases of evasion, and we have tightened our administrative machinery to a great extent. Actually we are also trying to see that inflated prices for imported goods are not charged because, under the Defence of India Rules, it is in the purview of the Government to take immediate action, of seizing the goods, of taking all other criminal proceedings against those persons who keep such goods and sell at inflated prices and do not issue cash memos. We can assure the hon. lady Member that we are aware of these problems, and as we have got the experience, we are trying to check up all the loopholes of evasion. I would also suggest to the hon. Member and others who belong to Delhi that if some speci-

fic instances could be brought to us, we could really move more effectively in the matter and take some tangible steps to check such evasions.

I thank you, Madam, and I thank the House for the support it has given.

THE DEPUTY CHAIRMAN: The question is:

"That the Bill further to amend the Bengal Finance (Sales Tax) Act, 1941, as in force in the Union Territory of Delhi, as passed by the Lok Sabha, be taken into consideration."

The motion was adopted.

THE DEPUTY CHAIRMAN: We shall now take up the clause by clause consideration of the Bill. There are no amendments.

Clause 2 was added to the Bill.

Clause 1, the Enacting Formula and the Title were added to the Bill.

SHRIMATI TARKESHWARI SINHA: I move:

"That the BUI be returned."

The question was put and the motion was adopted.

#### **A POINT RE ARRANGEMENT OF BUSINESS IN THE HOUSE**

THE DEPUTY CHAIRMAN: There being no further business . . .

SHRI BHUPESH GUPTA (West Bengal): Madam Deputy Chairman, I have a submission to make. There is no business. This is a very serious matter. Today we are adjourning one hour before the scheduled time, and one and a half hours if you have in mind the time for which we sit now a day. (Interruptions). Now for this who is responsible? Government is responsible, and the Ministry of Parliamentary Affairs is responsible. We have given notice of motions for discussion—various "No Day-Yet-Named-Motions"—and you heard it was said that there was no time for them; therefore, Govern-