

[Mr. Chairman.]

(2) Shri Dahyabhai Vallabhbhai Patel—The Indian Council of Agricultural Research.

(3) Shri Nawab Singh Chauhan—The Court of the Aligarh Muslim University.

(4) Shri R. M. Deshmukh—The Indian Central Sugarcane Committee.

(5) Shri Govind Ballabh Pant, Sardar Budh Singh—Committee of Parliament on Official Language.

(6) Shri Rajendra Pratap Sinha, Shri J. S. Bisht—The Central Silk Board.

#### STATEMENT BY MINISTER RE-FINANCING OF SINGARENI COLLIERIES.

MR. CHAIRMAN: Sardar Swaran Singh would like to make a statement.

THE MINISTER OF STEEL, MINES AND FUEL (SARDAR SWARAN SINGH): With your permission, Sir, I would tell the House that an hon. Member has given notice asking for a half-an-hour discussion about the financing of the Singareni Collieries. That is a matter of negotiation and negotiations at the moment are going on between the Andhra Pradesh Government and the Central Government and having regard to the state of negotiations, no useful purpose will be served by a discussion on the floor of the House. I thought I might pass on this information for the consideration of the House.

SHRI V. PRASAD RAO (Andhra Pradesh): May I expect, Sir, a reasonable . . .

MR. CHAIRMAN: A reasonable and satisfactory settlement is in progress.

#### THE GIFT-TAX BILL, 1958—continued.

SHRI H. N. KUNZRU (Uttar Pradesh): Mr. Chairman, the Statement

of Objects and Reasons of the Bill before us says:

“Gifts from one person to another provide a convenient means of avoiding or reducing liability to Estate Duty, Income-tax, Wealth-tax, and Expenditure-tax. The only effective method of checking such attempts at evasion or reduction of tax liability is by levying a tax on gifts.”

This being the purpose of the Bill, I think that Shri Gopala Reddi should have explained to us yesterday the extent of the evasion and told us also something about the methods that are used by those people who have succeeded in avoiding the payment of certain taxes. But he did nothing of the kind. He asked us to take the need for this Bill as granted and proceeded to explain the provisions of the Bill. Now, Sir, it is extraordinary that when a certain reason is given for a Bill in the Statement of Objects and Reasons, the Finance Ministry should make no effort whatsoever to inform us about the extent of the difficulties that it has had to face and about the loss that the exchequer has had to incur. Sir, in the old days, when the British Government, and an irresponsible Government, was in charge of the affairs of this country, the Government officials were at pains always to explain the need for the measures that they introduced in the Legislature. Because the British Government was a foreign Government, it wanted to give the fullest information regarding its policies and measures, so that no misapprehension might arise in regard to it in the country. But a Government responsible to this Legislature thinks that it is absolved of the responsibility of justifying the measures that it places before the House, by the very fact of the members of the Government having been elected.

The only way, Sir, in which we can find out how far the payment of estate

duty has been avoided or the liability in this respect has been reduced is by referring to the budget estimates of the yields from the estate duty since it was levied up to the present time, and comparing them with the actual yield of the duty. I have collected these figures, and I now place them before the House. I believe that they are quite correct. The estate duty was levied first in 1954-55. It had to be paid first in 1954-55. It may have been levied on what happened in the previous year. Now, Sir, in 1954-55, the budget and estimate of the yield was Rs. 4 crores, but the actual realization amounted to Rs. 81 lakhs. In 1955-56, the budget estimate was Rs. 3 crores, and the sum realised was Rs. 1,81,00,000. Now it may be said that there is a great discrepancy between the estimates and the actuals. But it has to be remembered, and I think that the officials of the Finance Ministry and the Central Board of Revenue will themselves be ready to acknowledge, that they had no previous experience of this tax. Their estimates were therefore probably, to an appreciable extent, no better than guesses. Now let us come to the year 1956-57. In this year, the budget estimate was Rs. 2½ crores and the sum realised was Rs. 2,11,00,000. Now here the realisation came very near the estimate. Then we come to the year 1957-58, which is the last year for which we have comparable figures. The budget estimate was Rs. 2,52,00,000. Now we have not got the final figures for this year; we shall have them only next year. But the revised figure relating to the yield of the duty is Rs. 2,52,00,000. That means to say that the entire sum is expected to be realised. The actuals may vary from this figure by five, ten or fifteen lakhs of rupees. But a review of the figures that I have placed before the House shows that in proportion as experience was gained by the Central Board of Revenue, it framed estimates which were realistic and which were largely realised. It is therefore wrong to create the impression that the estate duty has been avoided on a large scale by the people who wanted to escape their legal liabi-

lities. This emphasises, Sir, the fact that Shri Gopala Reddi ought to have gone fully into the matter instead of not making the least reference to it and told us why in the present situation it was not considered necessary by Government to bring forward a measure with the purposes that I have already mentioned.

Now let us suppose, Sir, that the Gift-tax Bill is fully successful. We know that another Bill will soon come before the House, namely, the Estate Duty (Amendment) Bill, which seeks to make two important amendments. One is the reduction of the exemption limit and the other is the increase in the period that must elapse between the making of a gift and the death of the person who makes it. At present, if a person making a gift dies within two years of making the gift, the gift will be supposed to be a part of the property that will pass on his death.

Now this period is supposed to be increased to five years. We shall consider this matter when that Bill comes before us but I would like to know what the maximum increase in the Estate Duty is expected to be in consequence of the measure before us and the amendment of the Estate Duty Act. Is it likely to be more than Rs. 50 lakhs. If it is really of the order of only Rs. 50 lakhs, then again it seems that the scare that has been created by making statements which created an impression that the payment of the Estate Duty is being avoided on a large scale is not in accordance with the facts. Anyway, if Government have better facts at their disposal, it is their duty to place them before the House at this time and I think that Shri Gopala Reddi has failed signally to discharge his duties in that respect. Even the Finance Minister, I am sorry to say, never attended to that aspect of the question. He took it for granted that the House will treat the measure as necessary and therefore he need give no reason for placing it before the Legislature. It may be a very necessary measure, it may be a very moderate measure but all the same, it ought to be justified by facts and sound arguments.

[Shri H. N. Kunzru.] \*

Now I come to the provisions of the Bill. Various changes were made in the Select Committee, the effect of some of which was to liberalise its provisions and the effect of some others was to tighten up the restrictions. I shall not go into the detailed consideration of the changes made by the Select Committee but I should like to say that the Select Committee which was guided by the Finance Minister treated the various suggestions that were made in the Select Committee with the care which those suggestions deserved and adopted such of them as appeared to it to be sound. I have no doubt that this is the result of the responsive attitude adopted by the Finance Minister but there are some points which still require attention. I shall say at once that I am in favour of practically all the amendments that have been made by the Select Committee except the one that was not accepted by the Lok Sabha. The point that I wish to raise was referred to but very briefly yesterday and that was the imposition of the Gift-tax on charities or gifts made from property not worth more than Rs. 50 thousands. Such property does not fall under the Estate Duty. It does not fall under the Wealth Tax Act and as all gifts are exempt from the Expenditure-tax, it does not fall under the Expenditure-tax either. What is the reason for taxing gifts that do not come within the categories laid down in clause 5 of the Bill before us? If the desire is to add to the resources of the Central Government, that is another matter but that desire has not been avowed. Indeed the avowed purpose of the Bill is to plug certain loop-holes. This is a matter which requires serious consideration. There remains the income-tax. The conditions under which donations made are exempt from the income-tax are laid down in Section 15B of the Income-tax Act. If a man makes in any case a donation of more than 5 per cent. of the income, he will have to pay Income-tax on that part of his donation which exceeds 5 per cent. of his income. It is clear there-

fore that when a man with a property worth not more than 50,000 makes a gift from his property, he does not evade any of the taxes that I have mentioned, and yet he may be subjected to the gift-tax.

SHRI J. S. BISHT (Uttar Pradesh): Rs. 10,000 is exempted.

SHRI H. N. KUNZRU: I know that but a man is not bound to remain within that limit. I have already said that if his gift does not fall within the categories mentioned in the clause of the Bill, then he will have to pay the gift-tax.

There is another point that I would like to mention. The donations given to institutions and funds to which Section 15B of the Income-tax Act applies will be exempt from the Gift-tax. This means that these institutions and funds should be registered under the Societies Registration Act of 1860 and must comply with certain other conditions which I need not go into just now. The Finance Minister doubtless knows that there are organisations formed from time to time to relieve distress that may occur either on account of famine or fires or floods. Take famine. Only a few years ago in the State of Bombay, a serious famine occurred. A Famine Relief Committee came into existence and collected a pretty large sum of money. Is it necessary that such a Committee should be registered before it can be exempt from the Gift-tax? I think it would be not merely a needless but harassing formality to ask such an organisation, which if it collects a large sum, may be taken to consist of men in whom the public has confidence to get itself registered. You go to the smaller towns in U.P., in Maharashtra and other States and you find that small hospitals are being maintained by organisations that are not registered. They depend entirely on public charity. Sometimes they succeed in getting fairly large sums either for the building of the hospitals or for the equipment which it badly needs. You can compel such hospitals, if you like, to get themselves registered. But in small towns where people want to be free from formalities, it will merely

be a hardship if social workers are to be told that they can get no exemption from the gift tax unless they get their organisations registered. I ask Government to reconsider this matter because this question has been considered in connection with the taxes on gifts in other countries. I have seen the laws only of two countries, the United States of America and Australia and in both these laws, the provisions relating to exemption seem to me to cover unregistered organisations also. I can be certain about it in the case of Australia, but the language of the U.S.A. Act is such that I am in some doubt whether it exempts unregistered associations from the gift-tax or not. But my belief is that in the U.S.A. also, unregistered associations if they fulfil certain conditions, are exempt from the gift-tax. It should not, therefore, be difficult for the Government of India also to find out ways of helping such organisations without making the law ineffective or seriously reducing the effectiveness of the law.

Lastly, Sir, I should like to refer to clause 45 of the Bill. This clause says:

"The provisions of this Act shall not apply to gifts made by—

(a) a Government company;

(b) a corporation established by a Central, State or Provincial Act;

(c) any company other than a private company;

(d) a company which is a subsidiary of and in which more than half the nominal value of equity share capital is held by a company referred to in clause (c);

(e) any institution or fund the income whereof is exempt from income-tax under clause (i) of sub-section (3) of section 4 of the Income-tax Act;"

I want to deal only with one provision, namely, the exemption of gifts made by companies that are not private companies. The clause as it stands exempts from the gift-tax pay-

ments made by companies to political funds. I should have thought, Sir, that at least on this occasion, the Government would pay some heed to the observations of the Calcutta High Court with regard to the desirability of such a provision. The observations of Mr. Justice Mukherjee received a great deal of attention among the public and people have been waiting to see what value the Government attaches to Mr. Justice Mukherjee's observations. So far as I can see from this Bill Government has paid no heed to the views expressed by him at all. In any case, Sir, I think a statement by Government on this subject is necessary. Even if they do not accept the views that I have referred to, let them say so frankly. If, however, this matter is still under their consideration, then too they should apprise the House of what they are doing to come to a final decision before long.

Sir, before I sit down, I should like to ask Government once more to pay a little more consideration to the needs of unregistered organisations. I am sure that everyone will recognise that the imposition of heavy taxation during the last two or three years has made the task of public institutions which depend on public charity, extremely difficult. It is not easy—and this I speak, Sir, from personal knowledge and experience—for any organisation to collect even a few thousand rupees easily.

SHRI V. K. DHAGE (Bombay): I would say not even a few hundreds.

SHRI H. N. KUNZRU: I think in many places I would agree with the hon. Member, Mr. Dhage, that it would be difficult under the present circumstances, to collect even a few hundred rupees. Surely Government want the public activities that are being carried on at the present time to continue. It is necessary, therefore, that they should translate their sympathy into action by not making provisions which will make the task of these organisations, particularly the unregistered bodies, needlessly more difficult than it is at the present time.

SHRI BABUBHAI M. CHINAI (Bombay): Mr. Chairman, I thank you for giving me this opportunity of speaking on this Bill.

Sir, the Prime Minister when he was in charge of the portfolio of Finance, while moving the Gift Tax Bill in the Lok Sabha, said that the Gift Tax Bill has been introduced in order to plug some of the loopholes which existed after the introduction of the Estate Duty and other taxes. If that was so, we have already before us pending, some amendments to the Estate Duty Act and I have no doubt that if those amendments are carried out, the so-called loopholes which one imagines there are, could have been plugged up. I use the word "so-called" because it has not been made clear by the hon. Minister when he introduced this Bill as to what are those loopholes by which evasions take place. I personally feel that the Gift Tax Bill was not necessary at this stage. Looked at from the revenue point of view, we find that we are going to get only a couple of crores of rupees. Looked at from the administrative point of view, I may submit that we had during the last twelve months, the Estate Duty Act, we had the Capital Gains Tax Act and we had also the Wealth Tax Act. The department, according to me, has not been able to adjust itself to working these taxation measures and to collect the money from the assessees. And on the top of it we find that the gift-tax is put.

12 Noon

If Prof. Kaldor's suggestions are going to be accepted, as my hon. friend, Shri Bhupesh Gupta, said last evening, I may point out, Sir, that Prof. Kaldor said in his Report that a gift-tax could be introduced provided the gift-tax replaced the estate duty, and then and then only, he said, could this gift-tax be imposed and the revenue from that source would be to the extent of about thirty crores of rupees.

SHRI J. S. BISHT: But he included the estate duty within his definition of the gift-tax.

SHRI BABUBHAI M. CHINAI: Yes, that is correct, but, all the same he did say that the estate duty should be replaced by the gift-tax. Government while considering this matter has not taken into consideration some of the other recommendations, for example, the replacement of the estate duty by the gift-tax. When other taxes like the wealth-tax, the expenditure-tax, etc., were taken up by Government, Government had not paid attention to his other recommendations for the reduction of the direct taxes, which ought to have been done to the tune of 45 per cent only. What I want to point out, Sir, is that when tax after tax is brought before the House according to the recommendations of Prof. Kaldor, Government have not taken into consideration the other recommendations of Prof. Kaldor which give relief.

As I said earlier, the gift-tax would put more strain on the administration and this point of view should also have been taken into consideration. In clause 4, the definition has been improved by the Select Committee and I think we should thank the Select Committee for that purpose. So far as the uncovered debts are concerned, the Select Committee has said that after due examination the same should be exempted, and here also, Sir, much stress has been laid on the decision of the officer concerned and there is every likelihood of the same going against the assessees. Therefore, Sir, I would submit that a large and magnanimous mind should be adopted in dealing with such cases. Provision has been made in the Bill by which bonus, gratuity and pension are specifically exempted by the Select Committee. In clause 5(1)(xiii) they have not taken into consideration the provident fund which an employee generally gets after his retirement to which a contribution has been made both by the employee and the employer. If this is not mentioned, then it is

very likely that the employer's contribution would be treated as a gift to the employee. Therefore, I would like to draw the attention of the hon. Minister to this fact and would request him to kindly see that this lacuna is set right.

DR. R. B. GOUR (Andhra Pradesh):  
It is deferred payment to the employee from the employer.

SHRI BABUBHAI M. CHINAI:  
Even if it is deferred payment, it has cumulative effect and, at the end of his career, he gets it. If the employer's contribution has to be considered as a gift, then he will have to pay gift-tax. This point should be made clear by the hon. Minister when he replies to the observations made by the other Members.

The Select Committee has retained the original provision for gifts only for charities coming under section 15B of Income-tax Act. Sir, India has got a tradition whereby many charitable institutions and religious institutions are working on the charities and noblemindedness of the people of this country, and in a country where from cradle to grave there are no social amenities which we find in other countries, to take away this benefit by the provisions of this Bill is, according to me, not reasonable, not even opportune. I feel that this is not the time when it should have been done. Gifts for any charitable purpose not falling within the exemption category (v) have been exempted—formerly up to Rs. 100 and now—up to Rs. 500. As I said a few minutes back, I personally would like that for such cases of exemption no limit should be fixed because we are following certain traditions in the country and we have to maintain those traditions for many years to come. Gift made either to the Chambers of Commerce or to trade associations or to labour organisations or to labour unions are also subject to tax. These are organisations which are non-profit

making and I fail to understand why such organisations, when they receive any financial help, have to pay gift-tax. My submission, therefore, is that non-profit making organisations should be exempted from the purview of this measure. We have another provision by which gifts up to Rs. 10,000 made to relatives or dependants provided they have no separate income of their own are exempt from taxation, but I would like even the sons or daughters when they are given gifts by the parents at the time of the marriage to be exempted from the provisions of this measure. The tradition in our country is that at the time of the marriage of the son or the daughter, the parents give some sort of gifts even though the son or daughter may be having a separate income of his or her own. My humble suggestion would be that even in such cases where they might have a separate income of their own, gifts made on the occasion of the marriage should not be treated as a gift to be taxed.

There is a point here, Sir, where the Select Committee has done the correct thing in disapproving the principle of aggregation of gifts, and I think, Sir, that aggregation is not justifiable either on grounds of logic or on grounds of administrative convenience and I am glad that that principle has been accepted by the Select Committee. In his observations, the hon. Finance Minister, seems to have said and assured the Members of the Lok Sabha that after the experience of a year or two, he would look into this matter as he himself felt that there was some force in this issue. I personally feel that there is no force in this issue and what the Select Committee has done is quite correct.

Then, Sir, gifts made by private companies have been taxed. The provision was rightly made that the managing agents or the managing director or, as a matter of fact, the Secretaries or the Treasurers—as defined in the Companies Act—should be taxed if they got anything. I quite

[Shri Babubhai M. Chinai.]

see the relevancy of that but, Sir, to prevent private companies from giving gifts, according to me, is not a sound principle. It has been said that this is due to a doubt that it may be mis-used, or tax may be evaded but the mischief could have been taken away by making the office bearers like the Secretaries and Treasurers responsible, and it must be admitted that the companies cannot evade tax. Therefore, Sir, as I said in the beginning, gifts both by private companies and public limited companies should have been allowed freely.

One point more and that is in connection with double taxation. It should be specifically provided in the Bill itself that tax will not be levied on gifts which have been subjected to estate duty. Sir, this is very important, otherwise there will be double taxation and I feel that such a type of double taxation should be avoided. With these words, I conclude. Thank you, Sir.

SHRI HARIHAR PATEL (Orissa):  
Mr. Chairman, Sir . . .

MR. CHAIRMAN: Be brief as much as possible.

SHRI HARIHAR PATEL: As has already been mentioned by hon. Members in the House, this Gift Tax Bill, it is claimed, is meant to plug some loop-holes that make possible evasion of tax assessed under the other taxation measures. But after a perusal of the Bill as it is before us now, one can hardly say that the purpose of this Bill is to plug some loop-holes only. Its purpose is also to impose a substantive measure of taxation on the people. This Bill seeks to tax gifts as such. Sir, gift or the act of giving is a sacred instinct, very ancient, and our ancient sages and *shastras* have all praised this as a supreme virtue in life. Given the same conditions and same factors of production, the produce that is achieved by man in society is not equal; it varies with the difference in the capacity of the individual for organisation. As such,

while it accumulates with some because of their organising ability—they earn more in the same conditions and with the same factors of production—others are not able to fare so well, and to achieve a balance and distribution of wealth, it is the advice of wise men that people should give other needy people help in time so that the society could go on. Even in this decade Mahatma Gandhi has said that the rich people should think themselves as the custodians of the poor and make gifts to institutions and to the people in need. Now, the abuse of gift as a measure to evade paying taxes, as a measure to avoid paying higher taxes, came into practice after our economic structure became too complex after a number of taxation measures were introduced to realise taxes from the people. For instance, we have the Wealth Tax Act, the Estate Duty Act and so many other measures.

Now, I would like to draw your attention to one fact, that under the Wealth Tax Act,—wealth which covers movable as well as immovable property—exemption is allowed to a certain extent. It is said that up to a certain limit no tax will be levied but under this Gift Tax Bill a tax is being imposed even within that exemption limit. As such, an exemption which was held reasonable in that case and which has been allowed to the citizen of India is now being abrogated by this Bill. So I feel that this Bill, in effect, becomes not only a taxation measure but is a sort of deprivation of one's property. If only a few months back this House could say that it is reasonable for a person to have wealth up to a specified extent, say, Rs. 1 lakh or so, free from taxation, to say now that it is unreasonable for a person to have that much of property and that he should pay tax is something which is not covered by the reasonable restraint provision in the Constitution. So I feel that a levy of tax under this Gift Tax Bill will amount to deprivation of property if you consider it from that point of view.

I would also like to say that we have almost formed a habit of multiplying enactments. If the purpose of this Bill could be achieved by inserting some new clause or by making a suitable amendment in the existing laws, that should be first explored. Introduction of new Bills should be avoided as far as possible because it requires a good deal of time and energy too. I feel the purpose of the Bill, as enunciated by the Finance Minister, could have been achieved by some amendment to the existing Acts. The purpose was clearly to prevent the abuse of gift as a measure to evade paying taxes and as a measure to avoid paying higher taxes. Something to that effect could have been inserted or some suitable amendment could have been made in the existing taxation measures and the purpose could have been achieved easily. Even now if we explored that possibility, this Bill will appear almost unnecessary.

This Bill, by making a number of exemptions, also brings into existence a number of loop-holes which require to be plugged and I do not know where it will end. If we go on plugging loop-holes in one Act after another in this way, there will be a multiplicity of legislation and I do not know why we should do so. This Bill will have a discouraging effect upon the people who are so generously donating to charitable institutions like schools, hospitals and other institutions. In a welfare State it is the duty of the Government not only to undertake welfare schemes but it should also encourage individuals to help and bring into existence welfare institutions for the people. But this Bill will surely discourage them because a donor always tries to see the effect or the benefit that ensues from his donation with his own eyes. He wants that it should be perceptible to him but by this Bill the Government says that people should have all trust, should have blind faith in the Government that their money will be best utilised by the Government and Government alone and that they need not bother themselves about the wel-

fare of the people. This is not a democratic or a proper attitude and the effect of this Bill will therefore be something undesirable.

Thus, to sum up, the present Bill is only an encroachment upon the democratic right of the people; its provisions are mostly influenced by political considerations in many places because it will appear that contribution by a company to a political party is not to be taxed. Possibly, the ruling party is thinking of achieving the so-called socialistic pattern of society by such legislative measures only. But I feel it is a wrong way of thinking. The socialistic pattern of society can come into existence by a democratic method, not by such disregard of democratic principles and not by making onslaughts and inroads into democracy so frequently. With these words I conclude. Thank you, Sir.

MR. CHAIRMAN: We have allotted four hours. Yesterday we took an hour and five minutes. Today we started at 11-30. But since there are many speakers we are extending the time by an hour. The Minister will reply at 2-30 and the discussion will close at 3-30 and the other point will be taken up later. Mr. Shah.

SHRI M. C. SHAH (Bombay): Mr. Chairman, I support the Gift-tax Bill, though from a different point of view.

[MR. DEPUTY CHAIRMAN in the Chair]

I am not convinced that the gift-tax will be necessary to plug the loop-holes in the Estate Duty Act, and there have been evasions of the Estate Duty Act because there is no gift-tax. From revenue considerations it is absolutely necessary that we must have the Gift-tax Bill enacted as early as possible. It ought to have been enacted much earlier, but at last it has come and that is welcome. Of course, the income that is estimated is almost a guess work and I do not think that we will be getting more than Rs. 2 crores maximum. But still we are in need of every pie to be collected. It is necessary that those who can afford



[Shri M. C. Shah.]

to pay must pay tax and those who can make gifts of thousands of rupees should pay the exchequer a sum in order to augment the resources that are very much needed for the common good of the country. We have heard the other day that the Planning Commission and the National Development Council have decided to have a Plan at least of Rs. 4,500 crores Part (A) and Rs. 300 crores Part (B). And in order to implement that Part (A) Rs. 4,500 crores, there will be a deficit of Rs. 240 crores and it has been recommended that Rs. 40 crores will have to be raised by the Centre in the next two years. Therefore, we cannot afford to lose a single pie which we can collect from those who can afford to pay.

But I also share the apprehension of my friend, Pandit Kunzru, that it will be difficult for the social workers to collect funds. As you know, it is very difficult, even without the gift-tax, to collect funds. People are not minded to give good sums or good donations to those good works that are being conducted by the social workers and this Gift-tax Bill will be an excuse to those people who did not want to pay till now to say that there is a gift-tax and so they cannot pay. I am sure that point will be taken into consideration while considering the question about the exemptions under section 15B of the Indian Income-tax Act. I understand that it may not be necessary for an institution to be registered. I am not sure what is the exact position, but I think that position will have to be looked into.

Much has been said about Prof. Kaldor and his report. I believe it was an evil day for the country to have invited that expert to come out here and make a report. He came over here to stay for some three or four months. He just looked into the statistics and then made a report. I understand that to a responsible Minister he had confessed that when he made the report he did not know about the conditions in India. Simply

from some statistics—and they were not complete statistics—he made a report and very wide generalisations have been made. He said that there were evasions of Rs. 300 crores in income-tax. I really fail to understand how can there be such an evasion, of a very big, rather astounding figure of Rs. 300 crores in income-tax. We find that the number of those persons whose income is over Rs. 2 lakhs is about 650, in the whole of India. The number of those whose income is between Rs. 1 lakh and Rs. 2 lakhs is about 1,600 or so. Now, Sir, in these circumstances it is not believable that there can be such an evasion. He has recommended that over Rs. 30 crores will be available from gift-tax. I do not know how he came to such wild conclusions. And unfortunately for us our friends in the opposition always take this Kaldor's Report as a Bible. Really speaking, this Gift-tax Bill is also a bad legacy inherited by the present Finance Minister from his predecessor who resigned in February. He did not read Kaldor's Report according to his own statement, but he wanted to implement such of the recommendations as were convenient to him. He just imposed wealth tax. Then, he reduced the income-tax on personal income. There was a loss of nearly Rs. 6½ crores by reducing it from 91·8 per cent. to 77 per cent. on earned and 84 per cent. on unearned income. He had to make this up. From the wealth-tax on persons he could hardly gather about Rs. 4 to Rs. 5 crores and there was going to be loss. Therefore, he hit upon the proposal of imposing wealth-tax on companies, which is most unjustifiable, in order to make up the loss. He had to make some surplus rather than loss. Therefore, there was wealth-tax on companies. At the same time he reduced the exemption limit from Rs. 4,200 to Rs. 3,000, thereby bringing in the lower middle class who are so much oppressed all these days.

About this Gift-tax Bill, as I said, I welcome the Bill from the point of view of augmenting the resources of the country, which is badly needed,

because it is absolutely necessary, and not for plugging the loop-holes. My friend, Pandit Kunzru, enquired about statistics regarding the evasion under the Estate Duty Act. I do not know how that can be feasible to find out. Up till now nobody must have recorded how many gifts there were, because they were not up till now taxable. And if there is another method of not evading but rather avoiding taxation, then they can partition the properties. Therefore, when a person dies he leaves a smaller estate. That is the only reason why we do not get much in estate duty. We had estimated. It was a guess work. We did not know how many persons would die. We did not know how much property would be left. And, therefore, when the Estate Duty Act was enacted, the income was only a guess work. Now, slowly and slowly they are coming to realisation. And now this year, 1957-58, we have estimated about Rs. 2 crores and 52 lakhs. The revised estimates say that the collections would be to the extent of Rs. 2 crores and 52 lakhs. So, the question of evasion is a very elusive one. We cannot understand as to how much evasion there was in the Estate Duty Act because there was no Gift-tax Bill.

However, as I said, we have to augment our resources from those who can afford to pay and, therefore, I welcome this Gift-tax Bill—not to plug the loop-holes in the Estate Duty Act, but to augment the resources. At the same time, certain amendments that were made by the Select Committee in the Lok Sabha are all welcome and I think that though the income will be moderate, from experience it will be seen whether this Gift-tax Bill works satisfactorily or not. So, I am not in favour of those persons who say that the Gift-tax Bill ought not to be there. I say that it is absolutely necessary. It ought to have come earlier. It has come rather late. Therefore, I welcome it. I have no further criticism to make on these clauses of the Gift-tax Bill. The only

thing that I can say is that I appeal to the Minister in charge to find out whether these apprehensions mentioned earlier are well founded or are not well founded. If the apprehensions are well founded, then a way should be found for the fountain of the gifts to these charitable institutions to continue and not to dry up. That is the only request I have to make to the Minister. Sir, I support the Bill.

MR. DEPUTY CHAIRMAN: Shri Rajendra Pratap Sinha. Ten minutes for each Member. There are yet thirteen Members to speak.

SHRI RAJENDRA PRATAP SINHA (Bihar): Sir, I would like to submit that our party should get adequate representation, and if you limit like that, it is very difficult. . . .

MR. DEPUTY CHAIRMAN: Are you the only speaker?

SHRI RAJENDRA PRATAP SINHA: Yes, Sir.

MR. DEPUTY CHAIRMAN: You take five minutes more.

SHRI RAJENDRA PRATAP SINHA: Mr. Deputy Chairman, we have to consider this Bill in the context of the objectives of the Plan, and if we consider this measure only in isolation, the criticisms that I am about to make will not be appreciated.

Sir, the objective, broadly speaking, of the Plan is to usher in an era of an egalitarian society where the disparities in wealth are sought to be reduced to the minimum. That is one of the prime objectives of the Plan. Secondly, Sir, it is to raise the standard of living of those unfortunate citizens of India who are living under subhuman conditions. Now we have set before us not a very ambitious Plan but a modest one, to secure the minimum subsistence level as far as possible to the large masses of our people. Therefore, we have got to raise the necessary resources for the implementation of the Second Five Year Plan.

[Shri Rajendra Pratap Sinha.]

This morning, Sir, I was given an appraisal and the prospect of the Second Five Year Plan, which reveals a sorry state of affairs so far as the implementation of the Plan in its entirety is concerned. You will see, Sir, that the original Plan was for Rs. 4,800 crores, which the Planning Commission now thinks is not capable of being achieved; that is to say, the Planning Commission considers that an outlay of the order of Rs. 4,800 crores is not feasible, and therefore it wants that at least we should raise resources for a Plan outlay of Rs. 4,500 crores. I would like you to appreciate, Sir, that the shortfall of Rs. 300 crores does not represent the real shortfall in the physical targets. As has been explained here, the cost of planning itself has gone up, and therefore the shortfall in the achievement of the physical targets will be much more than what is represented in Rs. 300 crores.

Then, Sir, if you see the resources you will find that in three years' time we have so far spent Rs. 2,456 crores, and according to the present estimates in the next two years the resources available will be only Rs. 1,804 crores, although the requirements are Rs. 2,044 crores to have a Plan outlay of Rs. 4,500 crores. This also assumes that the external assistance during the course of the next two years is at the rate of Rs. 300 crores per year, which to my mind is not a correct assumption taking into account what has been obtained during the last three years. The limit of deficit financing has also been reached, and it is not possible to resort to deficit financing as we have done in the first two years of the Plan. Now, Sir, as this booklet explains, this gives us a deficit of Rs. 240 crores in order that we have a Plan of Rs. 4,500 crores. Now, the Planning Commission wants that we must maintain this level of expenditure, that is Rs. 4,500 crores, and therefore this Rs. 240 crores must be raised. They have also given their estimates of how this should be raised, and they say that the additional tax-

tion over and above what we have so far proposed should bring in another Rs. 100 crores. Out of this Rs. 100 crores, the Centre has to raise by way of additional taxation Rs. 40 crores, according to the Planning Commission. The Planning Commission goes on further to say that in view of the resources position, the Plan outlay cannot be raised above Rs. 4,260 crores and there will have to be a larger cut on social services. It is also very important to know, in case we failed to raise the resources to the required limit, that it will affect our social services. In this light we have got to consider this measure.

It is also to be stated that during the first two years of the Second Plan, Government could not achieve the targets fixed, because of the special concessions they always gave in the additional taxation measures. In 1958-59 they have also given relief in some of the additional taxation measures, and the net result, as has been pointed out, is that the additional resources will come to only '3 per cent. out of these tax adjustments and new taxes. They have assumed that Rs. 3 crores will be the yield from the Gift-tax. As the hon. Minister yesterday said, with the concessions that he has again given, it will amount to Rs. 2 crores. Therefore, the net result of the additional taxation during the budget year 1958-59 will be minus '7 crores. That is the tax effort which the Government is going to make in this year towards the meeting of the Plan commitments.

Sir, this is a very sorry state of affairs. I do not know if the demand of the Planning Commission is capable of being met in order to keep up our Plan outlay of Rs. 4,500 crores.

Sir, let us examine in the limited time at our disposal the provisions of the Bill. Now, Sir, what I feel is, and it is also stated in the Statement of Objects and Reasons of the Bill, that the gift-tax is primarily meant to plug the loop-holes for evasion of taxes both in respect of the estate duty and

income-tax. This very purpose is going to be defeated by the omission of original clause 7. What has happened is this that by the omission of clause 7 the taxpayer has an option to give away his property in gifts every year in convenient instalments, spreading them over a number of years, so that the total tax that could have been collected on that property at his death will be very much less, if he combines judiciously the good features of both the gift-tax and the estate duty. The result is going to be that instead of plugging the loopholes, we shall be creating more loopholes. The ultimate yield of these two taxes put together is bound to be very much less than what you have expected. Now, I have not got the figures for India, but I find these are the figures for America given here. Now, a note has been made by the Congress Party itself which says that the Federal Estate Tax on a 100-lakh dollar estate is roughly 60 lakh dollars ignoring the material reductions. If a gift of 60 lakh dollars were made, the gift-tax would be 23 lakhs. The Estate tax on the remainder would be roughly dollars 5,70,000. Thus, the combined Estate and Gift taxes would be well under half of what the Estate tax would be if no gifts at all were made. That is a story which is going to be enacted. So, we will lose half the revenue by a judicious combination by the tax-payer of the features of this Bill. What I suggest is that we should have an integrated Gift-tax and Estate tax together so that we may collect money by way of tax on a given property whether that property is dealt with before death or on death, whether that property passes by way of gifts during the life-time of the assessee or it passes to someone else at the end of his life. Now, this rate of progression should go on increasing with the amount of gifts made out of the said property during the course of the year. In the American law, the taxes are collected ever since the law is passed. The law was passed in 1932 and if a tax is made for the last ten years, the progression starts from the year 1932.

Therefore, what I suggest is that such a type of tax should be integrated. The Gift-tax and the Estate Duty should be integrated together, so that at the time of death, the estate is taxed at the same rate as if it is the last instalment of the gift. Then only we can net in larger sums out of the transfer of property from one generation to another or by way of gifts.

Sir, I would also like to refer to a few points about exemptions. You have given such a large number of exemptions to which I take serious objection. The exemption of Rs. 1 lakh to a spouse and the exemption of the Privy Purse are also there. We take serious objection to these exemptions as well. I would also like to make a point about the distinction between the gifts made by individuals and gifts made by companies under clause 45. There is no justification, Sir, to make a distinction between gifts made by individuals and gifts made by companies. I am glad the Lok Sabha reversed the decision of the Select Committee in eliminating the private companies altogether. Here, I find that the Government can be accused of political motives in having exempted companies under clause 45. My hon. friend, Pandit Kunzru, has already referred to the decision of the Calcutta High Court. I fully endorse this part of his speech and I also draw the attention of the hon. Minister to the decision of the Bombay High Court.

(Time bell rings.)

I have still got two minutes, Sir.

These two High Courts have spoken ill of the Government's decision in regard to the large gifts made by the companies to political parties.

SHRI J. S. BISHT: Your party also gains by this.

SHRI RAJENDRA PRATAP SINHA: We do not want any gain to the nation by such things. By what you are doing, you are striking at the very root of democracy. You are seeing

[Shri Rajendra Pratap Sinha.]  
the result of the exemptions in the Select Committee. Pressures are brought upon you to yield to such exemptions. I am sure, Sir, that Mr. Bisht will stand with me and that he will never side with the pressures which have been brought on account of such exemptions in this Bill. I am strengthening your hands. Why is this 'give and take'? (*Interruptions.*) Therefore, I do not like that democracy should be put at the mercy of 'give and take' between political parties and the vested interests in this country. You can preserve democracy only when this 'give and take' is taken away from the Statute Book of our country.

SHRI J. S. BISHT: Sir, I wholeheartedly support the Gift-tax Bill because I am entirely in agreement with the recommendations made by Prof. Kaldor. In fact, in the Budget speech last year, I was one of those who appealed to the Finance Minister to impose the Gift-tax in order to implement the whole of the scheme. I was surprised today by the speech of Mr. M. C. Shah because he said that somebody like Prof. Kaldor was here for about a couple of months looking into certain statistics and made a report. He said that it was an evil day for the country when this report was handed over to the Government of India. I do not know whether this change in attitude has come in him since he came out of the Ministerial Benches because this was when he was adorning the Ministerial Benches in the Ministry of Finance.

SHRI AKBAR ALI KHAN (Andhra Pradesh): I wish he were here.

SHRI J. S. BISHT: I wish he were here.

The facts, of course, are that the report of Prof. Kaldor is the most scientific report and it is an attempt to place the tax-structure of India on a very equitable basis. I would read out a part from the very first paragraph. He says:

"The present system of direct taxation in India is both inefficient and inequitable. It is inequitable because the present base of taxation, 'income' as statutorily defined is defective and biased as a measure of taxable capacity and is capable of being manipulated by certain classes of tax-payers. It is inefficient because the limited character of the information furnished by tax-payers, and the absence of any comprehensive reporting system on property transactions and property income makes large scale evasion through concealment or under-statement of profits and property income relatively easy.

The proposals outlined in this Report aim at broadening the tax base through the introduction of an annual tax on wealth; the taxation of capital gains; a general gift-tax and a personal expenditure tax."

That is why he recommended all these taxes. In fact, Sir, I have also studied the report of the Indian Taxation Enquiry Commission. That Commission's recommendation is not so well planned nor is so equitably based as the report of Prof. Kaldor. That was one of the reasons why it influenced the ex-Finance Minister, Mr. T. T. Krishnamachari. Although he said here that he had not read the report of Prof. Kaldor, that statement, I submit, we should take with a pinch of salt because he was the Finance Minister implementing every recommendation made by Prof. Kaldor.

Sir, there is one point that was made by Shri Bhupesh Gupta yesterday. He said that Prof. Kaldor had recommended that the total income that was to be expected from the levy of the Gift-tax was to be in the neighbourhood of Rs. 30 crores and that the Finance Minister had now estimated that it would not yield more than Rs. 2 crores. Well, that was, I submit, a great mistake made by Mr. Bhupesh Gupta because Prof. Kaldor's definition of gift includes Estate Duty. What he says is:

"The purpose of this chapter is to put forth a proposal for a single integrated tax on gifts of all kinds ..... which should replace the present estate duty as well as bring into charge other gratuitous transfer of property which are not now taxable."

Therefore, Prof. Kaldor said the gift-tax was an integrated scheme which included both gifts, *inter vivos* and gifts by law and inheritance which is called nontestamentary inheritance.

SHRI V. PRASAD RAO (Andhra Pradesh): But Prof. Kaldor never suggested all the exemptions that we are now giving.

SHRI J. S. BISHT: That is another point. Exemptions are given with reference to certain local conditions and circumstances. And those exemptions by themselves will not be many. But even as it is, Sir Prof. Kaldor's estimate was rather too high. What was it based on? It was based on this calculation.

He says here:

"Private property in India in estates of say, Rs. 25,000 or over is not likely to be below Rs. 4,000 crores, whilst the annual transfer of property through death or *inter vivos* gifts cannot be much less than one-twenty-fifth of the total. This makes the amount annually assessable to the gift tax something of the order of Rs. 150 crores. On the rate schedule suggested above, the average rate of duty could not be put at less than 20 per cent which makes the yield of the tax of the order of Rs. 30 crores a year."

The whole thing was more guess work. In the first place, in our estate duty we are going to exempt estates below Rs. 50,000. Therefore the number of estates which would be covered between Rs. 25,000 and Rs. 50,000 would automatically go up. In the second place, the gift-tax is

being levied on gifts above Rs. 10,000. And we do not know what is the total number of such estates and we do not also know how many estates are being transferred. Anyway, I submit that the Central Board of Revenue should be trusted, and in the course of four or five years' time, they would be able to work out, by the method of trial and error, the total number of transfers that are made every year, and then the Ministry of Finance would be able to guess correctly what should be expected from this particular tax.

Then, Sir, Mr. Chinai today suggested that very point, but he made another mistake from another point of view. He suggested that this gift-tax should be levied, but the estate-duty should be abolished, meaning thereby that there will only be this gift-tax. He means by gift-tax *inter vivos* tax. Now, Sir, that is not a correct appreciation of the position. If the gift-tax is to be levied, it should be on all gifts, whether *inter vivos* or at a later stage. I have here an authority also from one American economist in this connection, which says the same thing. Some of our friends here raise too much objection with regard to the levy of gift-tax by the Government of India. I do not know why they do so, because this tax has been levied even in out and out capitalist countries like America. There, Sir, the gift-tax is levied not only by the Federal Government, but also by the State Governments. There is in fact a double gift-tax, one by the State Governments and another by the Federal Government. Now, Sir, this is written by Mr. Philip Taylor in "The Economics of Public Finance". He says:

"We have seen that the primary purpose of the gift tax is to complement the estate tax, by subjecting gifts *inter vivos* to taxes similar to those on property transferred at death. It would appear eminently reasonable, therefore, to consider both gifts and bequests as similar manifestations of a single process—

[Shri J. S. Bisht.]

the transfer of wealth from one person to another. From this point of view there are two inconsistencies in the modern application of these tax measures. The first inconsistency lies in the separate—and different—specific exemptions. The simplest and most reasonable reform would seem to be the establishment of one general exemption to be applied to gifts and/or estates, as the donor chooses. The particular merit of such combination would be to integrate more closely the two complementary taxes.

The second inconsistency in modern practice is to be found in the separate application of progressive rate schedules to gifts and estate. If the two taxes are really one, the logical treatment would be to add *inter vivos* gifts to the estate transferred at death, and apply a single progressive schedule to this total”.

That is why, Sir, I myself emphasised when I spoke last on the 3rd of March in the general debate on the Budget, that this gift-tax and estate duty should be integrated into one tax, so that the Ministry of Finance can work out one integrated scale. (*Time bell rings*). Otherwise, there are going to be great difficulties. For instance, in clause 5 you are giving exemption for gifts made under a will. Now if a man makes an *inter vivos* gift of Rs. 20,000 today, he has to pay the gift-tax. But if he makes a gift by will of Rs. 20,000 or even of Rs. 40,000 then he is exempted from this tax. This is an inconsistency that comes in by having separate Acts and not having one integrated measure. Then there will be another difficulty. For instance, here you exempt gifts only up to Rs. 10,000, and also in contemplation of death you exempt them under these things. But under the estate duty law you do not say whether they will be taxed or not. Then another point is that you are extending the period from two to five years with regard to the making of a gift which will not come under the mis-

chief of the estate duty law. But **you do not say whether**, if a man makes a gift today and pays the gift-tax and dies within three years, that estate will have to pay estate duty or not, when he has already paid the gift-tax. Otherwise, Sir, what is the special benefit from lengthening the period from two years to five years? In that case, you can as well not have a period at all, because if you are giving an exemption in the matter of estate duty in the case of all gifts made before his death, then the question of period does not arise, because he pays the gift-tax until he dies, and he pays the estate-duty after he dies. That is why I say that it would be found advisable to have one integrated gift and succession law in order to avoid all these difficulties. Thank you, Sir.

SHRI AMOLAKH CHAND (Uttar Pradesh): Mr. Deputy Chairman, I rise to support the Gift-tax Bill which has been passed by the Lok Sabha after it had been referred to the Select Committee. Now, Sir, I am taking the liberty of just pointing out some of the technicalities which I have not as yet been able to follow, in spite of its reference to the Select Committee and in spite of its having been passed by the Lok Sabha.

Now, Sir, if I heard hon. Minister aright, I understand that he is likely to get Rs. 2 crores per year from this gift-tax. Now, Sir, if the idea of introducing this Gift-tax Bill is to complete our tax structure—the Wealth-tax, the Income-tax, the Expenditure-tax, etc.—then it is quite welcome, because we do not want that there should be any loopholes which are not plugged. But, Sir, I would like to say something about the administration to be set up which is going to look into it later on.

Sir, the main purpose of levying this gift-tax is to enable us to have a socialist pattern of society, and certainly it is possible to establish such a society by reducing the inequalities which are prevailing in our country

today. The second purpose, to my mind, appears to be the avoidance of concentration of wealth in the hands of a few. And thirdly, the purpose is to see that the money which may be in the possession of our people may not lie idle, but may be used for the production of more and more material in the country. Now, Sir, this gift-tax has been introduced just to supplement our estate duty.

But to my mind it appears that proper consideration has not been given to the idea of charitable people of India. The Minister made a reference to the word 'Dan'. Gift is not 'Dan'. You may part with your property for some consideration to your own relations as a gift but that is not 'Dan' because the idea is not purely to divest yourself of the property for some charitable purposes. Charity is not for a particular purpose but for the general public. I would call it instead of 'Dan', 'Bhent' which might mean or give the correct idea of what gift is. The distinction between the two is, 'Bhent' is like presentation or gift with no consideration at all and that is why under the law gift is always supposed to be without any consideration. It may be consideration of love, affection, respect, etc. Now what do we find? We find that all charities which are exempt under Section 15B of the Income-tax Act are only to be exempted plus the other exemptions given in clause 5. Now it would have been much better if the Minister would have been able to tell us how many public charities and public institutions are exempted under Section 15B of the Income-tax Act. I know that there are institutions and institutions and people always try to get an exemption under Section 15B of the Income-tax Act but as a matter of actual fact, we find that these applications are always rejected by the Central Board of Revenue. The ordinary procedure is that the institution has to apply to the State Government who recommends it to the Central Government.

THE MINISTER OF ECONOMIC AFFAIRS (SHRI B. GOPALA REDDI): Not now. That was the previous practice but after the recent amendment, it is not the practice.

SHRI AMOLAKH CHAND: I am coming to it. The practice was like that. Now the practice, as the Minister has pointed out, is that the applications are to be made straight to the Central Board of Revenue and it is up to the discretion of the Central Government either to accept them or not and the general practice is that it is not issued except . . .

SHRI B. GOPALA REDDI: We have left it to the discretion of the local officers.

[THE VICE-CHAIRMAN (SHRIMATI MAYA DEVI CHETTRY) in the Chair.]

SHRI AMOLAKH CHAND: Madam Vice-Chairman, now this great responsibility has been transferred to the assessing officers under the new amendment. I was not aware of it and I am grateful to the Minister for pointing it out. My contention, which is coming later on, would equally apply to this argument that you are giving more and more powers to your administrative officers without finding out their capacity and what they can do. In this connection I would like to draw the attention of the House to clause 4.

Clause 4 deals with gifts that include certain transfers. Now, if anybody looks into this, he will find that this is going to give large scope to the assessing officers and for litigation. We should make our law in such a manner that there may not remain many disputes. I have gone through this clause—from (a) to (d)—and I want to illustrate a case. Because clause 4(c) says:

"Where there is a release, discharge, surrender, forfeiture or abandonment of any debt, contract or other actionable claim or of any interest in property by any person."



[Shri Amolakh Chand.]

I want to put a concrete case for the consideration of the hon. Minister and it is like this. Take a sum of Rs. 20,000 or Rs. 1 lakh, because probably the exemption is up to Rs. 50,000 or say let us take the case of Rs. 75,000. A relation is advanced Rs. 75,000. The person who takes the loan executes either a promissory note or even a mortgage deed. Let us take both the negotiable instrument or mortgage deed. Now the natural limitation is 3 years in the case of the negotiable instrument and in the case of registered documents, it will be 12 years if it is not a usufructuary mortgage. Now the man who has advanced the loan to his relation or even to a third person in whom he is interested may not make attempts to realise it or the person who has taken the loan may not be in a capacity to pay the interest or might pay some interest some time and by lapse under the law of limitation, that whole amount may not be recoverable. It would be very difficult to prove that the person who has advanced the loan has abandoned it. He has not abandoned it. He has not surrendered it. It has not been forfeited. What would be the result of that case and that case may arise 3 years after or 12 or 15 years after. So I was trying to point out that all these definitions which have been attempted to be included in clause 4 are within the comprehension of the legislators and the Government as to how these are avoided and it is only to meet that avoidance of law that this clause 4 has been included but I submit that there are ways and ways to defeat the ends of law. We have learnt them as those who have fought against the Government and with this mentality that no taxes are to be paid. I tried to point this out to the ex-Finance Minister in the last Budget and what I suggested was that in such cases they should follow the American practice and introduce a provision whereby when a return has to be filed, it should be supported by an affidavit and if you find that the person has

intentionally avoided any payment, you can prosecute him under Section 196 of the I.P.C. The then Finance Minister was agreeable to it and in his reply he said that steps might be taken and the Income-tax Act might be amended accordingly but I regret he is no more here and what I submitted last time regarding the Finance Bill and the Appropriation Bill, I don't propose to repeat now but I would only request the hon. Minister to look into it and see if any assurances were given, they should be carried out.

Another point is that the administration of this Act is to be conducted by the Income-tax Department. Now we have our own grievances against the administration by the Income-tax Department and that has been mentioned times out of number on the floor of this House and at other places. The administration of the Income-tax Department is not satisfactory. It was not satisfactory even 5 years before. After that you have given the Estate Duty, the Expenditure-tax, the Wealth-tax and now you are going to give the Gift-tax also to that very administration. I would respectfully submit that the Government should consider whether this is not the proper time that they should overhaul the whole administration. They have the Central Board of Revenue, the Commissioners of Income-tax in the various States and then the Assessing Officers etc. At the same time I would like that. . . .

*(Time bell rings.)*

I would crave your indulgence and if you can give me a few minutes I shall be obliged, because I have not taken part in any of the debates on the Finance Bill or the Appropriation Bill. I will not take much time.

I was pointing out that the work has increased in the Income-tax Department. Have you increased your staff similarly and are the persons whom you have recruited recently competent enough to look into the technicalities of the avoidance of law and the avoid-

dance of tax? I know the hon. Minister is aware that about Rs. 30 crores per year is being avoided in the payment of Income-tax. That was the statement made by the then Finance Minister, Mr. Deshmukh, and there is also a reference in Professor Kaldor's report about that. If the administration of the Income-tax Department is tightened up and is made more human, I am sure the income of the Income-tax Department would be more than what it is. That is one point.

Another point is, have you taken any steps to educate your own people to honestly pay their taxes? I am sorry to note that in spite of my suggestions last year, no such step has been taken. I want to point out to the hon. Minister whether we should not make our own people understand that it is their duty to pay their taxes honestly? Have you tried it? Have you yet taken any action on these lines? I pointed out during the last session that our Railways are trying to do it, putting out boards at the railway stations saying "This is your property. You should look after it" and so on. Have you ever taken advantage of this method and used the plaforms and the running trains also, to inform the people that for the development of our country it is necessary that they should all pay their taxes honestly, or do something of that sort? I am told that they have a publicity and propaganda department also. I would like the hon. Finance Minister who has taken up the Finance portfolio here, after his experience of Finance in Andhra, to look into these matters.

AN HON. MEMBER: In Madras and not Andhra.

SHRI AMOLAKH CHAND: I am sorry, I mean Madras. Since he has got experience there, I am just trying to impress on him that these are necessary things. You should try to realise your dues in a human way and by making the people psychologically fit to respond to your requests. This is very important.

There is another point to which I would like to draw the pointed attention of the hon. Minister, and that relates to making "black" money into "white" money, as they call it.

SHRI V. K. DHAGE: Black money white?

SHRI AMOLAKH CHAND: Yes, making black money into white money. The hon. Minister must be aware—and the Central Board of Revenue is also aware—that there are cases pending for the last 10 or more years and the number of cases before the Investigation Commission and all that is not definitely known. This should be found out, if there is any method for it. Now, suppose you find that I have got Rs. 50,000 which I had not shown clearly in my statements and so was not taxed or which I cannot explain clearly how I got it. You say, "All right, you now pay such and such an amount and the rest of it, you keep. You can utilise the rest as you like. It is your money". So from being "black" money it becomes "white" money.

SHRI RAJENDRA PRATAP SINHA: Make a gift of it to the Government.

SHRI AMOLAKH CHAND: Either make a gift of it to the Government or to any political party, to the P.S.P. or any other, I don't mind. I just want Government's money to come to the Government proper for the development of our own country, and all possible steps should be taken and all possible methods should be adopted with imagination, humaneness and love towards this end. Thank you, Madam.

SHRI AKBAR ALI KHAN: Madam Vice Chairman, as I am in general agreement with this Bill I was not very much inclined to speak on this measure. But due to certain observations made by the hon. Members of the Opposition, particularly Shri Bhupesh Gupta, I am now standing here.

DR. R. B. GOUR: He has committed a cognizable offence.

SHRI AKBAR ALI KHAN: And now I have to say a few words regarding the justifiability of this Bill. Madam, I heard my hon. friend with interest because I feel that he is an able and genuine man. Sometimes he goes off, but that is a different thing. I think the real difference is one of approach to this problem. Although they have done away with their policy of violence very recently—and that we all very much appreciated—in thought they are still violent; in thoughts there is still violence and they approach problems in that way.

DR. R. B. GOUR: Have you given up violence ?

SHRI AKBAR ALI KHAN: My hon. friend Dr. Gour will have a little patience, because he was not here when Mr. Bhupesh Gupta was speaking.

DR. R. B. GOUR: But I am here when you are speaking.

SHRI AKBAR ALI KHAN: Thank you, very much. My point is this. For instance, Mr. Bhupesh Gupta took cudgels and said that this gift-tax is more or less nothing, for whereas we expected Rs. 30 crores from it, since so many exemptions have been granted, not even Rs. 2 crores will be available now for the public exchequer. Well, that may be true. But on the other hand we hear from some of the friends on this side, Mr. Chinai, and some hon. Members of the Lok Sabha, that they were fundamentally opposed to this Bill because it does interfere—with the individual, with his power and right to give donations or to do things which would satisfy his mind. These were the two conflicting trends of thought, so far as this Bill is concerned. And we, in the circumstances that we are in, have to find the necessary money, but subject to the fundamental principles that we do not kill absolutely individual volition. Individuality we want to maintain; but at the same time we

want to harness as much money as possible for the use of the public in order to implement the Plan and so forth. But the hon. Member's opinion is that this individuality should not be there and so naturally his approach, his criticism, and all his remarks were directed to that end. And so we stand there and we differ and we differ fundamentally from him. Take for instance—and in this my hon. friend will be very much interested—this question of privy purses to which the hon. Member made a reference, the privy purses of the princes and the ex-rulers.

DR. R. B. GOUR: That is a gift of the nation to the princes.

SHRI AKBAR ALI KHAN: That may be true. Even some of us may not agree with the privy purses or with the amounts given. But that has been the undertaking given by the revered and respected leader, the late Sardar Patel, which was confirmed and agreed to by the Government of India.

SHRI P. N. SAPRU (Uttar Pradesh): They are exempt from income-tax.

SHRI AKBAR ALI KHAN: The undertaking was that they will be exempt from all taxes. At least so far as I know those agreements, this is the inference that is being drawn. So we stand by our word. We stand by our promise and we stand to honour our promise, although we may or may not agree with it, and we feel that when a certain undertaking or a certain promise has been given, it must be honoured, no matter what happens. Again there is difference in approach.

DR. R. B. GOUR: We had also given an undertaking that there will be Rajpramukhs. But they are no more.

SHRI AKBAR ALI KHAN: That was not an undertaking. So what I want to say is, so far as the criticisms of

the hon. Member, Mr. Bhupesh Gupta, are concerned, they are not based on anything that is new or which is substantial or which can really be considered by this House. It is a matter of different approaches and there we stand to differ.

DR. R. B. GOUR: Excuse me for an interruption, but does the hon. Member mean that the amount of privy purse. . . .

SHRI AKBAR ALI KHAN: Please do not embarrass the Vice-Chairman.

DR. R. B. GOUR: Does the hon. Member mean that after the death of a person his accumulated wealth will also be exempted even from the Wealth-tax, because the Privy purse has gone to make it?

SHRI AKBAR ALI KHAN: I am not going to enter into any such conjectures as to what would happen at that time. I am only concerned with this now.

SHRI JASWANT SINGH (Rajasthan): You have very little time at your disposal.

SHRI AKBAR ALI KHAN: Yes. We will consider other things at the proper time.

One thing I would like to say now. Dr. Kunzru whom we all very much respect and for whom we have got great regard and who takes great pains, made an observation—it was more or less a general observation—that the figures relating to the difference in the evasion or what evasion might take place if the gift-tax was not imposed, have not been given.

I do not know and this is a matter for the hon. Finance Minister to answer, but I say one thing, Madam. All of us have discussed this matter during the last Budget and we discussed this incidentally in connection with other Bills. The psychological approach of a man who is about to

die is to gift something away instead of paying it after his death. It was that fundamental psychological approach which Prof. Kaldor took into consideration, which the Taxation Enquiry Commission took into consideration and which the Government and this House have taken into consideration. It is perfectly valid. It would have strengthened our case if we could have found out facts and figures and obtained a statement as well but, Madam, leaving that aside, is it not a good case for introduction of the gift-tax when we see that there is a possibility of evasion on account of this estate duty? It is entirely a different thing and I agree with my hon. friend, Mr. Bisht, that we will have to consider and bring forth an integrated measure which would cover estate duty as well as this. In other words, it means the property that will be liable to taxation after the demise of a person and the property that he disposes of before his death. In this connection, I would submit with all respect that simply because those facts and figures are not available we should not say that there is no justification for the statement that this Bill is being introduced to plug the loop-holes that might arise in connection with the estate duty. This is not at all warranted.

Madam, in connection with a certain clause of the Bill, Mr. Bhupesh Gupta had also referred to "in contemplation of death" and made some fun about it and he wanted us to say something about it. This expression is taken from the Indian Succession Act, and in that Act it has been made absolutely clear that this relates only to movable property and that also when a person is dead. I think we are all agreed that we have to think of this thing only in that context, in the context in which we live and in respect of the conditions we live in. We do not live in Russia; we do not live in China. We have got certain traditions and certain principles. . . .

DR. R. B. GOUR: But the consideration is of poverty also.

**SHRI AKBAR ALI KHAN:** . . . and in contemplation of death if certain things are done, you cannot say something and try to make fun of it, just because this does not obtain in the countries which they love and respect, that is, Russia or China. When this problem is approached, I would appeal through you, Madam, to them that they should approach this in the context of the conditions in which we live.

**DR. R. B. GOUR:** Yes, poverty of the millions of our people.

**SHRI AKBAR ALI KHAN:** Whereas I have differed from them, I am in perfect agreement with my hon. friend, Mr. Sinha, about a thing about which the Communist Leader did not say anything, namely, that the funds which are given to the political parties must be stopped. I would crave the indulgence of the hon. Minister to think about it. So far as the gifts by the companies are concerned, let us bring about a change, especially when we stand on certain ideology, when we stand for certain principles. They will have to pay further taxation and we will have to think of other measures. If the Congress Government does not stop the gifts of funds to political parties let them stop it in the sense that these gifts will be liable to be taxed; that they can give funds if they like but these funds will be taxed. I think when the Communist party tries the same thing in Kerala, it would be very difficult for us to say anything. Let us establish it and that was the very reason why my hon. friend, Mr. Bhupesh Gupta, did not speak a word about this.

**DR. R. B. GOUR:** On a point of clarification, Madam. We have always raised this issue on the floor of this House but perhaps not in this connection.

**SHRI AKBAR ALI KHAN:** In the present speech about which I am here. . . .

**DR. R. B. GOUR:** From the Nizam Sugar Factory it was not the Communist Party that has taken money.

**SHRI AKBAR ALI KHAN:** I am gathering information about Kerala.

**DR. R. B. GOUR:** Yes, get more information from Kerala as to from which factory we get funds.

**SHRI JASWANT SINGH:** The only difference is that you take more and these people take less.

**SHRI AKBAR ALI KHAN:** . . . . and you want to take advantage of both of us.

(Time bell rings.)

I know, Madam, that you are pressed for time. I have one or two other observations to make. . . .

**THE VICE-CHAIRMAN (SHRIMATI MAYA DEVI CHETTRY):** You have already taken fifteen minutes.

**SHRI AKBAR ALI KHAN:** All right, Madam, I bow to you.

श्री पा० ना० राजभोज (मुम्बई) .  
उपसभाध्यक्ष जी, मुझे बहुत संतोष होता है कि इस बिल का जो उद्देश्य है वह यह है कि इस्टेट ड्यूटी देने में जो लोग अपना दायित्व नहीं चुकाते हैं उन लोगों के लिये अब ऐसा करना सम्भव नहीं होगा। यह बात सर्वमान्य है कि लगभग १५० से ३०० करोड़ रुपया जो कि कर से आना चाहिये वह सरकार की जेब में नहीं आता है। हमने आज तक करों के बारे में बहुत से प्रगतिशील विधेयक मान्य किये हैं और उनको अमल में लाया जा रहा है, जैसे कि इस्टेट ड्यूटी, वेल्थ टैक्स और एक्स-पेंडीचर टैक्स के विधेयक, और आज आपके सामने जो विधेयक है वह गिफ्ट टैक्स का विधेयक है। इसके माने यह है कि गिफ्ट टैक्स विधेयक एक चौथा पाया है और अब चारों

पाये बराबर होने वाले हैं; क्योंकि अगर गिफ्ट टैक्स का पाया टूट जायेगा फिर करों के सम्बन्ध में गवर्नमेंट की मशीनरी ठीक तरह से नहीं चलेगी। आपके सामने जो बिल है उसका ध्येय है to plug the holes in the Estate Duty ऐसा कहा गया है। लेकिन मेरे खयाल से ऐसा नहीं है कि इस बिल का प्रभाव केवल इस्टेट ड्यूटी पर ही है। मैंने जिन बिलों का अभी नाम निर्देश किया है वे सब ही बिल प्रत्यक्ष अथवा अप्रत्यक्ष रूप से इनकम-टैक्स कानून से निकट सम्बन्ध रखते हैं। ये सब प्रत्यक्ष कर, डाइरेक्ट टैक्स, कहे जाते हैं। इनकी बहुत जरूरत है क्योंकि हमें अपना दूसरा पंचवर्षीय आयोजन सफल करना है और असमता को नष्ट कर के समाजवादी ध्येय प्रस्तुत करना है। भारत में जो ३६ कोटि जनता-जनार्दन है वह दरिद्र-नारायण है और वह अधिक कर दे नहीं सकती है। इसलिये इस कर का बड़ा ध्येय है। दुनिया में, अमेरिका, कनाडा और आस्ट्रेलिया इत्यादि देशों में गिफ्ट टैक्स प्रचलित है और उन पर अमल भी अच्छी तरह से हो रहा है। मैं तो जानता हूँ कि रशिया में भी ऐसे टैक्स हैं और हर एक पर, पर-हेड टैक्स बैठता है। तो इस टैक्स की बहुत जरूरत है। मेरे खयाल से जो टैक्स बैठता है वह मिडिल क्लास के लोगों के ऊपर भी बैठना चाहिये क्योंकि मिडिल क्लास में भी ऐसे लोग हैं जिनकी इंकम बहुत अच्छी है। तो जब हमें टैक्स बढ़ाना हो तो टैक्स का परिमाण ठीक तरह से लागू करना चाहिये। हमारे देश में यह कानून नया होने पर भी हम अन्य देशों से कानून का अनुभव तथा उनकी अच्छी प्रणाली ले सकते हैं। तो इसलिये कि इन कानूनों से ज्यादा से ज्यादा पैसा मिले तथा जनता को कम से कम तकलीफ हो, इसके सम्बन्ध में एक पर्मानेंट कमेटी नियुक्त की जाय जिसका उद्देश्य इस नये कानून के काम की देखभाल करना तथा नियंत्रण करना हो और अन्य देशों के कानूनों का अभ्यास करना हो और निरीक्षण करना हो।

उपसभाध्यक्षा जी, दूसरी बात यह है कि सिलेक्ट कमेटी में इस बिल के जाने से पहले यह आशा थी कि हम इससे ३० कोटि रुपया पैदा कर सकेंगे किन्तु अब हमारा अंदाजा सिर्फ ३ कोटि रुपया पर आ गया है।

श्री सोनूसिंह धनसिंह पाटिल (मुम्बई) :  
२ कोटि के करीब।

श्री पा० ना० राजभोज : अच्छा, २ कोटि के करीब करीब। प्रो० काल्डोर साहब ने ३०० कोटि रुपया का छुपा हुआ कर बता दिया था और उसमें से हम ३० कोटि रुपये की तलाश में थे लेकिन हमारे स्थापित सिर्फ करीब करीब २ कोटि रुपये आने की विद्या प्राप्त हुई है। यह दुर्भाग्य की बात है। आज कर न देने वालों का प्रमाण (संख्या) बढ़ गया है। उसका कारण यह नहीं है कि कर बढ़ गये हैं बल्कि यह कि कर पर अमल ठीक ढंग से नहीं होता है। सरकार की मशीनरी आहिस्ता आहिस्ता चलती है। जब एक मुंदड़ा क्षितिज पर आता है और उसकी सब कार्यवाहियाँ और बुरा वर्तन (कार्य) सरकार की नज़र में आ जाता है तब सरकार के सारे डिपार्टमेंट को जाग आ जाती है और फाइनेंस, उद्योग, रिज़र्व बैंक, स्टेट बैंक, इंकमटैक्स, कम्पनी ला, स्टेट ट्रेडिंग कॉर्पोरेशन, लाइफ इश्योरेंस कॉर्पोरेशन वगैरः वगैरः डिपार्टमेंट जागकर के अपनी फाइलें देखने लगते हैं। इसलिये किसी भी कानून का फायदा उसके ठीक अमल से ही हो सकता है और कर बैठाने वाले कानूनों में तो सरकार की और अधिक जिम्मेदारी है क्योंकि उस पर आर्थिक-नीति का भविष्य है। इसलिये मेरा यह कहना है कि इस बिल की जरूरत नहीं है। इस बिल को इस्टेट ड्यूटी के विधेयक का एक भाग बनाना था अथवा इस्टेट ड्यूटी में ही अमेडमट करना था। हम कर का बाकी वसूल नहीं कर सकते हैं न हम इस्टेट ड्यूटी ऐक्ट को एमेंड करना

[श्री पा० ना० राजभोज]  
चाहते हैं। इसका नतीजा यह हुआ है कि हमारे आर्थिक कानून में शुरू से ही कुछ न कुछ दोष आ गया है। सामंती ठीक नहीं है। इसलिए, मैं यह निवेदन करना चाहता हूँ कि इनकम टैक्स कानून का काम कैसा चल रहा है यह देखने के लिये एक कमेटी नियुक्त की जाय और उसको इस गिफ्ट टैक्स की कार्यपद्धति की जांच करने का अधिकार हो। इक्स्पेंडिचर टैक्स और इस्टेट ड्यूटी और वेल्थ टैक्स, ये नये कानून हैं, लेकिन उनमें अपेक्षित पैसा नहीं मिल रहा है, इसलिये जिस प्रकार कम्पनी ला जो कि हम ने दो वर्ष पहले पास किया था, उस पर सरकार ने शास्त्री कमेटी नियुक्त की थी उसी प्रकार इस कानून के लिये भी एक कमेटी नियुक्त की जाय। मेरा अभी भी यह मत है कि यह बिल लाने में जल्दी हो गई है, और इसको लाने से पहले हमें इस्टेट ड्यूटी ऐक्ट से अनुभव लेना था।

अब मैं सुझाव के तौर पर दो बातों पर आपका ध्यान खींचता हूँ। एक, चैरीटेबल इन्स्टीट्यूशंस के बारे में और दूसरा, कुछ इनकम टैक्स आफिसर्स की पावरम के बारे में। विधेयक के अनुसार चैरीटेबल संस्थाएँ दान दे सकती हैं, किन्तु, चैरीटेबल संस्थाओं को दान नहीं दिया जा सकता है। मेरी समझ में नहीं आता यह किस्सा कि चैरीटेबल संस्थाओं को व्यक्तिगत रूप से अथवा अन्य प्रकार से दाम न मिलें तो वे दान कैसे देंगी? अभी कुंजरू साहब ने यह बात अच्छी ही ध्यान में दिलाई कि अगर किसी की झोपड़ी जल जाती है और उस व्यक्ति को कहीं से दान में रुपया मिल जाय तो उस पर भी आप टैक्स लेंगे। इस तरह की कई और छोटी छोटी बातें उठ सकती हैं। कई चैरीटेबल संस्थाएँ हैं हरिजनों की या आदिवासियों की, जिनके बारे में कभी रजिस्टर बनता है कभी रजिस्टर नहीं बनता है। तो ऐसे मामलों में हमें टैक्स में उनको बचाने की कोशिश करनी चाहिये। आज दान भावना कम हो रही है, यह बात सर्वमान्य

है। मेरा यह अनुभव है। मैं पच्चीस वर्ष से भारतीय दलित वर्ग के उद्धार के लिये उनकी सेवा कर रहा हूँ। और संस्थाएँ बना रहा हूँ, और जब मैं लोगों के पास चैरिटी के लिये, डोनेशन, दान, मांगने जाता हूँ तो वे मुझ से कहते हैं कि ये संस्थाएँ खत्म हो जायेंगी क्योंकि लोग दान देंगे नहीं, वे गिफ्ट टैक्स आफिसरों से घबड़ाते हैं। जो दान देने वाले लोग हैं वे गिफ्ट टैक्स के नाम से चैरीटेबल संस्थाओं के लिये गिफ्ट अच्छी तरह से, सद्भावना से देना नहीं चाहते। हिन्दुस्तान में आज अनेक चैरीटेबल संस्थाएँ हैं और अगर ऐसी मनोवृत्ति पैदा हो जाय तो सामाजिक कार्य करने वाली संस्थाएँ डूब जायेंगी और इस बिल से बहुत बुरा परिणाम निकलेगा। तो सरकार के ध्यान में यह बात लाकर मैं बताना चाहता हूँ कि कुछ न कुछ ऐसा रास्ता निकाला जाय कि हमारी चैरीटेबल संस्थाएँ मर न जायें, वे जिन्दा रहें।

(Time bell rings.)

एक दो मिनट और दे दीजिये।

इनकम टैक्स आफिसरों की जिम्मेदारी बढ़ गई है। सब कानूनों का उनको मालिक बना दिया गया है, इसलिये कार्य में शिथिलता उत्पन्न हुई है। इसके लिये हरेक कानून को अलग अलग आफिसरों के सुपुर्द करना चाहिये। एक आफिसर को पांच प्रकार के व्यवहार में ध्यान देने का मौका जितना ज्यादा दिया जायगा उतनी रिस्वतगवोरी बढ़ जायगी।

अन्त में मैं एक और बात पर ध्यान खींचूंगा। बिल में ऐसा नमूद किया गया है कि जो भी ऋण माफ किया जाय वह दान समझा जायेगा और उस पर टैक्स लगाया जायगा। परन्तु इसमें से समाज कल्याणकारी संस्थाओं तथा शिड्यूल्ड कास्ट के लोग तथा देहातों में काम करने वाले गरीब लोग तथा किसानों का कर्जा माफ़ कर देना चाहिये। इससे अग्रिकल्चरल इंडेपेंडेंस कम हो जायगा और उनको फायदा मिलेगा।

मेरी एक आखिरी प्रार्थना यह है कि जो यह कहा गया है कि इस गिफ्ट टैक्स के द्वारा सरकार को दो कोटि रुपये की आमदनी होगी यह मुझे ऐसा लगता है जैसा कि हमारे मराठी में और हिन्दी में एक कहावत है कि खोदा पहाड़, निकला चूहा । मेरी समझ में नहीं आता कि इतनी छोटी रकम के लिये इतना बड़ा सेंशेशन क्यों हो रहा है । इतने बड़े बिल को लाने के बाद फायदा क्या होगा, सिर्फ दो कोटि रुपया । मेरा खयाल है कि इससे ज्यादा इनकम हो सकती है । लेकिन मैं समझता हूँ कि गवर्नमेंट की पालिसी कुछ ब्राड बेस्ड होनी चाहिये कि जो मिडिल क्लास के ज्यादा well to do लोग हैं उनके ऊपर ज्यादा टैक्स बैट ना चाहिये । बड़े आनन्द की बात है कि हमारे नये फाइनेंस मिनिस्टर साहब सेंटर में आ गये हैं । मैं उ से प्रार्थना करता हूँ कि जो सुझाव मैंने दिये हैं, जिनसे चैरिटेबल संस्थाओं की रक्षा हो सके, उन पर विचार करें और जो लोग मिडिल क्लास के ऐसे हैं जिनके पास बहुत पैसा है उनके ऊपर भी टैक्स बढ़ायें क्योंकि आपको टैक्स बढ़ाना है तो कई और प्रकार से उसको बढ़ाइये— शिया में बढ़ रहा है, दुनिया में बढ़ रहा है । लेकिन जो भी टैक हो उसका चैरिटेबल संस्था के ऊपर बुरा परिणाम नहीं होना चाहिये, यही मेरी प्रार्थना है ।

आपने मुझे बोलने के लिये जो थोड़ा समय दिया है उसके लिये मैं आपको धन्यवाद देता हूँ ।

**SHRI JASWANT SINGH:** Madam Vice-Chairman, we have been told by our Government that with the imposition of this gift-tax the integrated taxation structure would be completed. We have also been told that we will stick to our Five Year Plan as it was first estimated at Rs. 4,800 crores and with the Planning Commission stating that more taxes to the tune of nearly Rs. 100 crores will have to be found. I do not know how far we can be sure that the Government will stick to this view

that the integrated taxation structure would be completed with this gift-tax. I am certain that by next year there would be more taxes and a new integration will have to be thought of.

Madam, in view of the shortness of time I will refer only to one or two points. First of all, my friend, Mr. Bhupesh Gupta, yesterday in his speech lasting an hour covered a very wide ground and I dare say that members from the Government side as well as other members would cover most of the points and therefore I would speak only on two points which were referred to by Mr. Bhupesh Gupta. First of all, he was critical of the Government policy in regard to the amount which this gift-tax will bring. He said that Prof. Kaldor had thought that this tax would bring something like Rs. 30 crores and the budget estimate was only Rs. 2 crores and that the Government had not done its duty properly. But he, on the other hand, did not praise the Government for going beyond what Prof. Kaldor had suggested. In one respect it is true but we have to see what proposals Prof. Kaldor had suggested in an integrated way. Our taxation structure is based mainly on the recommendations of Prof. Kaldor and if his integrated proposals had been accepted by the Government, the picture would have been different and this gift-tax would have brought not only Rs. 30 crores but perhaps much more. Madam, it will be remembered that Prof. Kaldor laid down as an essential condition of his proposals that the income-tax should not exceed a certain limit and that the wealth-tax should be levied. Then the expenditure-tax was to be a substitute for the supertax and this gift-tax was to be a substitute for the estate duty. They were in short the proposals of Prof. Kaldor but the Government have gone much farther. They have drafted all the taxes on the existing tax level with the result that the balance has been completely disturbed and we have landed ourselves in



[Shri Jaswant Singh.]

a position where we could not help giving so many exemptions. All these exemptions in the gift-tax would not at all have been necessary if we had stuck to the proposals suggested by Prof. Kaldor but because of having drafted all our taxes on the present structure these exemptions have become inevitable. With every exemption there would be a loop-hole and in covering the loop-holes the whole scheme would become unworkable and therefore it is certain that before long this taxation structure will have to be revised.

Then, Madam, while on this subject I would refer to two points which were referred to by my friend, Mr. Bhupesh Gupta, with very great vehemence. First of all, with regard to these charities, on the side of the Government they state that whatever is covered under section 15B of the Income-tax Act that is sufficient, while my friend here went to the other extent. In short I will submit that the point will not be covered by the present provision at all. There are many charitable institutions in this country which are not covered by section 15B of the Income-tax Act. There are thousands of such institutions and funds throughout the country which are doing excellent work in the relief of poor and destitute persons of various communities. The Expenditure-tax Act exempts from the tax all expenditure incurred by an assessee for any public purpose of a charitable or religious nature. This Bill should have exempted from tax all gifts made by an assessee for any charitable or religious purpose. I would submit in this connection that some of the States are faced with a very, very serious position and the Government does not come to their help and rescue. Dr. Kunzru referred to flood relief, to famine relief, and funds have to be collected in thousands from the people. Those who come from Rajasthan know that lakhs and lakhs of rupees every year, we collect from the people. They may be blackmar-

keteers, capitalists, whatever they may be. But where Government fails to discharge its duty we have to collect the money to give relief to the people from these people. And, if all this source is closed to us. I do not know what the people of such regions would think of democracy which has set in in India. I would like to refer to one or two instances and that is this. In Rajasthan famine is practically a very common feature and we take thousands and thousands and lakhs and lakhs of rupees every year from these people and Government do not come to their help. Recently, the refugees who have come from Pakistan have got 'kutch'a' stalls in which are stocked cloth and textile materials worth thousands and thousands of rupees. Very often we see that they catch fire. Recently, only three weeks ago, in my home town, Bikaner, and about six or seven months ago in Ganganagar, another place, some shops were gutted. People who were already refugees and who had taken these things either by pawning whatever little valuables they had or on loan, their shops were burnt down. Government would not come to their help. Well, I do not know, for party purposes they may come to their help, but where their party interests are not served, they could be ruthless as well. It could be proved.

SHRI V. K. DHAGE: There was recently a fire in Bombay.

SHRI JASWANT SINGH: I have referred to it that recently, three weeks ago, there was a fire. The Rajasthan Government would not move an inch because it does not hurt them and the election is very far off. Therefore, they do not care for vote-catching. Then we have to go to the capitalists, or blackmarketeers or whatever they may be. They do at such times help us and we have given relief privately to many people. I do not know, when this becomes law, what will happen to such people.

Then, there is water scarcity in our areas. People cannot get any

water. Government would not come to help. But we get from these people thousands and lakhs. I, in my life time, have collected from these people for such humane purposes and public purposes nothing less than Rs. 40 to Rs. 50 lakhs. . . .

SHRI BHUPESH GUPTA (West Bengal): In what capacity?

SHRI JASWANT SINGH: For relief work. And all these sources will be closed and we cannot expect, those who are not in the Congress, cannot expect that the Congress will come to our help. And, therefore, Madam, it would become a very serious menace for us if this Bill is not modified.

Another example I will give. . .

THE VICE-CHAIRMAN (SHRIMATI MAYA DEVI CHETTRY): Your time is up.

SHRI JASWANT SINGH: I would refer to another point. Fifteen minutes have been allotted. I will be within my time. Let me now come to dacoits from Pakistan who are a very great menace to us. They lift people and they return them only on payment of ransom. Government would not help and sometimes the poor children are lifted. If rich people are lifted, we do not mind. They can pay ransom to the tune of lakhs of rupees or fifty thousand rupees. (Interruption). But sometimes these poor people are also lifted. We have to collect money by way of ransom to rescue them from the dacoits of Pakistan. Government, because of their high ideals, think why they should pay this money. So, all these sources will be closed. And therefore I would very strongly recommend that this should be changed.

Secondly, my friend, Mr. Bhupesh Gupta, referred to privy purses. . . .

SHRI H. P. SAKSENA (Uttar Pradesh): And you have taken leave of

high ideals. You have none of any high ideals in your philosophy of life.

SHRI JASWANT SINGH: They have been monopolised by one organisation, Congress; therefore, nothing has been left for us. However, that apart, the question is about privy purses and I will stop with that. And that is this: There is some real misunderstanding in regard to this point. I have tried to correct this impression many a time. In regard to this the impression which Mr. Bhupesh Gupta gave to the House was that the princes are at liberty to give by way of gift anything and everything and that will not be taxed. It is not the case at all. The case is this; money they can give for the maintenance of any relatives dependent on them for support and maintenance or for the performance of any official ceremony provided that such gifts are in accordance with the practice, usage or tradition of the family to which the person making the gift belongs. Now, here also if this privy purse went round to all the members of the family to a certain extent his argument would have been valid. But what is the position? The position is this that generally speaking, normally speaking, there is the law of primogeniture. The eldest heir gets the privy purse; constitutionally speaking one who is recognised as such by the President gets the privy purse. Now, the privy purse is issued to one man. He has his mother—then there is the eldest boy—and wife and they automatically go with him. Then, he has his younger brothers, his grandmother and younger sons. According to their position they have to be provided for. They have to be given allowance. If this exemption is not made and then if it is for the maintenance of the family—which I or Mr. Bhupesh Gupta would be entitled to maintain—the tax will be levied on that. It is gift. Therefore . . .

SHRI BHUPESH GUPTA: It is a gift. It relates to gift. Maintenance may be for one's ten children.

SHRI JASWANT SINGH: This is maintenance, not gift. And because of the peculiar nature of the privy purse, that only one man gets it, the Government have been very careful in drafting this clause and they have made it so certain that the maintenance expenditure should be according to the usage, custom, practice of the family. And who is to judge? The Government has to judge that money is spent for this specific purpose. Therefore, to criticise anybody in season and out of season is not fair and I do hope that my friend will appreciate this point. If they had the liberty to give anything without any restriction, well there was some reason..... (*Time Bell rings.*) But it is not so.

In conclusion, Madam, I will submit that this gift-tax will not satisfy anybody. Government would not be able to bring anything to the exchequer. The exchequer will not be benefited. It will not satisfy the people from whom this will be taken because there will be a lot of harassment. Then the parties in the country will feel that this tax is useless. Therefore, from every angle and every point of view, this tax is not going to be of any benefit whatsoever to anybody.

SHRI VIJAY SINGH (Rajasthan): Madam Vice-Chairman, I rise to support the motion under consideration. We were expecting long ago the introduction of this Gift-tax Bill when the Wealth-tax Bill and the Estate Duty Bill were brought before Parliament last year. In fact I feel that the present Bill has rather been a bit late. People cite the example of other countries and say that the introduction of the Gift-tax Bill in those countries took place a long time after the wealth-tax and the estate duty were introduced there. Whatever may have been the conditions there, we have to learn by the example of those countries.

Our whole scheme is that we should have an integrated tax structure in this country. Now to the extent that we have left certain loop-holes it has

done some mischief. Therefore, Madam, I feel that the Bill has been brought rather a bit late, but, as the saying goes, "better late than never". Therefore, I welcome the present Bill which the Government has brought before Parliament.

Madam, Vice-Chairman, this is a very important measure, and the time that has been allotted is very short, especially for this House. The other House, I understand, got adequate opportunity to discuss this measure. We have been allotted only four hours and a few minutes more. Now in the short time that is at the disposal of the Members, discussions about details are practically ruled out. We can only discuss certain general principles. I would therefore like to suggest that measures of such importance must be given due weight, and due consideration must be shown to this House to discuss them thoroughly.

Now, in the short time that is at my disposal I would like to deal with the salient features of this Bill and the principles that are involved therein. There are two principles which this Bill is supposed to serve: one, that we want extra revenue, and the other, that we want to plug the loop-holes. We take first the principle of revenue. It has not been properly calculated, but we guess that this Bill will affect nearly 10,000 persons in this country. Now this is not a big number looking at the population of India as a whole. But nevertheless we have to look at this Bill not from the point of view of the numbers that it affects but from the point of view of what effect it is going to have on the economy of the country as a whole.

It has been stated that we will be receiving revenue of about Rs. 2 crores by the introduction of this Bill. Formerly our estimate was that a revenue amounting to Rs. 3 crores would come. In view of the several concessions that have been given there, we come to the conclusion that we will get only a revenue of Rs. 2 crores. Now, in accordance with our experience, the actual realisation will fall

far short of this estimate. This is not only my estimate but this is also the view of the Planning Commission. In the recent publication of the Planning Commission, "Appraisal and Prospects of the Second Five Year Plan", it is said at page 10: "With the subsequent concessions granted, and considering that the yield of the wealth-tax and of the railway passenger fares tax has turned out to be smaller than was forecast initially, the additional tax receipts for the year were about Rs. 73 crores and might be placed at Rs. 85 crores for a full year. The tax changes in the 1958-59 budget are not expected to make any material change in the resources position, the gift-tax, the adjustment in estate duty and the higher excise on cement etc. being offset by the reduction in the excise on cotton textiles". This is the opinion of the Planning Commission, and from the revenue viewpoint the Bill is not going to be a very important one. The Bill, or the Act as it will come into force, is important from the point of view of other factors, namely, it is going to plug the loop-holes that exist in our tax structure. It is a peculiar feature of our Indian tax structure that there are huge amounts of evasion. No proper statistics are available but it has been estimated by various authorities, and we must accept what they say, that we have got tax evasions to the extent of about Rs. 200 crores a year. This is a very big amount. In the last twenty months or so we have introduced several types of new taxes in the country. The other day Mr. Chibai was speaking in the House and he said that out of the 19 known direct taxes in the world, we in India have introduced about 16 or 17 direct taxes in the country. It seems to me that in the last twenty months we have gone all out to impose as many kinds of taxes as we could think of. We have concentrated not on improving the administrative machinery which collects the taxes but have rather laid stress on changing the tax laws altogether. This is therefore a serious matter and a matter of fundamental importance which I think the House

should deeply consider. Some Members on the opposite side and some Members on this side have spoken against various tax exemptions granted here and there. In view of the fact that we have imposed so many types of taxes in the country, giving of these exemptions becomes essential. We all know that Professor Kaldor suggested many of the taxes as an alternative to the taxes that were present in the country. If we were to impose all those taxes simultaneously, the tax structure will become unworkable. Therefore the taxes that have been introduced and the exemptions that have been granted are in view of the fact that many types of new taxes have been introduced in the country, and we must see what is the effect of those taxes on the economy of the country as a whole. According to me, Madam Vice-Chairman, the burden of taxation on the people as a whole is becoming too great, and the law of diminishing returns has begun to operate in our country. I cannot do better than quote the authority of the hon. the Law Minister, Mr. Sen, when he says in an article contributed to the A.I.C.C. Economic Review of 15th November 1957—I crave the indulgence of the House to read a few extracts:

"In a recent study made by the Reserve Bank of India on the revenue and expenditure of the Government of India, it has been shown that the revenue from income-tax which was Rs. 146 crores in 1951-52 declined to Rs. 122 crores in 1954-55. It was Rs. 131 crores in 1955-56 and has been estimated at Rs. 141 crores in 1956-57. This is in spite of the fact that during this period the rate of tax has continued to increase. The statement attached herewith gives an idea of the incidence of income-tax in India and in certain other countries. This statement shows that while the incidence of tax burden increased in India, there was a fall in the number of assesses, indicating that the law of diminishing returns has already started opera-

[Shri Vijay Singh.]

ting in the field of taxation. In other countries, more taxes are paid by a much larger number of assesseees. Such trends indicate that in India the sources of personal income are drying up and the policy of increased progressive taxation has not been yielding increased revenue. Government will not be able to realise increasing yields from taxes unless the income of the people expands at the same time at least proportionately".

This is the view of the Law Minister of the Government of India, and it is for this House to consider deeply and for the Government of India to consider seriously where we are going. We want that there should be development in the country, and for development we must have resources. But where are we going to have resources from? People talk of private sector and public sector. To me it seems that the talk is beside the 2 P.M. point. Both these sectors are meant to serve the same purpose, namely, the development of the country. If one is not able to serve the purpose, it can be replaced by the other. Our approach should be realistic. The viewpoint that I am just placing before the House is not only my own, but it is also the viewpoint of the Planning Commission. Here, in the two minutes' time that you have just given me, I would like to quote what they have said in this matter:

"The scope for additional taxation at the Centre is, if anything, very limited. The effort already undertaken has been large, and the current rates of direct as well as indirect taxation are high. The problem for the immediate future is to see how the various changes in tax structure which have been adopted with a view to enlarging the tax base and reducing the scope for tax evasion work out in practice, and to adapt and improve upon the system in a way that ensures a fair share to the public exchequer without impairing

the incentive on the part of the taxpayer to work and to save."

This is the very important consideration which I hope the Government of India will bear in mind.

I will make one more suggestion and take my seat. There are many points which I would like to place before the House, but there is no time. But the one very important point that I will place before the House in connection with the gift-tax is that, according to clause 29, this is to be paid by the donor and in case the donor is not able to pay, it is to be realised from the donee. According to me, it seems that the gift-tax should be realised from the donee. Though, if we effect this change in the Bill, it will affect the revenue of the Government. But it would be more equitable because at present, if I give Rs. 20,000 to five persons, the tax will be equal, but it will fall more heavily on those whose resources are slender and it will not be equitable. This is a consideration which I want to place before the House. I hope that the Government will bear this fact in mind when they come up with fresh proposals at the time of the next Budget.

There is one more suggestion about the gift-tax that I would like to suggest. It is about charitable institutions which are not granted exemption. Dr. Kunzru made a powerful plea and it should also receive consideration at the hands of the Government.

In regard to the exemption given to companies which advance or give gifts to political parties, I, for my part, feel that gifts to political parties should not be exempted. When we have exempted gifts to political parties, it stands to reason that gifts to charitable institutions, though they may not come within the purview of the income-tax, should also come within the purview of the exemption.

My last suggestion is that the tax collecting machinery that we have at the disposal of the Government should be tightened up. In fact, this is the main point on which I wanted to speak in detail, but the time is limited and I do not want to try your patience.

I thank you for the time you have given me. With these words, I support the motion that is under discussion.

SHRI P. N. SAPRU: Madam, Vice-Chairman, my point of view, I confess, is somewhat different from that of my friend who has just preceded me. I like this Bill in its original form. I think the Bill in its original form was better than the Bill as amended by the Select Committee. Much has been said about Prof. Kaldor, but Prof. Kaldor thought that we would be able to realise Rs. 30 crores. Actually, all that we are going to realise from this measure is something in the neighbourhood of Rs. 2 crores. It is quite true that the recommendations of Prof. Kaldor were of an integrated character. He visualised a reduction of the income-tax. He thought that it should be brought down to 45 per cent. maximum. But we are not bound to accept everything that Prof. Kaldor has said and I think we have to view this question from the point of view of our clear objective of an egalitarian society. We have no desire to hinder private enterprise in certain fields. We tolerate willingly the private sector. Our objective, however, is the gradual elimination of the private sector and the substitution thereof by the socialist pattern of production and distribution. We want a radical change in the productive relationship of society and the matter between the private sector and the public sector is not a matter of mere economics. It is a matter which touches some ethical fundamentals. Therefore, I am sorry that the original clause 7 which provided for aggregating the value of all taxable gifts by the assessee during the five years immediately preceding the financial year in which the gift has been made has been given up. I am sorry for that.

I am also sorry that there is an exemption in favour of the wife or the husband, as the case may be, to the extent of Rs. 1 lakh. Most of us have affection and love for our wives, but we have done a great deal of justice

to them by the Hindu Law Reform Act. Women's position is not what it was yesterday. Women have been given absolute rights over property and I think women cannot have it both ways. They cannot have gifts from their husbands and they cannot have rights given to them by law, by inheriting property on equal terms with men. I think that, if we must allow gift to the wife or the husband, a sum of Rs. 10,000 or Rs. 20,000 should have been sufficient. The exemption of Rs. 1,00,000 appears to me to be ridiculously high.

I would like to point out certain other flaws. The list of exemptions given under clause 5 is very large. Now, property in the form of savings certificates issued by the Central Government is exempted from gift-tax by that Government, by notification in the Official Gazette. Why should there be this exemption in the case of savings certificates? Why should not the limit be laid down in the clause itself—the limit to which we will allow savings certificate to be exempted from the operation of the Gift-tax?

In regard to the sub-clause about 'contemplation of death', I do not agree with my friend, Shri Bhupesh Gupta, that this clause should be read in connection with section 191 of the Indian Succession Act and also in connection with the law relating to what are called the 'wakfs' under the Muslim Law. I think that this might be allowed to stand as it is, I cannot understand this sub-clause (xii) which reads:

"for the education of his children, to the extent to which the gifts are proved to the satisfaction of the Gift-tax Officer as being reasonable having regard to the circumstances of the case;"

Now, this arbitrary discretion is in the hands of the Gift-tax Officer and no standard, no test, has been laid down by the clause for the guidance of the Gift-tax Officer. It will be for the Gift-tax Officer to decide what amount may be given as a gift for

[Shri P. N. Sapru.]

purposes of education. The same defect is observable in sub-clause (xiii) of this clause which relates to what an employer may do for his employee, so far as gifts are concerned. Then again, Madam, I think too much has been left to the discretion of the Gift-tax Officer in sub-clause (xiv). It is said that it will be for the Gift-tax Officer to determine whether a gift is *bona fide* or not for the purpose of carrying on business, profession or vocation, and he will be the judge of the extent to which a particular gift may be exempted from taxation.

Then, Madam Vice-Chairman, so far as privy purses are concerned, I appreciate the difficulties of the Government. I do not myself like the institution of privy purses and the Princely order. But I know that there are certain commitments and we have got to honour those commitments. I am not therefore prepared to criticise the Finance Minister regarding that. I wish things had been different in our country, because it is really ridiculous that there should be persons who have Rs. 50 lakhs or Rs. 30 lakhs or Rs. 20 lakhs or even Rs. 10 lakhs, and at the same time there should be people who have not enough to make both ends meet. The whole social order is, judged from that point of view, wrong. And I think conflict is inherent in the existing social order. We may talk of a classless society, but we cannot have a classless society when we perpetuate a class of people who have not enough to make both ends meet.

Madam, I would like to frankly say that I do not like public companies gifting money to political organisations. Well, I think that is a very big theme, and I do not want to enter into that theme deliberately. I know that the trade unions finance certain labour movements, but their case stands on a somewhat different footing. I think the matter of gifts made by a private or a public concern to political parties needs or will need

consideration at some time or the other. I am glad to see that there is no exemption in the case of private companies. If the clause, as suggested by the Select Committee, had stood as it was, then it would have been very easy for all of us to evade the gift-tax. The easiest thing would have been for some persons to get together as members of a family and form themselves into a private company. Then, of course, gifts made by that private company would not have been subject to taxation.

Madam, I would like to say that especially in respect of one matter I hold a view somewhat similar to that which was pressed with considerable ability by Dr. Kunzru. We have allowed private enterprise to function in this country. We have not nationalised everything here. We are working here for a society which has a public sector as well as a private sector. We have many charitable institutions and many other institutions which are dependent upon private charities. I am myself connected with a number of such institutions. Now all of them are not covered by section 15B of the Indian Income-tax Act. Some of them are not registered institutions, and it is very difficult to have them registered, and I think that we should do nothing to injure their interests and we should be careful in ensuring that such springs of private charity are not dried up.

[MR. DEPUTY CHAIRMAN in the Chair.]

We have no social services on a vast scale run by Government in this country, and the Government's efforts in the matter of education, health and in various other directions, need to be supplemented in our country by private efforts. And it is difficult today to persuade our men of wealth to contribute to private charities. Therefore, Sir, I would have liked a more liberal attitude to be adopted towards this question of private charities.

Then we have allowed exemption from the gift-tax for gifts of Rs. 10,000 for marriages of dependants and rela-

gives. Now I think that that is a right suggestion because after all marriage is obligatory in the case of most people in this country, and marriage expenses in the case of some people run very high. If you, however, spend more than Rs. 10,000, you can do it; there is no prohibition there. But if you do that, then you must pay this tax on the excess amount spent by you. That I think is a very fair and reasonable thing for the State to demand.

Then, Sir, the rates for the gift-tax are, I think, on the whole, lower than the rates for the estate duty, and to that extent, I think, this Bill will not help us in solving the problem of evasion completely. But Prof. Kaldor did not conceive of this Bill only as a measure which would be a substitute for the Estate Duty Act. He looked upon it as a measure which would supplement that estate duty, and to the extent that it will supplement our yield from the estate duty, it has to be welcomed.

*(Time bell rings.)*

Finally, Sir, I would like to say one or two words about the administration that is . . .

MR. DEPUTY CHAIRMAN: It is time, Mr. Sapru. There is one more speaker.

SHRI P. N. SAPRU: Just one word, Sir. I hope that this measure will be administered in a liberal manner, and I am all for the retention of the judicial safeguards which are to be found in this Bill. On that point I entirely differ from my friend, Mr. Bhupesh Gupta. With these words, Sir, I give this Bill my general support.

SHRI BHUPESH GUPTA: Sir, there has been a violation of the Rules of the House in regard to a certain. . .

MR. DEPUTY CHAIRMAN: We are in the midst of a business. You cannot . . .

SHRI V. PRASAD RAO: It is on a point of order . . .

MR. DEPUTY CHAIRMAN: You are raising a question of privilege?

SHRI BHUPESH GUPTA: It is violation of the Rules of the House.

MR. DEPUTY CHAIRMAN: It cannot be raised at any time.

SHRI V. K. DHAGE: He is basing it on a point of order.

MR. DEPUTY CHAIRMAN: How can it be? There cannot be a point of order when we are in the midst of a business. Let us finish this Bill and then . . .

SHRI BHUPESH GUPTA: As far as a point of order is concerned, it can be raised at any time.

MR. DEPUTY CHAIRMAN: Concerning this Bill have you anything to say?

SHRI ANAND CHAND: Himachal Pradesh): Mr. Deputy Chairman, the time at the disposal of this Sabha is short and I will not impose myself by going over the familiar grounds. Anyone, living in India today, is quite conscious of the need of such a measure where the disparity between incomes is great, absolute poverty on the one hand and rich people living in high palaces on the other. I have listened very closely and with great attention to the debate we have had here since morning and there was hardly any disagreement about the purpose or the object of this Bill except from my friend from Orissa who thought that 'dan' as such should be free from the ambit of taxation. What are really debatable are certain provisions in the Bill itself and I have heard much talk about the exemption given in clause 5(1)(a) and clause 5(xiv)(a) and (b). Clause 5(1)(viii) deals with gifts up to a maximum of Rs. 1 lakh for the spouse and clause 5(xvi)(a) and (b) deals with certain gifts from the privy purse of the rulers. With your permission I would



[Shri Anand Chand.]

like to say a few words on both of these. I have tried to follow with great attention the debate here. I have also read very closely what my friend from West Bengal had to say about this particular matter the other day. I fail to see anything by which we should get excited about this. If I go into the clause as such, it says:

“to his or her spouse, subject to a maximum of rupees one lakh in value.”

Obviously gifts are, as we conceive them, given by the people who have the wherewithal to make them. A person who has only a capital of Rs. 5,000 is not in a position to make gifts because he wants that for his bare existence. Therefore gifts must come from people who have means to give them. I personally feel that giving up to a maximum of Rs. 1 lakh to wife or *vice versa* is not something which we should get excited about, especially as its liability to taxation on the death or the demise of either of the partners has been provided for in sub-clause (3) where it says that no further gifts can be made by the spouse out of this gift. Of course the expenditure is there. If the spouse who gets this money of Rs. 1 lakh—if he or she—spends it during his or her life-time it is another matter. But if it is not so spent or if it forms part of the estate itself, then it does not escape the duty and as such there is no tax evasion. Of course arguments may be advanced that this sum of Rs. 1 lakh is too large and might be cut down to Rs. 20,000 or Rs. 50,000 but whatever that may be, inherently I don't see that there is much to grumble about this measure.

About the privy purse, I wanted to say a few words because I have tried to follow very closely the speech by the hon. Finance Minister in the other House when he was introducing the Bill for discussion, after the Select Committee Report. He said there that certain doubts were expressed and to clarify those doubts this provision has been made. A few hon. Members

here like my hon. friend from Andhra Pradesh, have said that this provision was in fulfilment of the promises made at the time of the integration. I have tried to look up the White Paper and the Constitution. I have not been really able to appreciate the underlying causes which have made the introduction of this kind of exemption necessary. My friend from Rajasthan was saying that the idea in making this exemption was that there are certain relatives and others of these people who are in receipt of allowances and as such, unless this provision was made, those allowances would not be forthcoming. To find that out I went through the definition of the word 'gift'. It says:

“‘Gift’ means the transfer by one person to another of any existing movable or immovable property made voluntarily and without consideration in money or money's worth..”

I personally feel that if the idea is that these people who get these privy purses have commitments towards their children or the elder child or to other members of their families and it was to make provision for that that such allowances should not be taxed and so this sub-clause has been inserted, then I think the wording as such should be improved and it should be made clear that the intention is, whatever allowances flow out of these privy purses, their being not considered as gifts, will not be liable to gift-tax. If the intention is otherwise, if the intention is that these rulers are to make certain trusts or to set aside some money for the use of their relatives, as I have been hearing—and most of us are aware that in the case of the Nizam, the Nizam has made large trusts for several causes—if the intention is that these trusts are to be excluded because they flow from the privy purse, then here also, if I may be permitted to say so, the term 'privy purse' is not correctly defined.

DR. R. B. GOUR: Trusts of the Nizam do not flow from privy purse. That is accumulated wealth.

SHRI ANAND CHAND: That is what I was going to say. It is not clear. The wording here is:

"Out of the sums, if any, guaranteed or assured by the Central Government as his privy purse . . . .".

The gifts also come annually but the question can be there that this is the accumulated sum of 5 years' privy purse. It might be far-fetched, it might be too technical to be admitted but all that I am going to say is, when the question is not of the annuity that is received but it is the sum received as privy purse, there might be a lacuna which might be looked into. I am not competent to go into the legal background but what I was submitting was, first the objective should be made clear and if the objective is provision for the relatives as such, that should be clarified rather than it is left vague as it is or is left to the people to pick holes in, which in reality was not the intention either of the Select Committee or the Government when they accepted this amendment.

Then I wanted to say a few words about the question of aggregate. The Finance Minister in the other House and the Minister for Revenue and Expenditure in this House admitted that by dropping the aggregate provision, there is the apprehension that the income from this measure is going to be somewhat reduced. If the aggregation was there as 5 years, I do not see anything very bad in it. I believe in other countries—I am not well-versed in this subject of tax-structure or tax laws—I believe in some countries the aggregation is more than 5 years and they have been able to produce satisfactory results with such aggregation going to a number of years. I do not know why we should fight shy of it. I believe, in course of time, if we are not going to do it today, we will come to this problem and we will find aggregation is really the correct way and not the yearly basis which we have accepted now, with the recommendation of the Select Committee.

Lastly, I would like to say a word about the tax-collector and the structure of the department for tax collection. Much has been said in this House about the absolute—what I may call—newness or rawness of the individuals who are in the taxation department or of their improper vigilance and so on. I personally feel that this question of tax evasion is not due to any weakness in the machinery of tax collection. It is inherent in the system of legal interpretation and legal imposition which we have accepted. Of course, all democracies accept it. But what happens? Today in the country we have got people with large experience, who are experts in this sort of thing, and directly one has money, he goes to them to take their advice and so on. What we try to do is to evade taxation all the time. They are experts in their line and they give us a great deal of advice, a number of views, a lot of suggestions as to ways and means by which this tax can be dodged. So what I would submit is that very great care should be taken in drafting these laws. I think we have too many of these taxation laws at too short intervals. We do not allow one taxation law to work for a sufficiently long time, but we enact another law, and due to the multiplicity of these laws we have hardly any time to go into their actual working. And people try to interpret them. The interpretation is done not only in the lower courts, but also in the high courts and in the Supreme Court. So people all the time are on the look-out for loopholes and they find them. And the only people who are benefited are these experts and I don't think even the tax dodgers are benefited as much as the lawyers or the experts who are able to take that course and they get far more with resultant loss both to the exchequer of the country and to the person who has to pay these taxes.

Sir, this is all I have to say.

SHRI B. GOPALA REDDI: Mr. Deputy Chairman, I am really happy that various hon. Members of this

[Shri B. Gopala Reddi.]

House have welcomed this measure. Some even complained that it ought to have come a long time back and they did not see why it was delayed all these years. Even the Leader of the Opposition welcomed it, but he objected to some of the exemptions provided for in the Bill. But on the whole, I take it that it has received the approval or the approbation of the House. The only solitary note that was raised against it, more or less, was from Dr. Kunzru who wanted to know why Government did not come forward to tell the House about the necessity for the Bill, whether it was only to plug holes in collection of income-tax or for anything else and whether the estate duty was being evaded and if so, to what extent. And he complained that the Government had not come forward with the need for a Bill like this.

I think the Gift-tax Bill was before the House for a long time from the days of Prof. Kaldor's report and the Taxation Enquiry Commission's Report. It was also hinted at by the Finance Minister himself last year that the Gift-tax Bill was in the offing and that the Government would take steps to introduce it ere long. And then, Sir, on the 28th February, when the Prime Minister was introducing the Budget, he also mentioned it in his budget speech and he devoted two or three paragraphs to this Gift-tax Bill. He broadly gave the lines on which the Gift-tax Bill was drafted. So the Gift-tax Bill was before the country and the whole country took it well and it did not come as a surprise to the country at all. As a matter of fact, in many quarters it was welcomed.

I may say that these measures are a sort of satellite taxation proposals. The main thing after all is the Income-tax Act. All these, the expenditure-tax, the wealth-tax and now the gift-tax, they are all, so to say, satellite taxation measures, meant to give prop and support to the Income-tax Act. It was found that there were people trying to avoid taxation.

maybe by legitimate means sometimes when there were loopholes in the Act itself, that they were trying to give away gifts and they were trying to show too much expenditure, that they were inflating their expenditure and so on. Therefore we thought all these measures were necessary to give prop to the Income-tax Act itself. After all, in the budget estimates for this year we have taken credit for income-tax, super-tax, corporation tax, etc., for Rs. 217 crores. The wealth-tax accounts for Rs. 12.5 crores, the estate duty for Rs. 3 crores, the expenditure-tax for Rs. 3 crores and as regards gift-tax it was previously put down at Rs. 3 crores and now it is reduced to Rs. 2 crores. And the total of all this comes to Rs. 237.5 crores of which income-tax alone accounts for Rs. 217 crores. So the rest of all these taxation measures are likely to give us only about Rs. 20 crores. Rs. 20 crores is less than 10 per cent, of the target of taxation. So the main thing is to give the necessary support to Income-tax which alone accounts for Rs. 217 crores. So it must be viewed in that manner, not merely because Prof. Kaldor suggested it or not merely because the Taxation Enquiry Commission recommended it, but it was felt necessary to give that support to the Income-tax Act.

Sir, objection was taken on both sides. My hon. friend Mr. Chinai asked whether this taxation was necessary at all, and also why more exemptions were not given, and he said that we were trying to kill the spirit of philanthropy, the spirit of charity among the people. On the other hand, the Leader of the Opposition took objection to the large number of exemptions given and said that the original estimate of Rs. 30 crore had been falsified now and that this Gift-tax Bill was, more or less, an eye-wash. Perhaps that was not the word that he used, but anyhow he tried to make us feel that it was merely an eye-wash.

SHRI BHUPESH GUPTA: I said it has more holes than plugs.

SHRI B. GOPALA REDDI: That it has more holes than plugs? Very well, whatever it is, we have to see. While of course the broad lines of Prof. Kaldor's scheme were accepted by the Government, we did not accept it *in toto*. We did not accept his rates of taxation, and some of his estimates also were a little inflated. They were on the high side and nobody need be surprised that we are not getting Rs. 30 crores as he expected. My hon. friend Mr. Chinai objected to the keeping up of the income-tax rates, more or less, as they were before, and he asked why we did not accept his proposal of a reduction to 45 per cent. But my hon. friend forgets that in many other measures and in many other matters, especially in the expenditure tax and even in the gift-tax, we have given many exemptions. Take for instance the expenditure tax. Where he has recommended it as high as 300 per cent. we did not go up to that. We went only up to 100 per cent. And even in the gift-tax his percentage is very high, inasmuch as he has taken 20 per cent. as the average rate of tax. So while we accepted the general scheme of his proposals, we did not accept all his percentages. Therefore, friends pleading for a lower income-tax rate should not base their argument on the Kaldor Report. Prof. Kaldor has supported 45 per cent. rate of income-tax, but Government did not do it. But I may point out that ours is the only country where seventeen taxes out of the nineteen are being imposed. If we had accepted Prof. Kaldor's proposals *in toto*, that argument might have held good. But we are only accepting the general scheme and not his percentages and while we have this rate of income-tax, we have given these rebates and reliefs under the wealth-tax, the expenditure-tax and even under the gift-tax.

In the same breath, the Leader of the Opposition complains very

emphatically and very vigorously and asks, "What has happened to the Rs. 30 crores which he contemplated? How did he contemplate a receipt of Rs. 30 crores? What is it that you are doing? You are trying to get only Rs. 2 crores. What has happened to all the rest, Rs. 28 crores?" Of course, when Prof. Kaldor envisaged this gift-tax, he also included the estate duty in it. It was in lieu of the estate duty, a composite estate-cum-gift tax duty, and he expected about Rs. 30 crores to come in annually.

There, Sir, he assumed that private property in estates of above Rs. 25,000 would be in the order of Rs. 4,000 crores and he further assumed that one-twenty-fifth of these estates might be transferred every year by death or by gift, one-twenty-fifth of four thousand crores. Prof. Kaldor had also assumed that the average rate of duty would work out at 20 per cent, that is, whenever a person made any gift, one-fifth of that amount would be coming to the State as tax. These two things, I think, are on the high side and the average rate of duty can never be this much excepting in the case of gifts of over twenty lakhs of rupees whereas he visualised that on an average the yield would work out at twenty per cent. and proceeded on that assumption. To imagine that the average value of gifts made in this country is of this order is to assume conditions which we all know do not exist. Based on this assumption, Prof. Kaldor's figure is thirty crores. We are expecting about five crores of rupees under the estate duty and the gift-tax and it is because we have given exemptions. As I said in the beginning, in my speech introducing the Bill for consideration, we have adopted a *via media*. It is not as though we are going to kill private enterprise in this country. We are allowing the private sector to function for the time being, and since it is there, it is there, and it is no use complaining against the industrialists and the Princely order every time. It is not as though every industrialist is a blackmarketeer. That assumption is unfair. We

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know the contribution the industrialists have made for our country. They have helped us in our freedom struggle; they did not stand in the way of our freedom struggle, and while the process of integration was in the offing, the Princely States came and voluntarily surrendered their authority so that the country might become one.

DR. R. B. GOUR: You cannot say that they participated in our freedom struggle.

SHRI B. GOPALA REDDI: They did not stand against us and it is not as though they were reactionaries. They did not want the Britishers to stay on here. I mean the industrialists. The industrialists did not stand in our way and the Princely order also unanimously came forward and permanently abdicated their thrones, as it were. They did help us and, therefore, to say every time that all industrialists are blackmarketeers and that they have crores and crores of rupees as black-money and that they are standing in our way of progress or that the Princely order does not deserve the privy purse, etc., all these references are not good.

SHRI BHUPESH GUPTA: Nobody has said that all industrialists are blackmarketeers.

DR. R. B. GOUR: All industrialists are blackmarketeers sometimes and some all times.

SHRI B. GOPALA REDDI: The **Leader of the Opposition** also said that these privy purses must be stopped and that the amounts should be utilised according to the wishes of the people. There again, Sir, it is better that we do not accept that advice; it is better we keep up the assurances given to them and, as long as they are there, of course, they will get these sums and when they die, their successors in the *gaddi* or the national *gaddi* whatever it is, will not get the same amount. The amount will go down to ten lakhs or even less.

SHRI BHUPESH GUPTA: What a consolation!

SHRI B. GOPALA REDDI: The Nizam's successor will not get . . .

SHRI BHUPESH GUPTA: How much will he get?

SHRI B. GOPALA REDDI: It will be ten lakhs of rupees or less. The successor of the Mysore Maharaja will not get the present twenty-seven lakhs or whatever it is. At the time their cooperation was needed, they gave that cooperation and we gave them certain assurances and certain promises. It is but right that we keep up those assurances instead of trying to break them or violate them, as otherwise no assurance given to anybody will have any value at all and it will only be a scrap of paper. Our national progress and development cannot depend upon broken promises and broken assurances.

DR. R. B. GOUR: If your assurance to the people comes into conflict with the assurances given to the princes, what will you do?

SHRI B. GOPALA REDDI: We never promised that we will forfeit the privy purses of the Princes or the moneys of the industrialists or that we will nationalise all industries. It is all in our election manifesto. You can see. We did not even say that the privy purses would be stopped or that we would impose the wealth-tax or the expenditure tax or the gift-tax on the Princes.

(Interruption)

MR. DEPUTY CHAIRMAN: Order, order. Let him continue.

SHRI BHUPESH GUPTA: It is in the Autobiography of Panditji.

MR. DEPUTY CHAIRMAN: Order, order, let there be no disturbance.

SHRI B. GOPALA REDDI: It may be said that this sum of thirty crores is an inflated figure and we need not be dismayed by the five crores of rupees which we are getting under the Estate Duty Act and what we will get under this proposed measure. I do not think, Sir, we have been unreasonably liberal in giving exemptions. I do not also think that we have ever succumbed to the pressures of vested interests. The charge is repeatedly being made that the Select Committee or the Government was succumbing to the pressures of vested interests, moneyed interests, capitalists, industrialists, etc. I do not think, Sir, that either the history of the Congress or the history of the Congress Governments will bear that out. If you were to examine the history of the last ten years of administration, you will find that all the taxes that had been imposed were against the industrialists. All that was done by Sardar Vallabhbhai Patel and by others would show that we had never succumbed to their pressures. If we were very friendly with them, if we had wanted them to become rich or richer, certainly we could not have thought of this wealth-tax, the expenditure tax, the gift-tax, etc.

SHRI V. PRASAD RAO: The index of profits is an indication.

SHRI B. GOPALA REDDI: Therefore, I do not think that, that charge can be levelled against the Congress Governments at any rate, that we are very friendly with the vested interests or the industrialists and that we succumb or collapse at their pressures at every turn because the history of the last ten years will bear our statement out.

SHRI BHUPESH GUPTA: Not collapsing but cuddling!

SHRI B. GOPALA REDDI: As I said earlier, in regard to the privy purse, whatever was exempted under the Expenditure Tax Act is being exempted now. There is nothing new

that has been done. Certain privileges were given by the Parliament itself last year in the Expenditure Tax Act and whatever was accepted in that measure is being continued here also. Certain assurances were given to them. I may read a portion of an extract from the Baroda Merger Agreement:

"His Highness the Maharaja shall, with effect from the said date, be entitled to receive from the revenues of the State only for his privy purse a sum of Rs. 26,50,000 free of all taxes. This amount is intended to cover all the expenses of the Ruler and his family, including expenses on account of his secretariat and personal staff, maintenance of his residence, marriages and other ceremonies . . . and will neither be increased nor reduced for any reason whatsoever."

The other Agreements are more or less worded on the same lines and, in view of this, any suggestion to take away the privy purse of either the Nizam or the Maharaja of Mysore will not be to our credit and would not enhance our prestige in any degree at all.

SHRI BHUPESH GUPTA: Almost your Bible!

SHRI B. GOPALA REDDI: Our promises constitute our Bible certainly as long as we are there. They have to remain as our Bible, sacrosanct and they cannot be . . .

SHRI BHUPESH GUPTA: What about the promise of socialism?

MR. DEPUTY CHAIRMAN: Order, order. Please go on, Mr. Reddi.

SHRI B. GOPALA REDDI: Sir, the Leader of the Opposition raised many points with regard to the administration of the income-tax, appeals in arrears, military contractors and all that. We have examined all these things. We are taking all possible steps to recover the income-tax arrears. The other day I explained as to why these arrears are there, and also the steps that we were taking. We have issued recovery certificates to the

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tune of eighty-three and odd crores of rupees and the District Collectors are taking steps to recover this sum. Of course, there will certainly be some delay when we come to attach property. It cannot be recovered overnight. The whole thing has to be attached, put to auction, and, in the meanwhile, there may be some instalments paid. We are taking all possible steps to see that these arrears do not keep at the present high level.

With regard to appeals also good progress is being made. We have figures to show how, year after year, the old appeals are being disposed of. Of course, during war time there was a heavy accumulation of arrears.

SHRI BHUPESH GUPTA: Tell us how many appeals are pending now?

SHRI B. GOPALA REDDI: I think about 80,000 appeals are pending now as compared to the previous year when there were over a lakh and ten thousand appeals pending. After all, we must take a comparative figures. Before the war the income-tax collected was only about Rs. 18 crores, that is, roundabout 1938-39 at the commencement of the war, but this year we are taking credit for Rs. 216 crores.

DR. R. B. GOUR: Rs. 18 crores in undivided India?

SHRI B. GOPALA REDDI: Yes, yes. At the commencement of the war in 1938-39 it was Rs. 18 crores and today it is Rs. 217 crores. There were about 260 officers at that time; now there are over 1,200 officers. We have increased the staff; maybe, some of them are young. We are giving them the necessary training at Nagpur and we will certainly see a great improvement in the administration of income-tax and we will also see that these appeals are disposed of as early as possible. It is not our intention to keep these arrears pending, and the officers are certainly taking all possible steps to see that the income-tax administration is improved.

SHRI BHUPESH GUPTA: What about the arrears of military contractors?

SHRI B. GOPALA REDDI: Military contractors, civil contractors, all are covered in that figure and we have issued recovery certificates for Rs. 80 crores and what is not covered by the recovery certificates is only about Rs. 40 crores and odd and we will certainly see that we do not spare any effort to collect all that is due to the Government.

Well, Sir, I do not know whether I should make any longer speech at this stage.

SHRI AMOLAKH CHAND: What about the affidavits being included along with the returns?

SHRI B. GOPALA REDDI: Sir, there is a criticism that we have allowed too many exemptions. It is not true but we are not stifling legitimate generous philanthropy or charity. All the 15B institutions are getting gifts free from gift-tax; any college, any hospital, any registered society—there is quite a long list of them—all these can be covered under section 15B of the Income-tax Act and they will all be exempt from gift-tax. Even if it is not, after all, the first Rs. 10,000 is exempt and unregistered societies can be given up to Rs. 500. Suppose there is an individual or a society or a group of people running a reading room or dispensary or things like that, they could be given up to Rs. 500 in a particular year. I do not think we need bother about the position of there being too many exemptions.

Sir, the Leader of the Opposition also asked, 'why give one lakh of rupees to the spouse, either to the wife or to the husband?' Sir, in the course of a whole married life of 30 to 40 years, if the husband cannot give one lakh of rupees or if the wife cannot give one lakh of rupees, I do not think that married life is worth-while.

SHRI BHUPESH GUPTA: Let something also come to the Treasury by way of tax.

SHRI M. GOVINDA REDDY (Mysore): He does not know what married life is.

SHRI B. GOPALA REDDI: So you don't object to the gift as such? Your objection is, why give the exemption?

SHRI V. PRASAD RAO: It is not the gift that is taken exception to but it is the exemption that is taken exception to.

SHRI B. GOPALA REDDI: I am glad, Sir, that they do not object to the transfer of the money as gift and their objection is to not levying a tax on it. If he accepts the principle that the husband is entitled to transfer in the course of the whole married life about a lakh of rupees—it may be in small dribblets; it may be Rs. 3,000 to Rs. 4,000 a year, but the aggregate shall not exceed a lakh of rupees—then I think it is but right. And she is called 'dharma patni', 'ardhangi' and all that. If she cannot share at least that much—and suppose he has got Rs. 20 lakhs worth of property—then . . .

(Interruptions)

SHRI BHUPESH GUPTA: The hon. Minister is advocating tax-free married life.

SHRI B. GOPALA REDDI: Sir, married life is tax-free.

MR. DEPUTY CHAIRMAN: He is a bachelor; he does not know anything about married life.

SHRI B. GOPALA REDDI: Sir, it is not on the high side at all. If a man has got Rs. 50 lakhs worth of property and if he cannot transfer free of tax one lakh of rupees during the whole of married life . . .

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SHRI AKBAR ALI KHAN: And that also you have made it for all wives.

SHRI B. GOPALA REDDI: It is aggregate; if there is bigamy, if there are two or three wives, this one lakh is for all put together. So it is not on the high side.

SHRI M. C. SHAH: There are only 25,000 people . . .

SHRI B. GOPALA REDDI: As I said in the beginning, the House has welcomed the general provisions of the Bill. I have nothing more to add. I am thankful to the hon. Members for the almost unstinted support that they have given to this Bill, and the only objection has been to liberalisation and exemptions and things like that. I do not think it is very liberal. Anyway we can gain some experience and see what could be done in the course of the next two or three years and nothing is lost and nothing is final in these taxation measures.

DR. R. B. GOUR: The hon. Mr. Chinai asked you whether the employers' contribution to the provident fund would be termed a gift. You have not replied to it.

SHRI B. GOPALA REDDI: We will certainly examine it. If it is a deferred payment of salary it will be treated as salary; it will be treated as a legitimate expenditure. We shall examine it and see whether it can be exempted from gift-tax if it is really a deferred payment.

SHRI V. PRASAD RAO: It is not a gift anyway.

SHRI B. GOPALA REDDI: We shall see.

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill to provide for the levy of gift-tax, as passed by the Lok Sabha, be taken into consideration."



The motion was adopted.

**SHRI BHUPESH GUPTA:** Sir, before we take up clause by clause consideration, I have a submission to make. As you know, yesterday I sent a letter to the President seeking his sanction for moving certain amendments. I have not received yet any communication from the President's Office but I have received a letter from Shri Morarji Desai in which he says that the President has withheld his recommendation under article 117(1) of the Constitution to the moving of amendments Nos. 1, 2, 4, 5 and 6 proposed to be moved by me to this Bill. I have not received anything from the President. I do not know whether you are in possession of any communication from the President himself or from his Office. That I would like to know. If you have received any communication from the President it should be laid on the Table of the House. And here the responsibility rests with the Government, because the President acts on the advice of the Government. About that I shall speak when I speak on the clauses or on my amendments. Some of them do not require the consent of the President under the Constitution. It is most regrettable that the Government should have advised the President in this manner in order to prevent us from suggesting certain amendments to step up the tax on the rich people. Here is another example how these people, the Congress, are protecting the rich.

**MR. DEPUTY CHAIRMAN:** Obviously, the hon. Member has not read the rule in question. Rule 84 says:

"The orders of the President granting or withholding the sanction or recommendation to an amendment to a Bill shall be communicated to the Secretary by the Minister concerned in writing."

And the Minister has informed the Secretary in writing to this effect:

"With reference to your letter dated the 8th May 1958, I am to inform you that the President has withheld his recommendation under article 117(1) of the Constitution to the moving of amendments, serial Nos. 1, 2, 4, 5 and 6, proposed to be moved by you to the above-mentioned Bill."

**SHRI BHUPESH GUPTA:** Sir, this is the letter to me and you are reading it. That copy has come to you.

**MR. DEPUTY CHAIRMAN:** So far as the rule is concerned, it is sufficient.

**SHRI BHUPESH GUPTA:** The thing that you have read is . . .

**MR. DEPUTY CHAIRMAN:** It is said, 'Copy to Secretary, Rajya Sabha, New Delhi.' So there is no point of order, nor any breach of the rules. We will go ahead with the business.

**SHRI BHUPESH GUPTA:** It should be addressed to the Secretary; it is only a copy.

**MR. DEPUTY CHAIRMAN:** It is addressed to the Secretary.

We shall now take up clause by clause consideration.

Clauses 2 to 4 were added to the Bill.

3 P.M.

*Clause 5—Exemption in respect of certain gifts*

**SHRI BABUBHAI M. CHINAI:** Sir, I move:

1. "That at page 6,—

(i) in line 12, for the words 'or pension' the words 'pension or retirement benefits' be substituted; and

(ii) in lines 13-14, for the words 'or pension' the words 'pension or retirement benefits' be substituted."

SHRI BHUPESH GUPTA: Sir, I move:

6. "That at page 5, —

(i) in line 35, the words 'on the occasion of the marriage of the relative' be deleted; and

(ii) in lines 36-37, the words 'in respect of the marriage of each such relative' be deleted."

MR. DEPUTY CHAIRMAN: The clause and the amendments are before the House.

SHRI BABUBHAI M. CHINAI: Sir, while moving this I have informed you that according to the Bill as it stands pensions have been exempted from gift-tax. In my speech also I had mentioned that there is provident fund and there is employer's contribution to it and whether that would be considered as an item for tax so far as gift-tax is concerned. On a point raised by my hon. friend from the opposition the hon. Minister just now said that it would be examined. I would be glad if the hon. Minister would give us an undertaking that the contribution by the employers to the fund would be exempted from gift-tax. This is the sum and substance of the amendment.

SHRI BHUPESH GUPTA: Sir, I would like to speak on my amendment as well as the clause in view of the fact that for most of my amendments permission has been withheld. My amendment is this. You will see that in line 35, the Bill says: "to any relative dependent upon him for support and maintenance on the occasion of the marriage of the relative, subject to a maximum of rupees ten thousand in value in respect of the marriage of each such relative;" I want the provision for exemption on the occasion of marriage to be deleted. Now, Sir, exemption is generally given, though a limit has been imposed above which you can

tax. Already Government has given certain exemptions. Why here a special exemption should be made in the name of marriage, I cannot at all see. And that, again, is raised up to Rs. 10,000. Now, the hon. Minister will perhaps say that this is necessary in view of the fact that there is affection between the parents and their daughter, that this should be covered. The Bill is not concerned with marriage expenses at all. Although marriage expenses are to be incurred, could be easily incurred, that does not come within the purview of this Bill. It relates to the question of only gift on the occasion of marriage. I do not know how this will operate. Now, suppose . . .

SHRI AKBAR ALI KHAN: With your permission, may I explain to my friend that it relates to certain sisters' husbands . . .

MR. DEPUTY CHAIRMAN: Mr. Akbar Ali Khan, leave it to the hon. Minister to explain.

SHRI BHUPESH GUPTA: Mr. Akbar Ali Khan, I do not know whether he is feeling the warmth of the Nizam's charities, but he always thinks . . .

MR. DEPUTY CHAIRMAN: Order, order. Please go on.

SHRI BHUPESH GUPTA: Relevant, I think, he may be. But then that way a lot of money could be set apart with a view to avoiding the incidence of this particular tax. A number of gifts could be made to relatives, a number of gifts could be made up to Rs. 10,000.- each—five, ten, twelve. Thus you can set apart a lot of money. Therefore, a person would be in a position to utilise the occasion of marriage which I take is a solemn occasion, when fraud should not be committed, when one should be very virtuous and all that. All these occasions would be utilised with a view to putting aside money, making gifts with a view to avoiding taxes. As you know, the moment he makes the gift the money

[Shri Bhupesh Gupta] goes to somebody else and that money will not be accountable for any other taxation, once that money is transferred to somebody else, a number of people, under this clause in the name of gift on the occasion of marriage. This is very unfair. This is a loop-hole. I am not concerned with genuine cases. I know of cases where genuine gifts are made by the father to the daughter at the time of marriage. But we are concerned with what they call plugging the holes. Here in this we are bringing in not plugs but we are creating loop-holes and holes. That is why I am opposed to this particular formulation and I think this should be taken away. Take, for instance, a person who has got five daughters and five sisters. Ten individual gifts could be made on the occasion of their marriage and many—I do not know—benami transactions can take place. The arrangement may be that the money is to be put aside. When the income-tax officer comes, he will see that one lakh had been gifted away, although actually it has not been gifted. Some kind of family arrangement had taken place with a view to transferring the money. I am not saying that every one believes in this kind of fraud. But then laws are meant to guard against this kind of fraud, prevention of evasion and avoidance of tax. And according to you the whole measure is supposed to be a complementary measure, to back up the income-tax. But here you are making a provision which, on the contrary, will strengthen the hands of these very people who are interested in either avoiding or evading the income tax. Therefore, this is wrong.

MR. DEPUTY CHAIRMAN: Yes, it is time.

SHRI BHUPESH GUPTA: Now, ~~it~~ would like to speak on the clauses.

Generally I am opposed to these clauses, most of these clauses.

MR. DEPUTY CHAIRMAN: You have spoken at length for 49 minutes.

SHRI BHUPESH GUPTA: That I know, but my amendments have not been allowed.

MR. DEPUTY CHAIRMAN: We have to finish this by 3-30.

SHRI BHUPESH GUPTA: I am generally opposed to this. I very much regret that the Government should not have allowed my amendments. This point I want to make clear, because where else I could make it. I pleaded to the President expecting that his permission would be obtained, for me to move these amendments in order to raise these taxes and plug the holes. I have not been given that sanction, as you have just told the House and I have seen the letter. Now Sir, I have no reflection to make on the the President but certainly since the President acts on the advice of the Government, I will criticise the action of the Government in regard to this matter. The Government should have faced these amendments. They have got a majority in this House. They can easily get it passed. We want to do away with some of these exemptions. The Government did not advise the President to accord his sanction to my amendments. It is all understandable. Am I to understand from all this that the Government is biased in favour of the rich, in favour of those who are seeking concession after concession, in favour of those who are interested in making a farce of this gift-tax? When the Bill was in the Select Committee and these people made representations and raised a howl, hon. Ministers one after another succumbed, submitted to their wishes. There was no difficulty there. And the President was given all kinds of advice in order that the Government's attitude towards these people, big people, big money, could be justified. But now when we from the side of the people have requested that we be allowed

to move at least certain amendments, to press certain other points of view, even that much courtesy was not shown by the Government to advise the President to give us the permission and sanction. It does not speak well of the Government. It is not a good parliamentary convention to set before the country. It certainly does not conform to what we call democratic standards, democratic methods, in a Parliament. That is why I accuse the Government of taking sides in this matter—sides in a very, very ugly, and shall we say, brazen manner. I wish it were not done . . .

MR. DEPUTY CHAIRMAN: Yes, it is time.

SHRI BHUPESH GUPTA: I am opposed to this thing. I have said about the privy purse and only I would like to say something in reply to what he has said. He read out the agreement he had entered into with the Gaekwad of Baroda. But have you forgotten your Karachi Congress Resolution of 1931?

SHRI B. GOPALA REDDI: This is subsequent to 1931.

SHRI BHUPESH GUPTA: It is very good. Mr. Gopala Reddi is sometimes very humorous. It is subsequent to that. Even before you entered into parleys with Gaekwad, you began to forget the pledges that you gave to the nation. It does not speak well of you. After having done that, with such enormities on your side, it does not behove you to speak in terms of agreement to protect the privy purses of the Rajahs. You are not the sentries guarding their privy purse. Sir, after signing the agreement you had at least issued two election manifestos. After having signed the agreement, at least your Prime Minister has made a number of exhortations to the Princes that at least a part of their privy purse should be surrendered. Every time, during the election time, you make

very many pledges. Have you cared to see how many of the pledges you have violated and how many of the pledges you have honoured? Let an inventory be taken, let an account be taken of the pledges betrayed and the pledges carried out.

SHRI H. P. SAKSENA: The pledge was about the Rajpramukh, but not about the privy purse of the Rajpramukh.

SHRI BHUPESH GUPTA: The pledges have been violated. When we suggest "do not give the privy purse, or at least do not give exemption to the privy purse from taxation", you read out your charter of pledges to the Princes.

Then again, Sir, I would like to tell the hon. Minister that even under their agreement they are not at all bound not to impose this kind of tax on the privy purse. Where is it said in the agreement that a gift-tax could not be levied on the privy purse?

SHRI AKBAR ALI KHAN: Free of all taxes.

DR. R. B. GOUR: Free of all existing taxes, not subsequent taxes.

SHRI BHUPESH GUPTA: At the time of entering into that agreement there was no Mr. Kaldor here. You are not thinking of these taxes in terms of the privy purse. It does not arise at all. I could have understood if it were stated in this agreement that such taxes in the future would also be governed by that agreement. I could have at least understood some such kind of stand being taken on a spoken word. But here they are absolutely free not to give any exemption. Even so they will give exemption. When it comes to the Princes, you go toppling down into their parlour. When it comes to the people you fight shy of giving any petty concession. Is this the way, Sir, to deal with such matters?

(Time bell rings)

[Shri Bhupesh Gupta]

About the wife I do not want to say very much. He says that unless you are in a position to give Rs. 1 lakh to your wife, you are no good to be a husband. Strange thing. I would like to know what Mr. Reddi is. Why does he say such a thing? In our country 99.9 per cent of the people cannot give even a small gift. Here in this country you are parading your ideas that you are not going to be any good as a husband unless and until you are in a position to gift away Rs. 1 lakh to your wife. We never thought that our civilisation would give such an understanding of the relationship between the husband and the wife in our country. We have got something else from our old culture, from our old literature, and never thought that such a black-market deal with a view to evading taxes would be justified by hon. Members on the Treasury Benches, justified by them with a view to permitting evasion and avoidance of taxes.

SHRI B. GOPALA REDDI: Sir, the hon. Member has not laid any stress on the wording of the clause he is trying to amend to exclude a relative depending upon him for support and maintenance. They are only relatives depending upon him for support and maintenance. He cannot gift away Rs. 10,000 for anybody in the street. Therefore, it must be somebody depending upon him. It may be his brother's son or brother's daughter. He must have the right . . .

MR. DEPUTY CHAIRMAN: What he wants is that it should not be on the occasion of marriage.

SHRI BHUPESH GUPTA: Every excuse has been found . . .

MR. DEPUTY CHAIRMAN: If your amendment is accepted, gift will not be allowed on the occasion of marriage.

SHRI B. GOPALA REDDI: When one gives a gift, one can pay tax also. Therefore, I am unable to accept the amendment.

With regard to privy purse, we do not accept that the privy purse is exempt from all taxes. That is a matter which has been examined very carefully. What should be exempt from expenditure tax is under consideration. Therefore, it is not as though they are exempt from all taxes to come hereafter, perhaps to some extent from existing taxation and things like that. It is a legal point which has to be considered very carefully.

SHRI BHUPESH GUPTA: Why are you giving them exemption from expenditure-tax?

SHRI B. GOPALA REDDI: Where you already notice an exemption, there it is a certain obligation they have to discharge, and such obligatory expenditure is free from expenditure tax. Therefore they are not treated as gifts.

With regard to Mr. Chinai, I do not want to keep him in suspense. I can straightway say that he need not be under suspense. Where it is deferred payment for services rendered to the company, that will not be treated as gift. Any contribution to the provident fund will not be treated as gift.

SHRI BABUBHAI M. CHINAI: Sir, I beg leave to withdraw my amendment.

\*Amendment No. 1 was, by leave, withdrawn.

MR. DEPUTY CHAIRMAN: The question is:

6. "That at page 5,—

(i) in line 35, the words 'on the occasion of the marriage of the relative' be deleted, and

\*For text of amendment, vide cols. 2116-17 *supra*.

(ii) in lines 36-37, the words 'in respect of the marriage of each such relative' be deleted."

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

"That clause 5 stand part of the Bill."

The motion was adopted.

Clause 5 was added to the Bill.

Clauses 6 to 16 were added to the Bill.

#### New Clause 16A

SHRI BHUPESH GUPTA: Sir, I move:

10. "That at page 11, after line 23, the following new clause 16A be inserted, namely:—

'16A. The names of assesseees within each police station shall be published in such manner that the people of the locality concerned may know the persons who have been so assessed.'

MR. DEPUTY CHAIRMAN: The new clause is before the House.

SHRI BHUPESH GUPTA: Sir, my amendment relates to administrative matters. My amendment wants that the names of the assesseees within each police station shall be published in such manner that the people of the locality concerned may know the person who has been so assessed. The purpose of my amendment is this. The people of the particular locality know who has been taxed and to what extent. In that case they can also check up as to whether assessment has been correctly made. As you know, many gifts are made *inter vivos*, and this is also mentioned in the various reports. *Inter vivos* gifts

in most cases will be known to the people of the locality, the neighbours and others. They would not be known to an outside tax officer. It is easy for a tax evader to get away by making *inter vivos* gifts. Therefore, what is important in this connection is that the names should be published.

There is again the question of the big people. Suppose some people are taxed in Calcutta, big people in their respective localities; their names should be published saying that so much money has been assessed, and so on. In the offices, people will laugh and in other places also, people will know whether the assessment had been right or not or it had been partial. In such cases, they could come forward to make the disclosure. What I suggest in this connection is that the Government should devise a machinery and evolve a system whereby the people could be brought into the picture; that is to say, they should make the procedure in this matter in such a manner that, if there are failings and gaps, there would be people to make up the gaps. That is how they should proceed. It is very difficult for any tax officer or the Gift-tax Officer to find out suddenly; it would be possible only when they are in touch with the conditions in which a particular assessee, prospective or otherwise, functions and lives. They would not be in a position to find out from other people around him as to how he is handling his finances for evasion of his tax or for discharging his probable liabilities to the State, to fulfil his obligations to the State and the exchequer. This amendment, therefore, is essential. What happens today? The names of the tax evaders are not even published. So sacred are the tax evaders in this country, in the eyes of our great Government that whatever you may say, they will never, never publish the names of the tax evaders. Cases are pending; even then, they would not publish their names. If it had been done

[Shri Bhupesh Gupta.]  
before, so many hon. Members on this side of the House and also on the other side of the House would have known Mundhra a long time ago because, I know, in the Alipore court his cases were pending. Many cases were pending against such people and if the names had been published, it would have been good. These are the people against whom cases are pending. We would have known that these are the gentlemen about whom we should have been somewhat watchful. It is necessary to make us a little watchful. It is not always good for the Congress Party to go after their pockets and allow the people to slip. It is not good going after their pockets if you can avoid it. But then you also give us an opportunity to keep our eyes open and to get these people, to find them out and tell the Government and the country that they are evading taxes; that their gifts have been of a higher order than shown in their papers placed before the Gift-tax Officer. We should get these opportunities and I think, Sir, the Government should consider this amendment. Do not tell me, Sir, after the voting that it was an overwhelming majority. At least, the patent principles should not be lacking here on the Treasury Benches, although the moral force may be lacking in such matters.

SHRI B. GOPALA REDDI: Sir, the pros and cons of the suggestion have to be considered carefully. We do not want that our tax-payers should be exposed to any blackmailing by any unscrupulous people. We should not expose them and say, you have given only Rs. 10,000 in tax; I am going to write a letter to the Government that you must pay tax of another Rs. 5,000. We do not want any blackmailing from anybody. The hon. Member's suggestion is good in certain other respects and, therefore, the pros and cons of it must be considered very carefully. And perhaps, the Government may consider it. Therefore, he need not be in a hurry

to press the amendment. I request him to withdraw the amendment."

SHRI BHUPESH GUPTA: Having regard to the sensible attitude, I do not press it to vote. I reciprocate.

\*Amendment No. 10 was, by leave, withdrawn.

Clauses 17 to 46 and the Schedule were added to the Bill.

Clause 1—*Short title, extent and commencement*

SHRI BHUPESH GUPTA: Sir, I move:

3. "That at page 1, line 5, for the words and figure 'The Gift-tax Act, 1958' the words and figure 'The Gift-tax and Exemptions Act, 1958' be substituted."

MR. DEPUTY CHAIRMAN: The clause and the amendment are before the House.

SHRI BHUPESH GUPTA: Sir, this is a simple amendment. I want to change the title of this Bill because I want to make it specific. It should be called "The Gift-tax and Exemptions Act, 1958." This you can accept, because there is no harm. The Bill is there, Gift-tax is there and you have also the exemptions. I was reading this Bill. There is hardly a page about taxation proposals. Then comes a whole list of exemptions—a frightening list of exemptions. Therefore, Sir, it should be given a proper description. The public should not be misled when we enact a legislation. Therefore, it should be called by this name. I hope the hon. Minister, in all fairness, after having so generously given exemption to the rich people, will be good enough to at least accept my suggestion which conforms to the character and description of this particular measure.

\*For text of amendment, vide col. 2125 *supra*.

SHRI B. GOPALA REDDI: I do not accept it, Sir.

MR. DEPUTY CHAIRMAN: The question is:

3/ "That at page 1, line 5, for the words and figure 'The Gift-tax Act, 1958' the words and figure 'The Gift-tax and Exemptions Act, 1958' be substituted."

The motion was ~~negotiated~~ <sup>adopted</sup>.

MR. DEPUTY CHAIRMAN: The question is:

"That Clause 1 stand part of the Bill."

The motion was ~~negotiated~~ <sup>adopted</sup>.

Clause 1 was added to the Bill.

• The Enacting Formula and the Title were added to the Bill.

SHRI B. GOPALA REDDI: Sir, I move:

"That the Bill be returned."

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill be returned."

The motion was adopted.

# REFERENCE TO NON-INCLUSION IN THE LISTS OF BUSINESS OF THE ITEM RELATING TO DISCUSSION ON THE FOOD SITUATION

SHRI BHUPESH GUPTA (West Bengal): Sir, can I raise a point? You, Sir, in this House on Tuesday said. . . .

MR. DEPUTY CHAIRMAN: What is the point? Is it a point of order?

SHRI BHUPESH GUPTA: A point of order.

MR. DEPUTY CHAIRMAN: On what?

SHRI BHUPESH GUPTA: It is with regard to a breach. . . .

MR. DEPUTY CHAIRMAN: If it is a submission, you can make it. But if it is a point of order, you cannot have. . . .

SHRI BHUPESH GUPTA: Sir, you are very helpful. It is a submission. I have got a Bulletin issued by the. . . .

MR. DEPUTY CHAIRMAN: Do I take it that tomorrow you will not press that privilege motion? You raised a privilege motion.

SHRI BHUPESH GUPTA: No, that is another.

This is only to draw your attention. I will not say very much. On Tuesday, you read out to this House a list of business. I read out from Bulletin No. 4596 dated 6th May, 1958:

"The Deputy Chairman made the following announcement in the House today:—

"I have to inform Members that the Business Advisory Committee at its sitting held today has recommended allotment of time as follows for Government and other business during the remaining part of the current session of the Rajya Sabha:—"

It has mentioned ten items of business, the last item being the discussion on the food situation, 2 hours. That was done by you last Tuesday. We have been receiving since that time some revised Lists of Business from the Rajya Sabha Secretariat. Up to the 10th we have got them and nowhere in the Lists of Business do we find any mention of the discussion on the food situation for two hours. How has it disappeared from the List of Business when you, from the august position, made the announcement on the basis of the decision of the Business Advisory Com-