

ration and return, by the Rajya Sabha, of the Wealth-tax Bill, 1957, including the consideration and passing of amendments, if any, to the Bill.

THE WEALTH-TAX BILL, 1957

THE MINISTER OF FINANCE (SHRI T. T. KRISHNAMACHARI) : Sir, I beg to move:

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

Sir, even though the Bill comes to this House for the first time, I had touched upon this subject in my Budget speech in May last, and its principles figured prominently in the course of the general discussion on the Budget. The two booklets explaining generally the new taxation proposals have also been circulated to the hon. Members of this House. The House will, therefore, agree with me that it is unnecessary to cover the same ground in detail again in my introductory speech, especially as the various provisions will come up for detailed consideration later on. I will confine myself only to the changes that have been made in the original provisions of the Bill in the course of its passage in the other House.

At the outset, I should say that the broad principles of a tax on wealth have received warm support not only in the other House but also from a large section of the public, though "there was criticism over some particular provisions also. I had reexamined the original provisions in the light of the criticisms and also representations received from various quarters, and such re-examination has only strengthened the justification for the tax.

Sir, a tax on wealth is new to this country, but it is not new to the world. It constitutes a very vital element in the taxation systems of most progressive countries, particularly in the European and American continents. Its importance should not,

in my opinion, be judged purely from its revenue-content. I do not, for a moment, say that revenue considerations should be absolutely ruled out, as they are very important, but the real importance of the tax, from my point of view, lies in that it facilitates the reorientation of the tax structure into an integrated pattern. It is not only a welcome supplement to income-tax, but also a corrective to it, by which certain objectives of tax policy which cannot be achieved through income-tax alone can be achieved through the combined operation of all the new taxes.

Sir, in this connection, I may mention that there has been much controversy about the question of levying wealth-tax on companies. The Lok Sabha went very carefully into this matter and came to the conclusion that, having regard to the corporate structure in India and the concentration of wealth in companies, it is impossible to exclude companies as such from the levy, if wealth-tax is to achieve success to any significant extent. The House, however, felt that this being a new tax, it has to be approached with some caution, so that no avoidable hardship or harassment is caused to the tax-payer. With this end in view, the House made a number of changes, mostly by way of tax reliefs or concessions. I shall now refer briefly to the important changes that have been made in the Bill as originally introduced.

As the House is aware, every individual, Hindu undivided family and joint-stock company will be liable to pay wealth-tax. So far as individuals are concerned, the exemption limit is Rs. 2 lakhs, and for companies the limit is Rs. 5 lakhs. No changes have been made by the other House in regard to the limits for these two classes. For Hindu undivided families, the exemption limit has been raised from Rs. 3 lakhs to Rs. 4 lakhs. At the same time the next slab range has been reduced from Rs. 10 lakhs to Rs. 9 lakhs.

[Shri T., T. Krishnamachari.] Taking companies first, all companies, whether public or private and whether Indian or foreign, are liable to pay wealth-tax. Ordinarily, a resident company will pay the tax on its total wealth whether such wealth is held in India or outside. A nonresident company, however, will pay the tax only on its Indian wealth. Under clause 45, certain companies are totally excluded from wealth-tax. The Bill as it originally stood excluded banking companies' insurance companies, and certain financial institutions sponsored by the Central Government. To this list has now been added shipping companies and institutions for the promotion of art, culture, commerce, etc., which are not established for the purpose of making profit and which are registered as companies for the sake of convenience of administration. Another important change is that a wealth-tax holiday will be granted to industrial companies for five successive assessment years immediately following the date of incorporation. This concession has been provided not only as an incentive for promotion of new industrial enterprises, but also with a view to avoiding any financial difficulty to such companies in the initial stages of their organisation. The wealth-tax holiday will also be extended to new industrial units of existing companies which are created by way of substantial expansion of the existing undertakings. As a corollary to the wealth-tax holiday for new industrial companies, shareholders in such companies will also be similarly dealt with on the value of their shares for a like period of five successive assessment years in which the companies themselves will be enjoying the wealth-tax holiday.

Another important change is that wealth-tax will not be levied on a company in a year in which it suffers, and further if the profits are insufficient to pay the wealth-tax in any particular year, the tax payable by it for that year will not exceed the amount of the profits. These conces-

sions will not, however, be given if the company declares any dividends on its equity capital for the relevant year. The last and important change, so far as companies are concerned, is that shares held by one company in another company, in other words, intercorporate holdings will be exempted from the tax in the hands of the holding company.

I have already mentioned one new concession to shareholders who are individuals and Hindu undivided families, namely, the wealth-tax holiday for five years on their investments in new industrial companies. A further relief is now proposed to be given by applying Rule 2 of the Schedule prescribing a ceiling of wealth-tax for shareholders of private companies to shareholders of public companies as well. The effect is that the tax payable by shareholders on the shares held by them will be limited to Rs. 1 ■ 5 per cent, of the value of the shares, taking into account the wealth-tax paid by the companies which is attributable to such shares.

I shall now summarise the important modifications with reference to individuals and Hindu undivided families. Clause 6 of the Bill as it originally stood provided that in the case of individuals who are citizens of India, their entire wealth, including their foreign wealth, should be liable to wealth-tax, even if such individuals; reside outside India, while in the case of individuals who are not citizens of India, only their Indian wealth would be liable to such charge. The Lok Sabha felt that this distinction, based on citizenship was not appropriate and that it should properly be based on residence in India. Clause 6 has now been amended by the other House accordingly. The position now is that in the case of all individuals, irrespective of their nationality, only their Indian wealth will be liable to tax, provided they are not resident or not ordinarily resident in India

¹ In the case of individuals and Hindu; undivided families resident in India^

their foreign wealth will also be liable to tax, but the tax will be charged on the foreign wealth only at one-half of the normal rates of tax. Similarly in order to secure that foreigners retain their Indian investments and not remove them from India, on account of the incidence of the wealth-tax, it is now provided that their Indian wealth will be taxed only at one-half of the normal rates. Further, in the case of foreign institutions or foreign residents, any assets represented by loans or deferred liabilities in India in respect of the supply of capital goods on longterm credit basis to Indian industrial undertakings will be totally exempted from the tax.

I now come to what is perhaps the most important clause of the Bill, clause 5. It provides for exemption from wealth-tax for a number of items of assets of varying nature. The Lok Sabha has made some small modifications in the concessions originally provided and has also made some additions to the list. I shall here refer only to those items in clause 5 which have been so modified or added.

(1) household articles, furniture, etc. are now to be exempted fully without any monetary limit.

(2) for jewellery a separate monetary limit of Rs. 25,000 has been prescribed.

(3) According to the original provisions tools and implements used by professional people were to be exempted from the tax up to a maximum of Rs. 2,500. The Lok Sabha felt that this limit was too low, especially for persons engaged in the medical and other allied professions and, therefore, proposed to raise the limit to Rs. 20,000. At the same time, they have also provided that instruments and other apparatus used for purposes of scientific research should be completely exempted from the tax without any monetary limit.

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(4) In the case of Rulers of Indian States, their ancestral jewellery recognised as such by the Government and which is not their personal property is to be exempted. Further one building of every Ruler which is declared by the Central Government as his official residence is also to be exempted.

(5) In the case of other assesseees, one residential building in rural areas with a population of less than 10,000 is exempted.

I shall now come to the important changes that have been made to procedural matters.

Originally, clause 25 empowered the Commissioner of Wealth Tax to revise assessments only in cases where it is advantageous to revenue. Suggestions were made in the other House in the course of earlier discussions that the Commissioner should also be empowered to revise the assessments in cases where the revision is in favour of the tax-payer. This has now been accepted and clause 25 has accordingly been recast.

The next important change is in regard to the composition of the Committee of Arbitration to settle disputes in regard to valuation. The Lok Sabha considered that it was more appropriate that arbitration should come only at the Appellate Tribunal stage as proposed in the Bill as it is the only stage where all issues of the dispute between the tax-payer and the Department which are relevant for valuation will become crystalised. They, however, felt that the following changes were necessary:—

(1) The Arbitration Committee should consist of two valuers only, and not a valuer and an adviser as originally proposed.

(2) The valuers on the Committee should be chosen one by the assessee and the other by the Department.

(3) The valuers should be empowered to settle disputes not

[Shri T. T. Krishnamachari.] only in regard to immovable property but also movable property, if either party to the appeal so required.

I do not think it is necessary for me to refer to other changes which relate only to minor details of procedure or clarification of the intention where it is not clear.

Finally, Sir, I must refer to the estimates of revenue from this tax. I had originally estimated the revenue from this tax at Rs. 15 crores made up of Rs. 9 crores from companies and Rs. 6 crores from individuals and Hindu undivided families. With the concessions since provided for companies, the receipts from companies are expected to come down to Rs. 6J crores. In regard to individuals and Hindu undivided families only a rough estimate can be made, and I expect that the original estimate of Rs. 6 crores will be reached. In the succeeding years, revenue from this source will probably show some increase.

Sir, I move.

MR. CHAIRMAN: Motion moved:

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

SHRIMATI LILAVATI MUNSHI (Rajasthan): Sir, I want only one explanation. Is this Rs. 25,000 for jewellery over and above Rs. 2 lakhs?

SHRI T. T. KRISHNAMACHARI: Rs. 25,000 plus Rs. 2 lakhs.

SHRIMATI LILAVATI MUNSHI: Mr. Chairman, I do not want to say much on this Bill because much has already been said in the other House and elsewhere, and whatever we may say, it is going to be carried and the Finance Minister is going to have this tax. Besides whatever I have to say I had sent to the Finance Minister in the shape of a note.

Probably I was a little harsh in that note

I thought it better to go to the source and tell him what I had to say about it rather than carry on a public discussion in the matter. In sending that note, I also felt very unhappy because I have always admired the Finance Minister and thought that he was not only a man of principle but a reasonable man, but I am sorry to observe that, when a man reaches a certain position, he becomes impervious to the sufferings of the other human beings. He is now the Finance Minister like many of his predecessors and the qualification of every Finance Minister is to produce money and that is what he is trying to do.

KAZI KARIMUDDIN (Bombay): Not produce money but exact money.

SHRIMATI LILAVATI MUNSHI: He can produce money by deficit financing, by printing notes, and he can also collect money.

Well, Sir, I am really very sorry to observe that when a good man becomes obstinate, how much mischief he can do. I know that we have the Second Five Year Plan, but on account of our independent but a little biassed foreign policy, we are in a tight corner. The *laissez faire* policy which was followed by the Finance Minister when he was Commerce and Industry Minister can no longer be practised by him.

Now we are staking everything. Either we follow the Plan and finish it or the Plan follows us and finishes us. We have sworn so much by the Plan that it is now difficult to argue about it. Now it has become a matter of prestige. Only I feel that the taxes that are proposed are not going to produce the result, that is, the money that is expected out of them. I would not have cared to argue about this but for the fact that these proposals are going to produce a great deal of harassment and hardship to a great number of people. I shall content

myself by dealing with two or three points in this Bill and shall leave it to others to take care of the other points.

First of all there are very (few house wives who keep regular accounts of their wealth and expenditure. In most cases even the husband does not know what jewellery a wife has.

AN HON. MEMBER: It is bad..

SHRIMATI LILAVATI MUNSHI: May be it is bad, I don't know. You may be a model wife and you may be telling all about it to your husband. It is a form of saving adopted by our society from times immemorial. Now a husband may not know what jewellery a wife has but a taxing officer must know how many ornaments a woman has. Thank God for small mercies that he has taken away the wearing apparels and the provisions otherwise all our sats and provisions, and how much rice there is etc., will be accounted. For the sake of argument, let us see how many women may have ornaments worth more than Rs. 25,000. May be 3,000 or 4,000 or say, even 8,000 because that is the number of tax payers. That is what I understand. It may be a little this way or that way. That is about all, the number of wives of the big people who have money. Let us take the maximum number of 8,000 women having ornaments varying from Rs. 25,000 to Rs. 1 lakh worth. Only a few dozen may have more than a lakh of rupees worth but the general range will be this. That will give the average of Rs. 50,000 worth of jewels. Let us take that figure. So the ornaments will be worth Rs. 40 crores out of these 8,000 wives and the average rate of tax will be about half per cent. So how much will this tax bring? Say about Rs. 20,000 or even a little more. I am not an economist, so I don't know. But even if it is Rs. 2 lakhs it is very negligible. Is it worth all this trouble, to harass them for such a paltry sum? You may say, this will be counted with the husband's wealth but now women have acquired the right of separate

ownership in wealth and she can keep her property separate. Except a few dozen women who may have ornaments worth more than a lakh of rupees, most women will not have much money. To most of them it will be difficult to fill up the income-tax returns and reply to the tax collector's queries which may have some ulterior motives too in some cases. One can harass by sending queries after queries and one does not know what to do. I know that when we give it sometimes to some experts to prepare returns even now, even they don't know what return to make and they are confused. Then imagine the plight of these poor women. So this will be a real source of harassment. I hope this aspect of the tax does not escape the Finance Minister.

> The other point that I would like to mention is about the dwelling house given to people in rural areas and to the rulers. Why no such concession is given to the city dwellers, I fail to understand. The house is not just rupees, annas and pies or brick and mortar but something much more and plays a great part in a person's life. There is a saying in Gujarati:

‘वर वगरना हजो, ‘पण घर वगरना न हजो’

That is to say, 'that a woman may not have a husband but she should not be without a house.' The house is a person's citadel, a part of one's life where either one is born or one's children are born and one feels secure from the prying eyes of the world. I would request the Finance Minister if such a request has any meaning for him that concession or exemption of one's house from the tax should be given to the city dwellers too. These days when there is a real housing shortage, we should not discourage anybody from having a house for himself and his family. The limit on the medical aid should not be there at all but that does not fall in the present Bill. That is not a part of this Bill but of the Expenditure Tax Bill. To my mind, both Bills are supplementary to each other. When we think of one, we cannot escape

[Shrimati Lilavati Munshi.] thinking of the other. I wonder how the expenditure is going to be determined. The least annoying way will be to see a person's income side and his total withdrawal and the difference between the two should be considered the expenditure. Most people will not be able to give details of small expenditure here and there. I have seen Members often giving tea to each other in the lobby. I wonder how many people jot down that 'I have given tea to so and so'. Sometimes they give tea to Shri T. T. Krishnamachari. I don't know whether it is jotted down in the diary, whether it is one anna worth of tea or four annas worth of tea. May be there are some conscientious people who may be able to do that. You go to the railway station or bazar, you see something, you buy something, some-
• times of a very small nature. Very few people would jot down that. It is as a lump sum or as miscellaneous expenditure you write. That also very few women do. I don't know about men, whether they do it but very few women will jot down that sort of small things here and there.

SHRI AKBAR ALI KHAN (Andhra Pradesh): May be you don't do it.

SHRIMATI LILAVATI MUNSHI: We don't do it at all. There are many things. So this way it will be very difficult for anyone to keep account of the expenditure, if they have to jot down every small point. There are many things that one can say. As a matter of fact they are already said by so many.

I sympathise with the Finance Minister. His pathetic attempt is glossing over many things yesterday and trying to look very cheerful was very touching. He is forced to tax necessities of life like tea and kerosene, cement and steel and everything. Now he is taxing woman's ornaments too. He is imposing such taxes, exposing family life and private life to the tender mercy of the tax collector. He is even waiting for rich

people to die, that is what is reported, I don't know whether it is true and I don't think he would have said that but he is reported to have said that he is watching or looking at the obituary notice everyday and he is waiting for collecting the taxes.

At heart he is a good man.

SHRI T. T. KRISHNAMACHARI: I don't think.

SHRIMATI LILAVATI MUNSHI: . . . and he would not like to harm anyone. He is intellectual and not much moved by the heart. That is the trouble. Evidently the Finance Minister is riding on him and it does not allow him to keep himself steady. For that he must do something to produce money, beg, borrow, steel, tax or do anything. Now, how many women are there who keep such accounts? But I have already covered that point regarding keeping of accounts as prescribed by the tax collectors, as you know, hardly anyone does that.

Yesterday when he was explaining the meaning of all his clever sayings, he was not clear to me at least. I may be very thick headed; but somehow I found it was very clever and was all a verbal jugglery and not very convincing. And verbal jugglery does not solve any human problems. He does not look at these taxes from the point of view of human beings. Produce more money. We must go ahead and advance. So do this and do that. Of course, nobody minds doing all that. But at the same time we should remember that, we are doing all that for the human-beings and not just for the sake of doing things.

There are many points in this Bill which one can assail. I leave it to other hon. Members of the House to defend themselves, to defend the interests of men. I am only speaking on it from the woman's point of view. So they should defend themselves as best as they can. For my part I am only pleading with the Finance

Minister Let us have a little less of theory and a little more of self-restraint and all will be well. I am sure all will go forward and will make sacrifices for the national advancement, provided such sacrifice is justifiably asked and we are convinced that with all the money that he takes from the people, the Plan will be carried through efficiently.

SHRI PERATH NARAYANAN NAIR (Kerala): Sir, a wealth tax is a tax which in the ordinary course, we on this side of the House should support with enthusiasm. But the way in which even the meagre and halcyon provisions of the original Bill have been whittled down and the way in which the Finance Minister has permitted himself to agree to concessions after concessions to the vested interests, leaves very little scope to work up any kind of enthusiasm in favour of this Bill. Sir, I very strongly feel that the changes made by the Select Committee do take away even what little real content there was in the original Bill.

Sir, when dealing with a measure of this sort, two paramount considerations have to be kept in view. Firstly, through a gradual process, however small it may be to start with, we must aim at reducing the gross inequalities in wealth with all the attendant effects on our national economy. When we examine the provisions of this Bill, do we seem to achieve that purpose to an appreciable extent? Of course, I agree the exemption limit is put at Rs. 2 lakhs. But then look at the concessions that you allow in the matter of house, jewellery, saving certificates, national saving certificates, post office certificates, insurance premium and so on. **You** can own and you can have a wealth of Rs. 5 lakhs and all the provisions of this Bill will not hurt you. On paper it is all right having a limit of Rs. 2 lakhs. But actually you can hold in cash as much as Rs. 5 lakhs for that is the magnitude of the concessions that are allowed under various names.

Even then, on incomes above that level, look at the ceiling you have on the rate. If we proceed at this rate, it will be decades before we bring about any considerable reduction in the existing inequalities through this measure alone. We cannot bring about that reduction. We must have some measure which will go a long way and which will at least convince the mass of the people in our country that after all, we are now engaged in the task of national reconstruction and even these owners of wealth are called upon to make equal sacrifices. Even that psychological effect we have not been able to create through the provisions of this Bill.

The Finance Minister says we are working under a system of democracy. In his opinion many of the provisions of the Bill have been permitted to recede to the background because the collective wisdom of the Select Committee and the members of the party has prevailed. I would like to ask him whether in his concept of democracy do the princes and the big businessmen count or do the common people* count?

I shall presently examine some of the provisions of the Bill. The exemptions that have been granted have convinced me that all along the changes have been weighted in favour of the vested interests, in favour of the princes and in favour of big business, at the cost of the common people and at the cost of the national reconstruction that we are aiming at. Now there is this phenomenon and we found it in the Lok Sabha also, of Members of the Congress party attacking the provisions of the Bill. Of course, the whip works and ultimately the provisions in the Bill are agreed to and the Bill is passed. But in any concept of democracy, one would expect that the views of the majority in the party would prevail. But all along, especially with regard to this particular Bill, it is not the common people but the big business that is gaining in importance.

SHRI JASPAT ROY KAPOOR (Uttar Pradesh): This Bill does not deal with the common people, it deals with the rich people.

SHRI PERATH NARAYANAN NAIR: That question is very aptly put, because when we look at this Bill, we have to view it in the context of the whole tax structure in this country.

TMR. DEPUTY CHAIRMAN in the Chair]

You have been increasing the burdens on the common people. The excise duties and the customs duties have gone up disproportionately and all along you have been telling the common people that not only they, but all the people who own wealth, the owners of wealth, will be called upon to make sacrifices. Now, in this maturing democracy of ours, our people also look into these things, the weightage that is always being shown in favour of the owning classes and this Bill is a crowning instance in point. That is what I want to stress.

I shall presently endeavour to examine some of the concessions given. It would apparently seem justifiable that losing companies must be exempt as they have been exempted. We know the way in which many of our big business houses declare dividend on equity capital. It is a matter of policy with them and we know it to be a fact also that through all sorts of manipulations, the balance sheets do not represent the real position of the companies. I would just illustrate as to how this exemption that has been given in respect of losing companies is a loophole in their favour. It is a matter of policy with the business houses that they do not declare a dividend for the first year thus showing that it is a losing concern. For the second year also, they do not declare a dividend and say that it is a losing concern but, in the third year, they declare a dividend of 24 per cent, and thus the shareholders get what they would have ordinarily got for three years whereas no assessment is made in regard to wealth tax and on return is called

for from them. This is a loophole which has been put in deliberately, in my opinion. Supposing there had been provisions to the effect that such companies as suffer consecutively for three years any loss would be exempt, that would have brought in some more money to the Exchequer. Our business houses are adepts in tax evasion. I am not just imagining things. The whole history of the working of the major industrial concern in this country is before us and we know the way in which we ourselves have been treated in the matter of evasion of income-tax, in the matter of Estate Duty and so on. That should have been a real lesson. There is this other concession in regard to new industrial undertakings. We want companies to prosper and we want money to be put in new undertakings. We also want to give them breathing time so that they might prosper also but, whatever be your pious hope, this particular provision will be taken undue advantage of by the big business houses in this country. I shall let you know how. Take, for example, Tatas. They have got reserves of ten crores of rupees and they invest it in four companies but you do not tax them. The assets are left intact. You will know that by this you will not get the real assets. It was there in the original provisions of the Bill. This is a loophole. So much of money will escape taxation through this loophole and, easily for the next five years, by so manipulating things as to make out that they are losing concerns, these people will go scot free. You are leaving out all these concerns. It is not as if the hon. Finance Minister is not unaware of these things. He said that the Bill had its drawbacks and he said that it was a method of trial and error that they were going to adopt. He also said that he would keep a constant watch over these things. I do not understand why you should have left these loopholes? For example, take this case. An assessee is served with a demand notice for income-tax for five lakhs of rupees. The moment the demand is made, naturally he gets exemption under

the provisions of this Bill. He may take ten years to pay up the amount under that demand notice. He will approach the High Court; he will approach the Supreme Court and he will have recourse to all these various dilatory and delaying processes of the law but then the very first year, just on production of the demand notice, you give exemption. That way, so much of money is lost to the Exchequer, for what consideration, I do not know.

Sir, I have gone through the debate of the other House. I am no student of Constitutional law and I do not know what interpretation will be put on articles 362, 363 and 219 of the Constitution and all that but we have to, take certain risks in such matters especially in the socialistic pattern of society that we are endeavouring to build up in this country. In such a context, will you leave all these loopholes, these rights, these privileges and all the equities of the Princes intact? Indeed, we are a sovereign body. If need be, promises must be respected and covenants must be respected. I have no quarrel with that but then could we not give adequate notice to those Princes? Is it necessary that they who own lakhs and crores must be allowed these exemptions? By what concepts of democracy, by what concepts of the socialistic pattern of society, could you justify such things? We are told, Sir, that the Princes have been patriotic and that they have helped in enlarging the unity of India. I am not minimising the merger of the various units. Some of the Princes have, at any rate, played a helpful part in the evolution of *new* India but look at the history of the whole century. Could you still say that the Princes have been a patriotic lot in this country? You know what they did under the protective wings of the British paramountcy. Our memory is not so short. These people, at the time when the British were obliged to leave this country, because they were under the protective wings of the British paramount power, felt,

insecure by the onward march of the democracy and they wanted to be protected from those forces. Even then, many of them resisted and you had to have recourse to police action. Many of them thought that they would flee from this country; actually many of them fled. There are exceptions even amongst them; there are some Princes who contributed to the cause of freedom but, as a class, they tried not for it but for something else. Are they noted for their patriotic feelings during the last century that they would have to be shown all these concessions? The hon. Finance Minister said that he has not even adequate information about the assets in the possession of these rulers. At the time these agreements and these covenants were entered into, the Home Ministry asked the Princes to submit a list of such things but see the anxiety that is shown to show consideration to these people. The ordinary people on whom you levy these excises and taxes will note the soft corner that you have for these people. I think we should have avoided these things and that way we would have got some much-needed money into our national Exchequer if we had treated them in the same way in which we are treating the people. I want to stress one more point. Look at the psychological atmosphere you are creating in the minds of the people in this country and those who have been charged with the responsibility of national reconstruction. On the one side we find taxes and burdens being imposed, heaped upon these people in the name of sacrifice for the reconstruction of the country, and on the other side, we find wealth below five lakhs left intact. Even after that, it is only half-a-per cent. Now, Sir, I am told that this tax will be a disincentive and all that. So many things are said in Parliament and taxes are put even on women's jewellery worth over Rs. 25,000. All that is there but, at the same time, do you mean to say that if a big man is removed to the public sector, he will cease to function as a capitalist?

[Shri Perath Narayanan Nair.] You only enlarge the orbit of the incentives; from a few hands you transfer it to a wider range of people. Now it is absolutely necessary that we should provide some different incentives to the large masses of people if we are to proceed with our national reconstruction. There is the public sector. We want money and for any patriotic Indian if he has this opportunity to successfully work out the various undertakings, that will be incentive good enough. And again there is this cry about middle class. I wonder, Sir, who is the middle class man for whom these people are pleading. Is it contended that people who own a wealth of Rs. 5 lakhs are middle class men? We are told that in 54 companies there are about 3,40,000, or something like that, shareholders, and that they are small shareholders. Now are know, Sir, that if we have got Rs. 10 lakhs we invest Rs. 20,000[- in one company, Rs. 20,000]- in another. Rs. 50,000[- or a lakh in a third and so on. Do you mean to say that when they own in all so much money—their investments in particular companies may be small but—do you mean to say that they all represent the middle class? Are we to give them the exemptions? All this is interested propaganda; it is to divert attention from these people. Again, Sir, I was really astonished to see the special pleading on behalf of women made by the previous speaker that they should be permitted to have Rs. 5 lakhs including Rs. 25,000[- in jewellery. I myself have not reached that limit.

Again in regard to joint families, whatever might have been the justification for this joint family system in our national economy in the past, now we know it for a fact that the joint family of the type which existed no longer exists. Now we also know that these joint families come into existence all on a sudden to evade income-tax, to evade the obligations under the Contracts Act and to evade all other civil liabilities. The hon. Finance Minister himself said in the

other House how he himself came to be a member of a joint family on the prompting of an income-tax officer. That is the thing. Now are we to give these special concessions to these people and in the interests of our progressive national economy do we really mean to say that this sort of joint family system, of accumulated wealth must be allowed to continue? The hon. Finance Minister admitted that it is a very complicated thing and that it requires looking into. He **has** promised that a committee or something like that will be constituted and by and by some action will be taken. But this leisurely pace at which he proceeds about these things is really disappointing. We are a democratic country and we must be prepared to go a little longer. We must learn from the lessons of the Estate Duty Act the loopholes in which the people took advantage of and we know that the vested interests have not been serving the country. You talk of incentives to the vested interests. But these vested interests, these business firms have been given all sorts of concessions from 1952 onward. You look into those things. Only yesterday on the floor of this House the Finance Minister himself pointed out that the vested interests, that the leading industrialists, have not dealt fairly by our country. They had all along been relying on bank credit and in spite of all the incentives given to them they did not raise their savings and the savings they could accumulate were very very little, were so little to show them any consideration. To show them further consideration by saying that this wealth tax is not an incentive to them is not convincing so far as I am concerned. However much we may accept the principles underlying it, the way in which the provisions have been whittled down **and** weighted in favour of the vested interests, Sir, is of very serious concern to us. All along the hope **had** been that the forum of free enterprise would benefit the people and **the** country. But we find that the people have suffered and the country's development has suffered.

Now I do not want to enter into the other details of the various provisions because from this side we have given notice of certain amendments and when those amendments are moved we would have occasion to point out wherein exactly even under the mangled provisions of this Bill some better results can be expected from this measure.

I have little more to add, Sir, and I thank you.

श्रीमती सावित्री निगम (उत्तर प्रदेश) :
उपसभापति महोदय, मैं इस विधेयक का स्वागत करने के लिये खड़ी हुई हूँ। श्रीमन्, वास्तविकता यह है कि यह एक अत्यन्त क्रान्तिकारी कदम है और स्टेट ड्यूटी ऐक्ट के बाद यह अपनी तरह का पहला विधेयक है, जोकि समाज में सोशलिस्टिक पैटर्न आफ सोसाइटी को आगे बढ़ाने वाला है। श्रीमन्, मैं इस विधेयक को लाने के लिये फाइनेंस मिनिस्टर महोदय को हार्दिक बधाइयाँ देती हूँ। इस में सन्देह नहीं कि जिस उद्देश्य से यह विधेयक लाया गया है वह अत्यन्त उच्च उद्देश्य है, लेकिन मेरी केवल एक ही शिकायत है कि बिल का जो ओरिजनल रूप था, अगर उस रूप को बनाये रखा जाता और उस के जो बलाज्जेड हैं, उन को प्रैचर टैक्स्ट्स से वाटर डाउन न कर दिया जाता तो सचमुच इस विधेयक द्वारा हमारे देश को अत्यन्त ही लाभ होता। उन से मेरा यह कहना है कि उन्होंने जो भी कदम उठाने की कोशिश की है, वह हाफ-हार्टेडली की है; अगर उन्होंने इस बिल को अपने ओरिजनल रूप में रखा होता तो इसमें सन्देह नहीं कि द्वितीय पंचवर्षीय योजना के लिये बड़ी मात्रा में धन संचित होता। इस के साथ ही जो तमाम अन-प्रोडक्टिव वैल्यू है, उस के लिये वे एक इंसटिब क्रिएट कर लेते, क्योंकि वह सरकुलेशन में आता और उस के सरकुलेशन में आने से वह यहां के तमाम प्रोडक्टिव सोर्स में इन्वेस्ट किया जाता। साथ ही साथ यह भी

होता कि तमाम नये नये उद्योग इन्वेस्ट करने के कारण लोगों को नये रोजगार मिलते और उस से बेरोजगारी का मसला हल होता। श्रीमन्, बिना त्याग किये हुए कोई भी देश उन्नति नहीं कर सकता है। दुनिया में जो भी देश आगे बढ़े ह, यदि उन के इतिहास की ओर दृष्टि डालें, तो हमें यह पता होगा कि उन्होंने देश को उन्नत बनाने में जबर्जस्त त्याग किया है। रशिया को ले लीजिये जोकि दुनिया में एक उन्नत देश है। वहां द्वितीय पंचवर्षीय योजना को क्रियान्वित करते समय महंगाई इतनी बढ़ गई कि हजारों आदमी उस में खत्म हो गये। मेरे कहने का यह तात्पर्य बिल्कुल नहीं है कि ऐसी स्थिति का हमारे मुल्क को भी सामना करना पड़े।

यह सौभाग्य की बात है कि हमारी प्रथम पंचवर्षीय योजना पूरी हो गई है और अब द्वितीय पंचवर्षीय योजना चल पड़ी है और पूरी होने के रास्ते पर है। फिर भी हमारा यह प्रयास है कि योजना को सफल बनाने के लिये उस प्रकार के संकटों का हमें सामना न करना पड़े, जो और देशों को करना पड़ा है। लेकिन हमें सब तरह त्याग करने के लिये तैयार रहना चाहिए

श्रीमन्, इस विधेयक को लाने में जो सफलता हमारे फाइनेंस मिनिस्टर को हुई है, उसको देखते हुए मैं यह कहूंगी कि उन्होंने ने पहला बार देश की नब्ब को पहिचाना है, पहली बार देश की साइकलोजी का अध्ययन किया है। श्रीमन्, यह आप अच्छी तरह से जानते हैं कि किसी भी उन्नत देश के लिये, किसी भी तरक्की परसन्द मुल्क के लिये, अन-प्रोडक्टिव वैल्यू एक बहुत बड़े अभिशाप के रूप में होता है। एक नहीं, कई प्रकार से वह देश में अभिशाप उत्पन्न करता है। सब से बड़ा अभिशाप यह उत्पन्न करता है कि लोगों में डिसपैरिटी इन स्टैंडर्ड्स आफ लिविंग आ जाती है, सोसाइटी में कुछ लोग तो आराम से रहते हैं, कुछ आलसी

[श्रीमती सावित्री निगम]

हो जाते हैं और समाज के ऊपर बोझ बन जाते हैं। कुछ लोगों के रिसेसॉज एक जगह होल्ड अप हो जाते हैं, बाहर नहीं जा सकते। किसी भी समाज, जिसमें वेल्थ सीमित होती है, उसमें अगर उस को किन्हीं किन्हीं पाकेट्स में ही एरेस्ट कर दिया जाता है तो उस की ग्रोथ रुक जाती है और वह दूसरे श्रोतों में नहीं जा पाती है। नतीजा यह होता है कि सोसाइटी में एक प्रकार से बड़ी भयंकर विषमता पैदा हो जाती है, जैसाकि हमारी सोसायटी में देखने को मिलता है। एक ओर तो विड़ला और डालमिया हैं और दूसरी ओर जुगू-मुगू, जिनको एक वक्त भी रोटी नहीं मिलती।

श्रीमन्, श्रीमती मुन्शी का भाषण अत्यन्त सहानुभूतिपूर्ण एवं भावुकतापूर्ण था, लेकिन उन्होंने ने जो बेबुनियाद तर्क दिया, उसे सुन कर मैं हैरान हो गई। उन्होंने ने स्वयं अपने आर्ग्यूमेंट का विरोध कर दिया कि कुछ चन्द इने गिने लोगों पर यह टैक्स लगने वाला है। उन्होंने ने जो फिगर्स बताये हैं उसके अनुसार ८ हजार लोगों पर टैक्स का असर पड़ता है, मेरे अनुस्तर करीब ३६ हजार लोगों पर पड़ेगा।

जो सदियों से समाज का शोषण कर के वेल्थ की होडिंग किये हुए हैं और जो समाज में डिस्पैरिटी आफ इंकम्स, आर्थिक विषमता, लाने का एक कारण बन रहे हैं, उन के लिये उन के हृदय में यह विशेष साफ्ट कानैर देख कर मैं आश्चर्यचकित रह गई।

MR. DEPUTY CHAIRMAN: How much more time will you take?

SHRIMATI SAVITRY DEVI NIGAM: Five minutes more.

MR. DEPUTY CHAIRMAN: You can continue after lunch. The House stands adjourned till 2 o' clock.

SHRI KISHEN CHAND (Andhra Pradesh): Will we be sitting till six to make up for the lunch interval?

MR. DEPUTY CHAIRMAN: We will sit till 5.30. The House will meet again at two.

The House then adjourned lor lunch at one of the clock.

The House reassembled after lunch at two of the clock, MR. DEPUTY CHAIRMAN in the Chair.

श्रीमती सावित्री निगम : उपसभापति महोदय, मैं यह कह रही थी कि वेल्थ की होडिंग हो या अन्य किसी प्रकार की होडिंग हो, चाहे वह अन्न की होडिंग हो, चाहे वह किसी भी अन्य वस्तु की होडिंग हो, वह देश के लिये, समाज के लिये अत्यन्त हानिकारक होती है। आप शरीर को ही देख लीजिये। यदि किसी एक स्थान पर पलेश की होडिंग हो जाती है तो वह व्यक्ति रुग्ण और बीमार प्रतीत होने लगता है। ठीक यही स्थिति हमारे समाज की है। आज अन्न की कठिनाई की जो समस्या है, उसका एक बहुत बड़ा कारण है अन्न की होडिंग होना। उसी प्रकार जो देश की शरीबी और दीनता है, उसका एक बहुत बड़ा कारण वेल्थ की और विशेष रूप से अनप्रोडक्टिव वेल्थ की होडिंग है। यह देश का एक बहुत ही बड़ा अभिशाप है और इस को दूर करने के लिये जितने भी सख्त से सख्त कदम उठाये जा सकते हों, उन का मैं ही नहीं देश की सारी जनता हृदय से स्वागत करेगी।

श्रीमन्, मैं कह रही थी कि जिस प्रकार डिस्पैरिटी को दूर करने के लिये अन्य कदम उठाये गये हैं उसी प्रकार यह वेल्थ टैक्स भी एक बहुत ही प्रभावशाली कदम होता, यदि इस को सिलेक्ट कमेटी की सिफारिशों के अनुसार बहुत माइल्ड न बनाया गया होता।

मुझे आश्चर्य है कि मेरी सम्माननीय बहन श्रीमती लीलावती मुन्शी ने पंचवर्षीय योजना के बारे में यह रिमार्क दिया कि यह एक प्रेस्टीज का प्रश्न बन गया है। मैं उन से विनम्रतापूर्वक कहना चाहती हूँ कि पंचवर्षीय योजना का प्रश्न एक प्रेस्टीज का प्रश्न नहीं है। वास्तव में वह हमारे जीवन और मरण का प्रश्न है। यदि हमें देश के ३७ करोड़ व्यक्तियों के जीवन-स्तर को ऊंचा उठाना है, यदि हम उन को वे सुविधायें जो एक मानव के लिये बहुत ही आवश्यक होती हैं, दिलाना है, तो हमारा यह कर्तव्य है कि हम पंचवर्षीय योजना को पूरा करने में अपनी पूरी शक्ति लगा दें। इस के अतिरिक्त जितनी चोट उन को इस विधेयक से नहीं पहुंची होगी या किसी को भी इस देश के अन्दर नहीं पहुंची होगी, उस से कहीं अधिक चोट उन के इस रिमार्क से सभी विचारशील व्यक्तियों को पहुंचेगी कि या तो फाइव ईयर प्लान हमें डिमिनिश कर देगा या हम फाइव ईयर प्लान को डिमिनिश कर देंगे। मैं उन से नम्र निवेदन करूंगी कि वे इस वैल्यू टैक्स विधेयक को एक बार शुरू से आखिर तक पढ़ें। इस वैल्यू टैक्स में कोई ऐसी बात नहीं है, जो उनको या समाज को या फाइव ईयर प्लान को किसी प्रकार का नुकसान पहुंचाने वाली हो। वे एक समझदार बहन हैं। मैं उन से कहना चाहती हूँ कि भारतीय नारी को उन्होंने ने बहुत संकीर्ण समझा है। यदि उन्होंने ने भारतीय नारी को इतना संकीर्ण न समझा होता तो उन्होंने-ने ऐसा रिमार्क कभी न पास किया होता कि एक भारतीय स्त्री अपने पति से अधिक अपने मकान को समझती है। दुर्भाग्य से एक आधी ऐसी मैटीरियलिस्टिक स्त्रियां हो सकती हैं, जो अपने पति से अधिक अपने मकान को समझें। दूसरी बात मैं यह कहना चाहती हूँ कि भारतीय स्त्रियां जेवर को बहुत चाहती हैं लेकिन अपने पति, अपने परिवार और अपने बच्चों की रक्षा के लिये वे अपने जेवर को ऐसे फेंक देती हैं जैसे कोई मिट्टी के टुकड़े

को फेंक देता है और ऐसी हज़ारों लाखों नारियां इस देश में हैं। तो आप ही बतलायें कि जब पंचवर्षीय योजना के लिये धन की आवश्यकता है, तो उन्होंने यह कैसे समझ लिया है कि अपना उत्तरदायित्व भारतीय नारी नहीं समझेगी। जब वह बड़े से बड़ा बोझ उठा सकती है तो वह थोड़ा सा वैल्यू टैक्स देना क्यों नहीं स्वीकार करेगी, बल्कि मैं तो यहां तक कहूंगी कि इस से समाज में एक बहुत अच्छा प्रभाव पड़ने वाला है और वह प्रभाव यह होगा कि जो लोग अपने पास किसी प्रकार की ज्वेलरी रोके हुए हैं और उसे किसी उपयोग में नहीं लाते हैं, उन को इंसेंटिव मिलेगा और वे उसे तुरन्त बेच देंगे। इस से समाज में जो अनप्रोडक्टिव वैल्यू है वह सर्क्यूलेशन में फिर आ जायेगी।

श्री उपसभापति : पांच मिनट आप ने बोल दिया। पांच मिनट हो गये।

श्रीमती सावित्री निगम : दो-तीन क्लोजेज पर मैं बोलना चाहती हूँ।

श्री उपसभापति : आप ने दस मिनट ले लिया है।

श्रीमती सावित्री निगम : श्रीमन्, मैं बहुत जल्दी खत्म कर दूंगी।

मुझे एक बहुत जबरदस्त शिकायत है और वह यह है कि ज्वाइंट फ़ैमिली की जो तीन लाख की सीमा थी वह चार लाख बढ़ा दी गई है। इस से यह प्रतीत होता है कि इंडाश्रेक्टली यह विधेयक पूंजीवाद से प्रभावित है। मैं समझती हूँ कि जो इस विधेयक का पहले रूप था, वह बहुत सुन्दर था। उस को इस तरह से हलका नहीं बनाना चाहिये था।

श्रीमन्, इस में सन्देह नहीं है कि यह विधेयक बहुत अधिक धन नहीं लायेगा, लेकिन समाज में यह एक ऐसी साइकनोजी क्रिएट करेगा, जो लोगों के दिमाग में यह बात बिठलायेगी कि पूंजी के संग्रह से पूंजी

[श्रीमती सावित्री निगम]

का उपयोग नहीं होता है। उन्होंने ने कहा कि रूलर्स को रहने वाले एक मकान का एग्जेंप्शन क्यों दिया गया है। मैं उन से कहना चाहती हूँ कि यह एग्जेंप्शन रूलर्स को भी नहीं दिया जाना चाहिये था, लेकिन उन के साथ ऐग्रीमेंट हो चुका है, इसलिये मजबूरी है। उन को यह एग्जेंप्शन एक तरह की नेसेसरी ईविल स्वीकार कर के दिया गया है। लेकिन इस के माने यह नहीं है कि हम एक यूजलेस सोसाइटी बनाते हैं जैसे कि रूलर्स आजकल के जमाने में बने हुए हैं। उन्होंने ने कहा कि इस से थड़ी हार्डशिप होगी। अगर वे बलाज १६ और २३ के सब बलाज ४ को पढ़ें, तो उनको पता चल जायगा कि हरैसमट को बचाने के लिये कमेटी ने पूरी पूरी कोशिश की है।

श्रीमन्, मैं बलाज ६ को समझ नहीं पाई। मैं चाहूंगी कि फाइनेंस मिनिस्टर महोदय मुझे बताय कि किन कारणों से इस बलाज को ऐसा बनाया गया है। पेज ४, बलाज ६ में यह दिया गया है :

"(The Committee feel that individuals and Hindu undivided families not resident or not ordinarily resident in India and companies not resident in India should obtain exemption in respect of their assets and debts outside India.) At present the clause is confined to individuals who are not citizens of India or to Hindu undivided families or companies not resident in India."

श्रीमन्, होता क्या है ? लोग इस भूमि से, इस जल से, इस धरती से बड़े बनते हैं, यहां शिक्षा प्राप्त करते हैं और उस के बाद वे विदेशों में जा कर लाखों करोड़ों रुपये की सम्पत्ति कमा लेते हैं। मैं बहुत से ऐसे नवयुवकों को जानती हूँ, जिन्होंने यहां यूनिवर्सिटीज में पढ़ा और उस के बाद यहां उन्होंने ने कुछ रोजगार किया और जब उन का रोजगार डेवलप हो गया, तो

वे विदेशों में जा कर रहने लगे और वहां मनमाना धन कमा कर के कुवेर बन गये। वे भारतीय नागरिकता स्वीकार किये हुए हैं, लेकिन उनसे भारत को कोई लाभ नहीं है। इस बलाज से उन को एक नई छट दी जा रही है। मैं चाहूंगी कि फाइनेंस मिनिस्टर महोदय इस पर प्रकाश डालें (समय की घंटी) धन्यवाद।

SHRI P. S. RAJAGOPAL NAIDU (Madras): Mr. Deputy Chairman, this is a measure which will make far-reaching inroads into private and social life and also, Sir, it will have incalculable effects on our economy. Sir, this is a new financial adventure which the Finance Minister is undertaking, however risky or untried it may be in our country. This is new to our country as the Finance Minister stated. But it is not new to the world. Sir, in my opinion this Bill will have a psychological effect on the capital investment and also on the incentive to save. After all, the gains to the exchequer, it is said by the Finance Minister, will be only Rs. 12i crores a year. But the effect of this tax, in my opinion, will reduce the capital investment in our country by a number of times this amount of Rs. 12£ crores. People will hereafter become shy and they will hesitate to save as well as to invest. So, this Bill, as it stands now, in my opinion, will hamper the growth of capital formation in the country.

Then, Sir, it will also hamper the growth of the Hindu joint family system in the country. Very many people have very many ideas about the Hindu joint family system.

SHRI KISHEN CHAND: It is already killed.

SHRI P. S. RAJAGOPAL NAIDU: Some people think that it is now time to bury the Hindu joint family system. Let us bury the Hindu joint family system. But let us give a very glorious burial to the Hindu joint family system by immediately

coming forward with a code which will destroy the Mitakshara as well as the Dayabhaga systems in the country. Sir, the Finance Minister no doubt has incurred the odium of the people in the country in bringing forward this measure. But having incurred that odium, I do not understand why the Finance Minister has given way by accepting so many exemptions and relaxations in the Bill. I feel, that having incurred the displeasure of the people, the Finance Minister should have stood firm and should not have given more concessions, and also he should not have been liberal in the matter of giving exemptions under clause 5 of the Bill. This appears to me something like the explosion of a cracker which only makes noise but does not cause any injury at all. Sir, what I personally feel is that having brought forward this measure, the Finance Minister should have seen that this Bill, instead of yielding Rs. 12i crores, had yielded much more. Originally it was contemplated that th's Bill would yield Rs. 15 crores per year. But now after giving these various concessions the tax income is now reduced to Rs. 12j crores. Now what I personally feel is that in order to get a small income of Rs. 12J crores, why should a new and a novel venture has been made by the Finance Minister, which will make the capital shy to invest and also which will not give any incentive to the people to save?

Now, Sir, what I would like to suggest is this. There is *no* going back on this Bill hereafter, and it is going to come into the Statute Book. And when it is going to come into the Statute Book, I would like to suggest that the Finance Minister, instead of being lenient, instead of giving so many concessions, should be a little more stubborn and should tighten up the entire measure so that it will yield not only Rs. 12J crores per year, but much more.

Sir, the first thing that I would suggest is not to exclude the ex-Rulers.

In our country, it may be said that there is a constitutional barrier to levy any tax on the ex-Rulers. I know that article 291 of the Constitution is a bar. But when we are now undergoing a terrific pressure on our economy, internal as well as foreign exchange, why should we not even amend the Constitution, if need be? Why should we not delete clause (b) of that article so that the exemption that is given to the ex-Rulers be revoked? In that case, we will be in a position to levy a tax on the wealth of the ex-Rulers which will fetch us a tremendous income.

Then, the other point which I would like to suggest is this. Under clause 3 of this Bill only three categories are liable to be taxed. They are, individuals, Hindu undivided families and companies. It is only on these three categories that the wealth-tax can be levied. The word 'company' has been defined as a company as defined in section 3 of the Companies Act, 1956. But why should we not tax the partnership firms which are registered under the Indian Partnership Act, so that it will fetch us a little more income? This is a point which I would like to suggest to the Finance Minister so that if there is any substance in my suggestion, he can accept it. In my opinion, Sir, it will fetch at least some crores of rupees to our exchequer. Then the other point that I would suggest is this. Why should the Finance Minister exempt the shipping companies, the banking companies and the insurance companies? I can understand, if those concerns are State concerns. But private banking companies, private insurance companies and private shipping companies should not be exempted in my opinion. In this way, the Finance Minister can augment the income under this Bill.

Then, the other suggestion is this A wealth-tax holiday has been givei for a period of five years for thos* companies which are to be newl; formed. That is a very good suggee tion and a very geod exemption. BL

[Shri P. S. Rajagopal Naidu.] what I cannot understand is this. If that company which is newly formed makes enormous profits in the second year or in the third year itself, why should not wealth-tax be levied on such a company? Why should this holiday for five years be given to such newly started firms?

Then, these industrial expansion undertakings are also given exemption. Sir, strictly speaking, for all legal purposes they form part of the old undertakings. It is only out of the profits and the reserves of the old undertakings that new undertakings come into being. Therefore why should new undertakings be exempted? In my opinion, if this exemption is not granted to the expansion of old undertakings, that will fetch a little more money by way of wealth tax. As my time is very limited, I shall restrict my observations with regard to only two or three clauses of the Bill. I shall take opportunity when the clause by clause discussion takes place.

Now, Sir, coming to the definition clause, I find that agricultural land is exempted from the levy of wealth tax. Sub-clause (i) in clause 2 says "agricultural land and growing crops, grass or standing trees on such land." I would like to know whether garden lands are also exempted, for instance, the coconut groves, the mango groves, the citrus groves the lime groves. Then, I find that in sub-clause (ii) of clause 2 it is said "any building owned or occupied by a cultivator or receiver of rent or revenue out of agricultural land." is exempted. But there is a proviso which says:

"Provided that the building is on or in the immediate vicinity of the land and is a building which the cultivator or the receiver of rent or revenue by reason of his connection with the land requires as a dwelling house or a store-house or an out-house;"

Suppose, if there is a villager and his land is a mile or two miles away

from his dwelling-house. If he lives in a village and if his lands are situated about one or two miles away, what will happen in that case? I know that in some cases lands are situated in a valley and the village will be in the plains, and the agriculturist will have to walk two miles or three miles towards his land to raise cultivation. If the house is situated at a considerable distance from the land, I would like to know whether that house comes under this exemption. I wish that the definition of a building owned by a cultivator is made very clear.

Then I come to clause 3. I have already stated that individuals, Hindu undivided families and companies alone are liable to be charged wealth tax. I want that partnership firms also should be included. The word 'individual' will not include a firm because in the General Clauses Act the word 'individual' is not defined. The word 'individual' will mean an individual, a single entity. The word 'person' is defined in the General Clauses Act. It means a body or association of persons incorporated or not, but here in the absence of the word 'person' I feel that partnership firms which are registered will not be charged wealth tax.

Then, I come to clause 4, subclause (4). The Select Committee made a provision to exclude from the levy assets transferred by an individual to his wife or minor child before 15th May, 1957. The purpose of this amendment was to correct what the Committee thought was a defect in the original Bill which, although it was introduced on the 15th May in the Lok Sabha, laid down that it should be deemed to have come into effect from 1st April 1957. The Committee thought that any transfers of assets to a wife or minor child before the date of introduction of the Bill should be excluded from the value of the assessee's assets, as they may have been of a *bona fide* nature. This will be a harassment to all those wives and minor children, who are *bona*

fide transferees, prior to the 15th May 1957. I do not know in what circumstances this has been amended by the Lok Sabha, when the Select Committee made a useful and sensible amendment. I do not know under what circumstances in the Lok Sabha the date 15th May 1957 has been altered to 1st April 1956, unless it be that the Government felt that the wisdom of Prof. Kaldor had been known to anybody and everybody in the country including those who were living in the villages and they had transferred their assets to their wives and minor children, knowing that Prof. Kaldor had been invited by our Government and he was going to make a proposal to this effect. I do not know even if some of us had known that Prof. Kaldor had been invited to give such proposals, we were going to accept those proposals.

Then, I come to the exemption clause, and I shall stop after dealing with this clause. This is by far the most important clause of the entire Bill. This clause has been very much enlarged in the Select Committee and also in the Lok Sabha. We find that one house belonging to the assessee exclusively used by him for residential purposes and situated in any place with a population not exceeding ten thousand alone has been exempted. I fail to see why, when residential houses of the ex-Rulers can be exempted, when residential houses of agriculturists can be excluded, residential houses of those who are living in places where the population is more than 10,000 should not be exempted.

Then I come to (ix) of sub-clause (1) of clause 5—the tools and implements used by the assessee for the raising of agricultural produce. I do not know whether agricultural pumping sets and tractors used by agriculturists also come under this exemption. I do not know whether tractors and pumping sets can be called tools and implements of agriculturists. Therefore I feel that under this sub-clause not only tools and implements used

by the agriculturist to raise agricultural produce but also such of the things as electric motors and pumping sets that are required to raise agricultural produce should be included.

Then, I do not understand why the jewels belonging to the assessee should be subjected to a maximum of Rs. 25,000. Why should not that maximum be reduced by a considerable amount? Of course, I will incur the odium of several lady Members here but I will have to face that odium; I cannot understand why this exemption limit should be made in the case of jewellery. In calculating investment on shares, I do not know whether the shares owned by any person in a cooperative society will also be liable to be charged wealth tax. I would like the hon. Finance Minister to make this point clear to me whether shares owned by any person in a cooperative societies are liable to be charged or not, as co-operative societies are exempted under this Bill.

Then, I come to deposits mentioned on page 8. I find that under subclause (2) of clause 5 "wealth-tax shall not be payable by an assessee in respect of any deposit made by the assessee with the Government or in any security of the Government or of a local authority...." I would like that deposits made in co-operative institutions should also be exempted. Otherwise, do not exempt any deposit made anywhere either with the Government or with any local authority, but if you give exemption in the case of deposits made in the securities of the Government or any local authority, I very much desire that deposits made in co-operative institutions should be exempted.

Sir, I have nothing more to say, as Chapter III and the rest of the Bill deal only with procedural matters, which I would like to deal with at the time of the second reading.

SHRI H. N. KUNZRU (Uttar Pradesh): Mr. Deputy Chairman, the taxation measures that we have been

[Shri H. N. Kunzru.] asked to consider are all connected with the implementation of the Second Plan which we have discussed several times. It is difficult to keep out of mind the debates that have taken place on this subject and the views that have been expressed with regard to the possibility of carrying out the Plan in its fullness. Nevertheless, I shall try to discuss the Wealth Tax Bill as it is.

The changes made in the Bill in another place, are in my opinion, of a satisfactory character. They are such as to reduce the harassment to which the wealth tax payers would have been unnecessarily put had the Bill remained in its original form. There is another feature of it also which I welcome, namely, the exemption from Wealth Tax for a short period, I believe for five years, of new industrial companies or new companies started by existing companies. There was a fear that the provisions of the original Bill might hamper production. To the extent that the change now made will enable new industries to be started, it is to be welcomed. Nevertheless I would like the Bill to go further in certain directions.

Many hon. Members have expressed the view that the house in which a family dwells should be exempted from the Wealth Tax. That is, it should not be counted as part of the assets on which the Wealth Tax is to be imposed. The palaces in which the rulers live, have', in my opinion been rightly exempted from this tax.

DR. R. B. GOUR (Andhra Pradesh): Why?

SHRI H. N. KUNZRU: Whatever they might have done under the British Government when they were completely dependent on the Government, their very existence depended on that Government, they did, after the establishment of independence, I think generally speaking, act in a patriotic way.

DR. R. B. GOUR: Is it a legitimately earned wealth?

SHRI H. N. KUNZRU: About legitimately earned wealth, they earned wealth according to the ideas prevailing at the time when they lived. You cannot really look at things that happened 100 or 200 years ago from the stand point of the twentieth century. If that was done, nobody in history would escape condemnation at our hands. I think no one who is conversant with the history of the last 10 years will deny that although Sardar Vallabhbhai Patel did use his authority to a certain extent to make the rulers realise that their future would not be secure if they continued to act in the old ways, yet it must also be recognised that the patriotic feelings of the princes, their desire to make their country strong also enabled Sardar Vallabhbhai Patel to bring about quickly that integration which he alone could effect so rapidly.

I welcome also the exemption of houses in rural areas from the Wealth Tax but I see no reason why the house in which a man dwells in a city should not also be exempted from the tax. Whatever psychic enjoyment a man may derive from having a house of his own, it must be recognised that it is not a source of income to him. If it is a source of income to him or if any part of it is a source of income to him, it can be legitimately taxed but in so far as it is used for residence, I think it is desirable that it should be exempted from the tax. If this were done, I think a great deal of anxiety would be removed from men's minds. There are two things to consider in this connection. It is quite possible that a man or a family that was once rich but has now become poor is living in a big house built by its ancestors. But the market value of that house is no indication of the capacity of the family to pay the tax on that house. No doubt the tax at present is small and the total sum allowed by way of exemption is also not small. Nevertheless, just as some other things have been excluded like, for instance, household apparel, furniture and so on in order to create an atmosphere favourable to the reception of the measures

that the Government want to pass, it is desirable also to exclude the house in which a family dwells from the taxable assets.

SHRI J. S. BISHT (Uttar Pradesh): Would you put a limit to it as in the case of jewellery?

SHRI H. N. KUNZRU: If a man has only one house or if he lives in a house, whatever the market value of it may be, it has to be remembered as I said, that a poor family will not be in a position to pay the tax on it. In the second place, the market value of such a property, if purchasers were available, would never be realised, if a man were to sell it under compulsion. In the first place, there will be very few purchasers for big houses these days. In the second place, if it is known that a man has to sell his house in order to pay his taxes, the value of the house will go down immediately and its owner may not get even half the price at which it might have been sold or the price that might have been obtained had the family sold it voluntarily. These things ought to be borne in mind in considering this matter. Besides there are very few houses that are very big. A house built in the olden days say 30 or 35 years ago and worth Rs. 25,000 at that time will be worth a lakh of rupees but how many people will there be to pay a lakh of rupees for a house at this time? I think all these considerations go to reinforce the desirability of exempting not merely rural houses or dwelling houses in rural areas but also dwelling houses in cities from the purview of the Wealth Tax Bill.

The second point to which I would like to refer now is about the tax on companies. The model of this tax is the Wealth Tax levied in Sweden. We may not have copied either Mr. Kaldor's scheme slavishly or we may not even follow the Swedish law in every respect but the Swedish law lays down that the total amount of taxes that a man has to pay on his income and his property should not exceed

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his income. It has been complained in certain quarters that in certain cases the total of these taxes may be more than the total of the income. It is said here:

"A system which combines national and local income taxation with a progressive tax on capital assets can, under certain circumstances, lead to the absurd situation that total taxes due for a given year are greater than income during the same year. To avoid such an eventuality the tax laws contain a special limitation clause which states that total taxes due for a given period may not exceed 80 per cent of the taxpayer's net income for that period, before direct taxes."

I have quoted this from a book called "A key to Swedish Taxes." I think we ought to act also on that principle. After all, even if we follow the Swedish example, the amount that will be left even to people who are very wealthy, will not be very large. I think, therefore, that we can afford to be reasonable in this matter, whatever our need for more funds to carry out the Second Five Year Plan may be.

There is one other point in the Swedish law to which I want to draw the attention of the House. The book to which I have referred says:

"A special reduction clause affords some relief for taxpayers with large capital assets but small incomes. If total assessed income from all sources is less than 3J per cent of the capital assets, the capital assets tax is not levied on that part of assets which is more than thirty times as large as the total assessed income from all sources."

Then an example is given in this book to show the effect of this provision. The example is this:

"An individual with an income after deductions of 15,000 crowns and capital assets amounting to 500,000 crowns, has a total income of only 3 per cent of his capital assets."

[Shri H. N. Kunzru.] By the provisions of the reduction clause he will have a capital assets tax liability of 30 times 15,000 crowns or 450,000 crowns instead of 560,000 crowns."

You see, Sir, that this provision which is known as the reduction provision is not too generous. It does take into account the paying capacity of the tax-payer. Is it too much to expect the Government of India to make similar concessions, particularly as the tax is being introduced for the first time? There is no doubt that the exemption limit will be higher in India according to the Bill than it is in Sweden. But in relation to the present circumstances, I think that the effect on the minds of the people will be less if the changes that I have suggested were made.

Lastly, I should like to refer to the tax on companies. New industrial companies will be exempted from the wealth tax for a period of five years. But what I object to is the principle of the Bill. This has been repeatedly discussed. I know that the other House decided not to allow established companies to be excluded from the mischief of this Bill. But if the private sector is an integral part of the Five Year Plan, then it is obviously necessary that private companies should be allowed to use such funds as they have for the industrial development of the country. Here, what the Government is doing is to take money from the private companies for the public sector. Is the private sector overflowing with funds? The discussions so far on the Five Year Plan has been with reference to the public sector only. We have been given no information with regard to the private sector. As the private sector is fairly large, I would like to know what justification is there for taxing the assets of companies when their reserves will not go to swell the dividends but to build up the funds that are needed for further industrialisation according to the Plan? I think

that whatever the need of the Government may be, the need of the private sector also should be recognised. Companies with very large reserves may be able to pay the wealth tax. But there may be other companies which will find it hard to part with any portion of their reserves. It is true that the exemption limit for a company is Rs. 5 lakhs.

But, if the company is fairly large. I do not think that its assets can be less than five lakhs of rupees. Some justification, therefore, is needed for taxing companies which, according to the Plan, are engaged in carrying out schemes relating to the Plan.

I have dealt so far with the Bill but I should like to say a word or two with regard to its administrative aspect. The size of the Central Board of Revenue is not too large for its present duties. If we are going to cast more duties on it, as the Wealth Tax and the Expenditure Tax Bills will, then it is not enough merely to appoint certain number of what is called Wealth Tax Officers and so on. It is necessary also, I think, to increase the size of the Board and to cast on it certain responsibilities which it does not bear at present. Sir, in view of the magnitude of the taxation that is being imposed and their varied character, it is necessary that the Central Board of Revenue should give us an annual report giving us full information with regard to the administration of the tax measures and the details without which the working of any measure cannot be fully understood by the public. Now, compare. Sir, what is called the report of the Central Board of Revenue on income-tax collections with the report of the British Board of Inland Revenue. The Central Board of Revenue really presents no report at all. It has got no time to examine all the data that it has and give us a considered opinion about it but in England it is otherwise. Anyone comparing the report of the Board of Inland Revenue with the informs-

tion that we get from the Central Board of Revenue with regard to the administration of the income-tax measures will see at once the difference between the two. Again, Sir, in England, the Board of Inland Revenue has a section which can carry out researches. It carries out sample surveys, for instance, to check the accuracy of the collections that are made by its staff and so on. I venture to think, Sir, that we should follow that example and ask the Central Board of Revenue to submit annually to us a full report on the various measures that it administers including the excise duties and that it should be enabled to carry out sample surveys and other research work in the public field. The efficiency of the Central Board of Revenue is a matter of great importance to the public and all possible steps should be taken now by the Government to give the Board adequate personnel and resources to carry out the duties that it should discharge and which it has unfortunately been unable to discharge up to the present time.

SHRI R. G. AGARWALA (Bihar): Mr. Deputy Chairman, you may be aware and you may have read in the papers also that there is a lot of criticism about this wealth tax levy both inside and outside the House. The Press has vehemently criticised this tax and all opinion centres around three or four points of opposition regarding this taxation measure. The first is that the wealth tax, in the form in which it is levied and in its content, is unjustified especially after the country has been very heavily taxed. The country is already being very heavily taxed and to add the wealth tax to it is unjustified. Secondly, Sir, this tax should not be applied to joint stock companies. These companies pay so many taxes and this measure should not be added on. These companies should be exempted. Thirdly, Sir, even if it is not possible to exempt the joint stock companies, at least double taxation should be avoided and an overall limit

should be fixed beyond which a company or individual should not be taxed beyond the income received. These are the principles on which Members and the public as well as the Press have opposed this tax. While we find in Sweden that a man cannot be taxed beyond his capacity or beyond his income, here we find that for individuals the taxation seems to be confiscatory. It goes beyond the democratic principles of our Constitution. We have provided in the Constitution that no nationalisation or no confiscation will be made without paying proper compensation but the precise nature of this tax is that it would take away one's wealth which he has accumulated after paying income-tax, super tax, and so on, and by this tax you will gradually liquidate his wealth without paying any compensation. In the case of a person who has more than Rs. 22 lakhs of assets and has income, he will have to pay his whole income plus 54 per cent, out of his wealth in order to meet taxes, and this will gradually eliminate his wealth altogether in course of time.

I now come to the companies. There are five taxes on companies, income-tax, corporation tax, tax on dividends, tax on bonus shares and capital gains tax. The Finance Minister is not satisfied with these taxes on companies and he has got a scheme of compulsory deposit. Though it is not a tax, it tantamounts to driving away money from the companies and depositing it with the Government. So, Sir, I want to submit that this tax on companies will very adversely affect capital formation. Already the market is flat and since the day of Liaquat Ali Budget the share market in our country is in a collapsed condition. There was a hope that gradually the market will come up to the level expected but adding taxes every year has not left strength in the market and capital formation, in the case of private sector, is out of the question. So, I would submit, Sir, that at present our problem is to

[Shri R. G. Agarwala.] increase production, to increase investments and to increase employment but by taking away money from the private sector and putting it into Government and then making the private sector dependent on the Government financial corporations is not good. I do not know what the Finance Minister has in his view. He wants to take money to the Government on the one hand and, on the other, he wants to advance money to the companies through these corporations.

3 P.M.

Then, Sir, it is welcome that our Finance Minister has given some relief to foreign capital because at present we are very short of foreign exchange and we require foreign capital. But does he feel that by discriminating between foreign and Indian capital foreign capital is going to come? No, Sir, I think, will invest in a country where there is discrimination on economic grounds. It may be on other grounds. But it is primarily on economic grounds because the foreigner will always be very fearful of the fact that though to-day only home capital is being taxed in this way they may be taxed in the same way afterwards. Moreover this levy may be increased. Today it is half per cent. To-morrow it may be one per cent and the day after it may be two per cent—nobody knows. Hence I submit, Sir, that this wealth tax at the present juncture, when we want finances badly, when we want industries badly, is inopportune, and I suggest to the Finance Minister, though it is too late in the day—he will never think about it, he will not hear the advice given at this stage,—that he should not have brought this measure at the present moment and should have waited till the country's economy would have improved a little and would have been in a better position to attract foreign capital as well as Indian money. Today, Sir, a share of the face value of Rs. 100 is soiling at

Rs. 18 and huge losses have been suffered in the market. But nobody cares—because it is private sector money. But let us look at the repercussions it will have on our industrial development. When there will be no money no new industry will be floated and no new employment opportunities will be provided. My submission is that these should have been clearly thought of. Though I welcome the few concessions which have been given by the Finance Minister in the Lok Sabha I am sorry to say that the very conception of the wealth tax is unjustified.

I Thank you, Sir.

! KAZI KARIMUDDIN: Mr. Deputy Chairman, there is no doubt that the imposition of these two taxes, the wealth tax and the expenditure tax, have caused alarming reports outside, people being under the impression that there is some financial crisis. This is a wrong impression, because these two taxes are being imposed with a view to have more development and progress of the country and not to meet any emergency or crisis. This Bill is being criticised on the ground that there would be no capital formation if wealth tax is imposed. Now both the Houses of Parliament have passed the Second Five Year Plan for the implementation of which money is required. Mere negative criticism or mere criticism of the proposals made by the Government will not do. Some alternative proposals will have to be made. Now in the speeches made in the Lok Sabha in criticism of this Bill and here also I find very little constructive proposals as to how the money is to be obtained. Mrs. Munshi who spoke to-day said that jewellery should have been exempted and she said that houses in cities should be exempted. She went to the extent of saying that a house is to be preferred even to a husband, that a woman can do without a husband but not without a house. There is some saying in Gujarati and that

Aas come from the mouth of a woman. We males, we think quite otherwise and if I repeat one verse my contention will be evident.

हम तो जानें हैं कि दनिया में तेशों नाम रहें

कही मुमकिन है कि साकी न रहें जाम रहें ।

To live without a husband and to prefer a house to a husband is really a strange proposition that has been propounded by Mrs. Munshi.

SHKI AKBAR ALI KHAN: I think she did not use the word "prefer". I understood her to say that a woman next to her husband likes a house.

KAZI KARIMUDDIN: Now, Sir, this tax is introduced for three reasons, and it is justifiable for the three reasons, firstly to reduce the inequality between the poor and the rich, secondly, to reduce the huge wealth in the hands of some private individuals and thirdly to reduce the inequality in the country in the social and economic spheres. My submission is that the wealth tax is justified in every other way also.

Now, Sir, I am very much opposed to the exemption of jewellery and the palatial buildings of the ex-rulers. No doubt they have made great sacrifices in that they have integrated then-native States with India or the Government of India, and they have surrendered their territories to be brought under the administration of the Government of India. Now, there are several patriots who have made tremendous sacrifices in the cause of the liberation of the country and even their houses will be taxed if they be living in cities. Some day their wealth has to be taxed. Why not today when the country is in need of it? In a socialist pattern of society the jewellery of the ex-rulers or their palaces cannot be indefinitely exempted from taxation and if there is any occasion for taxing them, it is this occasion, when the Second Five Year Plan now has to be implemented at the cost of great sacrifices from every-

body concerned. The one simple question is why a distinction is being made between an ex-ruler and a man in the street. The only ground that is stated is that because they have joined the Indian Union, because they have surrendered their States, therefore in order to keep up their old dignity this has to be done. My humble submission is that there will be no justification for exempting the ex-rulers' jewellery and their palaces.

The Government of India and the Finance Minister while imposing this tax should take into consideration and be very watchful of the depression in the money market, particularly in the shares, and about the prices shooting up, and should not prefer the coming in of foreign capital but look first to the home economy of the country. Now the economy of this country is not sound. No foreigner is going to introduce his capital in this country. Therefore in inviting the foreign capitalist to send his money, the home economy should not be neglected.

Sir, the success or failure of this measure is entirely dependent on the efficiency of the administration. This is the first time that the wealth tax is being introduced in this country and many economists in England and in America and other countries are very doubtful about the correctness of this wealth tax on principle. Now for the first time we are introducing this. Practically every so called rich man will be at the mercy of the officers. He will have to file declarations. Therefore my submission is, unless there is no chance of favouritism, unless there is no chance of injustice, unless the administrative machinery is very efficient it would be very difficult to make the imposition of this tax successful in this country. Is there any doubt, Sir, that the administration at the lower and higher levels is not free from corruption, favouritism and other things? Now the imposition of this wealth tax is a matter between several people in the administration and

[Kazi Karimuddin.] particularly the valuation of the property and the assets is such a difficult matter that practically it will be in the whim, it will be in the choice of the administrative officer or the income-tax officer that the valuation will be fixed. Therefore, my submission is that the Finance Minister and the Government of India should be very very anxious about the improvement of the efficiency and honesty of their Government servants who will impose this tax.

No, in this Bill there is no exemption to the property owned by a wife. It is an admitted fact that we have a law that wife can have separate property, except if any property is transferred with adequate consideration or fay an agreement if they agree to live separate. Otherwise, every property belonging to the wife will be included In the list of assets of the husband, even if the wife agrees or does not agree to this. My submission is that there is one institution under Mohammedan law and that is dower. Now it is an established view of law that dower is not a consideration for marriage, but it is a peculiar provision for the maintenance of the dignity and maintainance of the wife even if they live separate. But in this Bill particularly this position has not been contemplated. I bring to the notice of the Finance Minister that this will have to be included in the Bill.

The other thing which I want to bring to the notice of the Finance Minister is that if a trust property is dedicated for a public and charitable purpose, then the income of that property or the property itself will be exempt from taxation. But there is no reference in this Bill to a trust which can be called 'Waqf-ul-Aulad', the manager of which will not own any portion of the property. He will have nothing to do with the property except administration of that property and some part of the income. Now, 'Mutawalli*' or *Waqf-ul-Aulad', the entire property under that trust will

be included in the assets, unless it is exempted under this law. Therefore, my submission is that this position will also have to be taken into consideration

SHRI B. B. SHARMA (Uttar Pradesh): May I ask my friend is it not charity merely in name, but actually it is the property of an Individual?

KAZI KARIMUDDIN: My submission is my learned friend has not probably seen the provisions of 'Waqf-ul-Aulad'. Now, the 'Mutawalli' is not the owner of that property. It does not belong to an individual. The beneficiaries are so many other people. Therefore, my submission is that unless it is exempted particularly, the owner, the manager of the property will have to be taxed for the entire property, because he is the manager, because there is no exemption in the Bill regarding this.

Now, there are several trusts which are partly private trusts and partly charitable and for public purposes even. There is no exemption regarding this also. Therefore, my only submission is that the Finance Minister, while this is being worked out, should look to the efficiency, honesty and to the administration and should be watchful of these things.

With these suggestions I welcome this Bill.

DR. A. R. MUDALIAR (Madras): Mr. Deputy Chairman, it is with mixed feelings that I rise to speak on this Bill. Many harsh things have been said of the Finance Minister, both in this House and in another place and outside the House a' so. Whatever criticisms I may pass on the measures before us, I should like it to be clearly understood that I am not one of those who agree with any of these personal criticisms that have been so lavishly advanced against the hon. Finance Minister. I have known him for several years and as Commerce and Industry Minister during

the Ust four years I do not think anybody in this House or in the other place could withhold his admiration for the manner in which he conducted that Ministry. He galvanized it into an activity which it never had before. He took initiative in directions which were not thought of by many of his predecessors. He gave an urgency to the work before him and an impetus to the development of industries in this country which I think all persons—not merely the few industrialists that started many industries—but all persons having regard to the economy of the country, having regard to promoting the national income of the country, must sincerely thank him. If at this stage we do not find ourselves wholeheartedly in agreement with the proposals that he has brought forward, I venture to think that he should re-examine his own position and probably we have to re-examine our position, but not in the easy way of thinking that he is one of those monsters who have stepped into the financial arena to do injustice to individuals and bring ruin to the country.

Sir, when I look at these financial measures, I think more of the trend that they portend than of the actual merits of the measures themselves. It has blazed a new trail, if one may say so. During the war there was a rather grim joke about the pilots of the United States who crossed the African continent from Accra, the western point, to Cairo, the eastern point. It was said that they had blazed a new trail and the blaze was visible all through in the form of wrecked and burning airships which were a mark for other pilots to take. I wonder whether it is in this manner that a new trail has been blazed. I heard my friend, Mr. Narayanan Nair, this morning with interest, but not with surprise. And, Sir, you have called me so early, because I was looking forward to the pleasure of hearing the leader of the Communist Party, whose inimitable eloquence is something that this House cannot afford to miss. And I am sure

on these bills especially he will pour forth a lavish and glorious verbiage of condemnation of all those vested interests who according to him, thrive under the merciful wings of the Finance Minister and appropriate to themselves ill-gotten wealth of all kinds. The tendency of these measures is what makes me rather concerned than even the actual measures themselves. I ask myself, whether are we drifting? What is the direction in which we are going? What is, the way that these measures point to, the possible development that will take place, not this year, not next year, but certainly within the very near future and I think that has to be borne in mind when we think of measures like these and consider the merits of these measures. They are frankly measures which in the hands of my friend over there, Leader of the Opposition, will in no time bring about that equality for which my friend, Mr. Narayanan Nair, pleaded this morning. He said that these measures do not show that that equality will be brought about at once; there are too many concessions, too many exceptions, and too many people have been favoured with all sorts of things; the limit of individual tax is not Rs. 2 lakhs, but really Rs. 5 lakhs, if you take these exceptions into consideration. And therein he disclosed what his real intent is with regard to this measure.

Sir, these are financial measures intended to bring about a certain amount of revenue for a certain cause, namely, the implementation of the Second Five-Year Plan. They are not intended to equalise incomes, to level down incomes. If that were so, the more straightforward course will be to see to it that nobody in this country—just as they are talking of a ceiling on land—should have more than a certain amount of wealth, say, Rs. 50,000 or Rs. 60,000. Or perhaps if that is too much for my friends to my extreme right who really belong to the extreme left, it may be fixed even lower. But the purpose of this measure is not that. The trouble

[Dr. A. R. Mudaliar.] arises from this beautiful phrase 'socialistic pattern of society'. I do not know at what moment it was evolved and by whom it was evolved. This socialistic pattern of society means everything to some people and nothing to others. What is this socialistic pattern of society? Has there been any attempt made to really define this phrase and its goal, to tell us whether we are leading to that goal? Each individual—I was almost going to say, each Minister of State, Cabinet Minister, Deputy Minister and Parliamentary Secretary—has got his own interpretation of what a socialistic pattern of society is. Sir, as a nation, we are victims of slogans. We had been so in the past when the slogans did some good to unite the country. We are still more the victims of slogans today without understanding what they actually mean. I confess I do not understand what that socialistic pattern of society is. If it mean? the levelling up of those who are far below the living standards, if it means that gradually the income of those people or rather the standard of living—which is the test and not so much the income—of these people has to be raised and that there should be a minimum living standard everywhere with at least some comforts, some decency of living and some amenities of life which make life not merely a dull and drab existence, but which make for interest in living that life, then I can understand it. But unfortunately, not having any proper definition even in broad terms of this phrase, we are led to all sorts of ideas and led to all sorts of conclusions, each of which contradicts the other.

Now, Sir, these measures that are before us mean that in course of time there will be a levy, so far as the wealth-tax is concerned, on most people. Let there be no misunderstanding about this that a taxation measure does not merely stratify its existence for all time to come, if one may say so. In the hands of Finance Ministers it has proved to be a pro-

gressive measure, progressive in the sense of intensifying the revenue that is obtained from these measures. And this measure therefore is going to be such a measure. In a sense, what is it? You have the death duties collectable, when a man dies. These are duties of a similar nature. The poet has said:

"Cowards die many times before their death; The valiant taste of death but once."

The Wealth duty is an estate duty-levied annually, and every man who tries to evaluate his estate in terms of rupees, annas and pies, does realise that for the time being his estate duty is so much. Now, Sir, there has been a great deal of...

SHRI BHUPESH GUPTA (West Bengal): I think our wealthy people are not cowards.

DR. A. R. MUDALIAR: They are the biggest cowards if my friend ever knows anything about them. Those who have got nothing to lose are the most courageous. I have followed the deliberations of the great Chambers of Commerce. I have tried to understand the evidence even that they have given before the Select Committee. I have tried to follow their deliberations in their own conference, and he must be a man either blind or unable to read the signs of the times who can have any regard for the courage of those who are supposed to be wealthy. They have let everybody down, partly because some of them have followed ways which are not right, and partly because even those that have done something right have not had the courage to speak out their minds to tell the world and to tell the Government where the country is drifting. The other day when I was talking to one of these gentlemen about this, he said, with reference to these taxes, a very significant thing. Probably my friend, the Leader of the Opposition, may understand that significance better. He said "After reading this Bill I ask myself: Oh Communism, where is thy

sting.' Oh Congress, where is thy victory?" My friend, Mr. Narayanan Nair, said that he was amazed at the divergence in the ruling party over this measure, that the majority view should prevail, that there is no such thing as compromise in these matters, that the Finance Minister should have stood boldly and firm as a vock against all these dissident views, and that the Bill should not have been whittled down, and in fact it should have been strengthened. That reflects the philosophy of the gentleman sitting to the extreme right of me. If there is any satisfaction that one can draw during all these unfortunate controversies over these measures, it is that the party in power is a vitally democratic party able to discuss among themselves freely, to express their differences, come to a compromise after examining each other's views, and not be rolled down by a steam roller against all opposing views or against all amendments that might be suggested. It is that thing that gives life to the party, and I know what I am talking about. I said on one occasion, it is better to have the devil we know than the devil we do not know, and I for one would vote for the Congress Party every time. I said this because I had hoped that within the party itself will develop real democratic instincts, not the individual fissiparous tendencies that make for individual opinion as in France, and make no party possible and no Government permanent, but that healthy democratic spirit which, notwithstanding what the most eminent leaders say, still has the courage to express one's opinion properly, so that even though it may be unpopular for the time being, it will still have its weight considered in course of time.

Now, Sir, I was referring to one factor before I was drawn from the theme of my speech. There has been a great deal of talk of evasion of taxes. Members of the Government have said and those supporting them have said that taxes are evaded.

Raucous cries have come from the Leftists about the evasion of taxes. Now I should like to examine . . .

SHRI BHUPESH GUPTA: From Prof. Kaldor.

DR. A. R. MUDALIAR: Well, you might even go from Kautilya to Kaldor and say that this raucous cry has gone on, if that will in any way support your theory. Well, Sir, what is this evasion of taxes? A great Lord Justice of England once said, "there is a vital difference between the evasion of taxes and the avoidance of taxes. I consider it as my right if by any legal means I can avoid the tax. I can avoid the payment of taxes. But if I evade taxes, I deserve the severest punishment." I would like every hon. Member—surely my friend, the Finance Minister, knows it very well—to realise this vital distinction between the 'avoidance' of taxes and the 'evasion' of taxes. If taxes are avoided, it is because there are loopholes in your legislation, for which the tax-payer is not responsible. Perhaps your hurried legislation, perhaps your bad draftsmanship, perhaps the ambiguity of the language—it may be perfectly clear in Hindi perhaps or according to some of us made even more ambiguous and less decipherable in English. Whatever it may be, if there is avoidance of taxation, it is not the fault of the tax-payer, I remember of a friend of mine once telling me when the slab system of income-tax was introduced and super-tax, "I carefully note what income I get from month to month (including what is now called unearned income) income from my investments and if within three or four months before the income-tax year falls I find that I am going beyond a certain slab.... I sell my shares and keep them in cash, so as to keep my income within a certain slab and not allow it to go further, because if it goes beyond that slab, I will be paying more income-tax than I would have earned." Is that evasion of income-tax or is that

[Dr. A. R. Mudaliar.] avoidance of income-tax? May I give a contrary case, which perhaps some of us have not properly realised? A great deal is talked of about voluntary cuts. A ten per cent, cut is the fashion to-day. Do you realise that by a ten per cent cut in some of his earnings of that person, on some occasions at least and with reference to some people, he pays less tax and what is more, his net income is more than it would be if he had not made the cut? Do you realise that it is not always the most patriotic thing to do?

SHRI BHUPESH GUPTA: Is that avoidance or evasion?

DR. A. R. MUDALIAR: It is avoidance of tax, but the culpable point about it is that it goes in the name of patriotism, which is entirely unjustified.

SHRI BHUPESH GUPTA: Many other things are done in the name of patriotism.

DR. A. R. MUDALIAR: Exactly, especially from your side. We have to realise that there are various ways in which this thing can be tackled. My friend who has just sat down spoke of the dishonesty that may prevail among the income-tax gatherers, the way in which they could make money and especially, when they can make so much money in collecting income-tax, how much more can they make from people with Rs. 4 lakhs and Rs. 2 lakhs, if there is a wealth tax. Now, I for one am candidly ashamed, distressed and disgusted with the attacks that are being continuously made against the public services of the country. It is a shame that people who have no knowledge of the working of the public servants, have no idea of their integrity in general, have no idea of the devotion with which they are working, the strain in which they are working with the

I incompatibility of temperament which I sometimes exists between the bosses; and themselves and yet continuing to do their work, should be making attacks like this. People have no idea of the circumstances in which they work. I had many glad experiences of co-operation with public servants. I am thankful for what has been forthcoming in the past and thankful even today for any little co-operation that is extended to me in some voluntary work that I do occasionally undertake, but this sort of baiting of the public servants, telling them that they are dishonest, that they are not worthy of the confidence that is reposed in them, I think, must stop. And we can never stop this unless those on the Treasury Benches get up and think and feel that it is their duty to stand by the public servants in public, whatever they may say to them in private. One of the canons of a good administrator at the highest level that I have been taught all through my life is this: Whatever fault a public servant may have, in public, particularly in Parliament, in the Legislature, any man worth his salt as an administrator and as a Minister should stand by that public servant, unless clearly and unambiguously through some judicial enquiry that public servant is found to be at fault, and that, if he does feel any doubts about it, it is in private, in his own room, that the public servant should be put on the **mat**

I have before me a speech made by one of the great planners, one who is supposed to have had a dominant influence in framing the Second Five Year Plan, a statistician planner and if the rumours that are afloat in the corridors of the Secretariat are correct, the statistician seems to have driven the coach and four through the entire administration and all the advice that was received. In a lecture in Bangalore, this famous statistician planner said . . .

SHRI KISHEN CHAND: Name?

DR. A. R. MUDALIAR: Surely you know this statistician-planner.

I

SHRI KISHEN CHAND: Mahalano- j bis. Mention it.

DR. A. R. MUDALIAR: He said:

"I am very impatient with Government officers—frightfully rude sometimes . . .

Surely rudeness should not be the characteristic of any gentleman who deals with public servants at the highest level, and yet he takes credit for ' the fact that he has been impatient, that he has been frightfully rude.

SHRI BHUPESH GUPTA: What paper?

DR. A. R. MUDALIAR: DECCAN HERALD of Bangalore.

SHRI BHUPESH GUPTA: Date?

DR. A. R. MUDALIAR: August, 5, 1957. There are choice morsels in the speech which I would like to present to the House.

". wherever our objectives are clear, the officials must do something. The experiment of decentralisation, for instance, with clear objectives, has failed because of the administrators' indifference"

He says:

"All our talk of egalitarianism is nothing but confused thinking. Opportunities should be there for all who can help society march forward."

Then he says—this is the thing that I want to present to the Commerce and Industry Minister—

"Taking Sindri, for instance, so long as it produces the target of 350,000 tons of ammonium sulphate of accepted quality, what happens with accounts should not bother. The pre-requisite is certain free-

dom for the administrator m charge, who can inforce certain physical checks in respect of production, speed, quality, etc. No amount of framed rules will be substitute for physical examination, scrutiny and testing."

Then—

"What he was worried about was efficiency being at stake. Of course, there was likely to be some nepotism and waste; that paled into nothing when so many number of jobs were created."

These are fundamental axioms that have to be enshrined on the portals of the Secretariat and in the room of every Minister.

Let me say something about this gentleman's views on finance. The Mysore Government, he advised, could go about realising targets without regard for financial considerations. Finance is merely to make noise, he acidly commented. I wish the hon. Finance Minister were here to enrich his experience by these observations. I think I ought to conclude . . .

SHRI AKBAL ALI KHAN: His deputy is there.

DR. A. R. MUDALIAR: I ought to conclude with the observation, a very pithy observation made by the Chairman of this public meeting, a civil servant himself, the Chief Secretary of the Mysore Government. He said:

"I warn my P. W. D. friends that if they are going to cite the Professor as support for preparing bloated estimate?, they will be in for trouble."

THE DEPUTY MINISTER OF FINANCE (SHRI B. R. BHAGAT): When was this speech made?

DR. A R. MUDALIAR: It was reported on 5 th August in the paper 'Deccan Herald' of Bangalore.

Now, Sir, the whole basis of this taxation rests on the foundation that the Second Five Year Plan has been approved by both the Houses, that the Members stand committed to the implementation of that plan and that any excuse now to withdraw from that position, to resile from the stand that they have taken, to make excuse for additional taxation, shows that they are not of the same mind and that they cannot be forgiven for that. I have told you something of the way in which the Plan was prepared. Economists and statisticians will put forward targets galore. I have myself had a great deal to do with economists. If I am not indulging in a personal note, for the first time during the war in 1940 about 22 or 23 selected economists of the country were brought together at conferences from time to time, and their advice was sought by the then Commerce and Industries Minister, myself. But let me tell you, after hearing them all, after hearing their advice, I took my own counsel. I would have been in a very bad state indeed if I had been luted or outworn by the individual theories of any particular economist and when it comes to a question if a statistician, it would have been a till more hopeless position for the undamental reason that while economic theories are laws in the abstract, statistics can still be allocated into one of those three categories or groups of white lies, black lies and statistical lies, the human touch about it is lacking in these gentlemen who merely go by their theories, the Minister who is in charge, who loves with the people, who knows the people, who reflects the will of the people, who has been elected by the people, has to bring that touch whatever economists and statisticians lay say. If on the other hand we were merely to depend upon them, when it will be an inhuman, abhorrent, miscarried, misanthropic that will !

be born, not a live, developing, healthy-proposal that the Finance Minister or anybody should put before us.

Now, Sir, I was talking of the Plan. I remember how the Plan was discussed in the other House and how the Plan was discussed in this House, and how many Members were satisfied with the Plan. They thought it was too niggardly. Suggestions were made that Rs. 200 crores may be added for the Railways, that what was provided was not enough. They thought the schemes should have much more than what had been provided in the target. If only all those things had been taken up, the Plan would have gone to Rs. 8,000 or Rs. 9,000 crores even during this period—Am I to understand or are my friends to understand that, when these suggestions were made, hotly deliberated upon and finally the Plan was said to be approved—I remember that—this was a Plan so sacrosanct, so much approved with all the will and with all the leisurely intelligence that was brought to play upon it that they were individually and collectively committed to it and could not go behind it without shaming themselves? Is that the understanding that we had when the Plan was put before the House and after a couple of days' debate, it was accepted? Personally I think it is more than unfair if Members had to be judged by this test that they had committed themselves to this Plan and to the expenditure on this Plan and that now they are resiling from it, and it is not right that they should do so.

Sir, there is another aspect of these taxes that I would like to dwell upon. As I said it is not the present Bill, that I am thinking of. I don't mind if it is there for a year. I don't mind even if the expenditure tax is there for a year but I am thinking, as I said, of the vista that opens out to anybody who is a Finance Minister. Remember the Finance Minister said, at least I read so, that there will be

no more- taxation for the rest of the Plan period. Let us be quite clear about it. Did he mean that there will be no new taxes for the rest of the Plan period or did he mean that there will be no rise of the rate of tax during the rest of the Plan period? There is a world of difference between the two. It may be possible that there may not be any more new taxes. We have had novelty enough. The head is still whirling with the novelty of the taxes that have been proposed. The intellect is still unable to grasp the entire structure of the taxes that are now before the House. Did he mean that? If he does—I hear already rumblings of the new tax, the Gift Tax which is being proposed—is the Gift Tax to be excluded from the new taxes that should not be imposed during the next five Years?

SHRI BHUPESH GUPTA: That should come soon.

DR. A. R. MUDALIAR: Again, is it that there would be no intensifying in this period? It is not the extensive movement that the Finance Minister is thinking of. The intensification is there and can be done. Anybody can argue, if I were in his place I would perhaps argue, that raising the income-tax rate or putting a further surcharge or raising the super-tax rate or increasing the rate of wealth tax for individuals and companies and even lowering the exemption for the expenditure tax is not a new tax. It is merely carrying out the evolutionary process which every Finance Minister has resorted to through all the decades and surely the House is not unreasonable enough to stop that evolutionary process. But I should like to know which of these he meant or whether he meant neither. The public have a right to know. We know the drift of his thoughts. We know whither they are trending. I am not one of those, let me say quite frankly and quite explicitly and most emphatically, who believe in co-existence within the national sphere. It

may co-exist in the international sphere, it may exist without any kind of . . .

SHRI BHUPESH GUPTA: But you were co-existing with the British all right.

DR. A. R. MUDALIAR: My friend also was co-existent in those days. That does not matter. We were all co-existing. I am not one of those who believes in that. In the international sphere 'yes' because each State is a sovereign State and you have no right to dictate to another sovereign State what kind of politics, what kind of parliamentary or unparliamentary Government it should have, what kind of developments may take place economically, politically or socially.

SHRI P. N. SAPRU (Uttar Pradesh): What about a Federal or quasi -Federal institution? How can you prevent political parties in a Federal State acquiring power and those political parties being parties which are opposed to your ideology?

DR. A. R. MUDALIAR: My hon. friend is thinking of both forms of democratic Government, two forms of democratic Government, two parties, one which believes in one way of achieving the democratic form of Government and another which believes in another way of democratic Government. Surely he does not believe or he does not think that the forms of Government such as those that are advocated by my friend are consistent with free independent democratic Governments, republican may be, which we have advocated.

SHRI P. N. SAPRU: Are you prepared to deny them the vote?

DR. A. R. MUDALIAR: When a gentleman who has been an eminent judicial authority descends into politics, it is very confusing to follow his views and I must beg of him not to expect from me answers to questions which I do not understand.

[Dr. A. R. Mudaliar.]

The other day my friend over there, Mr. Bhupesh Gupta moved a Resolution about the services and I was sorry to hear that the Deputy Home Minister took the cue and spoke of the democratic spirit in which the civil servants must move. Sir, I wish we could analyse these phrases and see what they mean. What is meant by the democratic spirit in which the civil servants should **move**? Does it mean that the Inspector-General of Police should throw his hand over the constable and walk side by side in the streets of Delhi? Does it mean that the General Officer Commanding should sit on a *charpoy* along with the jawans to be addressed by a Minister to show that it is a democratic form of government in which we live? Does it mean that the income-tax collector should throw his hands over the assessee and chat about and walk about? My hon. friend will be the first to say: "That man is gone, he has sold his soul and body to the bloated capitalists of the comics" though there are many bloated people apart from capitalists.

(Interruption from Shri Bhupesh Gupta)

I can understand my hon. friend who would like to put, if I may say so, the white collared workers, men like me, into coal mines, as was done in other countries where the ideology that my friend is so eagerly pursuing prevails.

SHRI BHUPESH GUPTA: It is difficult to find a place for a man like you, but still we will try.

DR. A. R. MUDALIAR: I hope it will not be too deep a coal mine, if that time comes. We have seen what happens in other places. We have seen how the ideology is translating itself. Let there be no mistake about where our friends are trying to go. Let there be no idea, that because they enthusiastically support a measure, any Minister here should feel satisfied about it. If I were in that place

I would have thought twice, thrice, a hundred times and re-examined my position when enthusiastic support comes from these elements to my extreme right. It is time not for congratulation, but for serious thinking. It is time to re-examine where we are drifting. It is time to ask ourselves whether we are following a socialistic pattern of society or in our eagerness to get as much support as possible, we are going right in the opposite direction, towards what I would certainly describe as a totalitarian and absolutist form of government. And may we hope, so long as this party is in office and in power, though occasionally there may be meanderings in the path that they pursue, still on the whole—and that is the hope that guides and sustains many of us—that on the whole the direction from one point to the other may be practically a straight direction.

Thank you, Sir.

SHRI C. P. PARIKH (Bombay): Mr. Deputy Chairman, I was very glad to hear from the Finance Minister that he wants to climb like Tensing, some 27,000 feet and achieve the objectives that we have in view. I have also been heartened by what he was saying. But I would like to tell him that when he is proceeding in this upward direction, he will meet three demons—three *Rakshas*—one being inflation, the second unemployment and the third, foreign exchange. If he is able to deal with these, then and then only he will succeed. Therefore, when proceeding to further heights, he should bear these three dangers in mind.

I was very much heartened when the other day the hon. Finance Minister assured this House—and I think he said it in the other House also in one form or the other—that there will be no fresh taxation, that he does not believe in dribblets of taxation, although in the month of November he said he would come twice, thrice

in a year to the House. Anyway, I think it is very good to hear that he is imposing all the taxation in one dose. And he is making the refreshing statement that he is not going in for further taxation. In making this reassuring statement, I think he is doing a great service to the country's finances and economy. Otherwise, I must say, there is an unnerving influence and rightly an unnerving influence, in the country* and in the industrial community. Now they know the Government's mind. I think from the recent pronouncements they have known it to some extent and I think he will confirm that in unequivocal language. We know the requirements of the Government. We know their resources, But then it has to be remembered that the industrial mechanism is very delicate and sensitive and it should not be disturbed and if it is, then it will be at the cost of the Plan. Therefore, I am requesting him that when he makes his pronouncements in this House in reply to the debate, he will again make an attempt to say that the structure of the taxation will remain. He believes in progressive realisation of revenues, as he has emphasised.

The other reassuring statement that he made yesterday was this. He made it absolutely clear that he wants a restraint on the prices of foodgrains as well as on activities of a speculative nature. He also said that he wants the industrial development of the country and he *does not* want to have any credit squeeze which will come in its way.

[THE VICE-CHAIRMAN (SHRI M. B. JOSHI) in the Chair.]

This is another statement that he has made which will give some inspiration and relief to the country and lead to the progressive realisation of our aims and the advancement of the Plan.

Sir, as regards the wealth tax and the expenditure tax that are coming up, I would submit that they are

taxes of a new nature and they are opening up a code of conduct and you get an inventory of the expenses as well as the wealth of the rich individuals. Now, we in business know very well how the Government is moving and how the country is moving. We also know how they will be moving for the next ten years, and from year to year. We are quite alive to the times and whatever may appear in the press, I may say that our criticism will be of a constructive nature. We want to show the Government the methods to be followed and the pitfalls that are to be avoided, pitfalls that exist in the progressive realisation of these objectives. It is with this view that these criticisms are to be understood.

It is no use attacking the industrial and commercial community every now and then. I may tell my hon. friend Mr. Bhupesh Gupta that if he wants to eliminate poverty from the country, we want production of wealth and for that experience and knowledge are necessary. We want the experience and knowledge of some 6,000 persons, for the next ten years, until we have built up a cadre to substitute. And we will not be able to build up that cadre for the next ten years. That experience and knowledge you cannot take away. You can take away the wealth of these persons, but experience and knowledge you cannot take away. If you want to build up your industries, you want their experience and knowledge, unless you desire to import foreigners as my hon. friend might desire, from Russia.

DR. R. B. GOUR: Let the knowledge be there, give up the profits.

SHRI C. P. PARIKH: Let my hon. friend have a little patience. He will have full time to have his say.

We believe in Indian philosophy, in Indian culture and in Indian civilisation. We do not believe in American capitalism or in the Russian methods. We want to build in another

LShn c. P. PanKh.J way way a society where all can exist and work for the good of all. This is a new civilisation and a new method and in this new society which we are aiming at, the commercial community is always one with the Congress.

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I think, Sir, they will take all measures to support the measure wholeheartedly whatever may be the criticism including the criticism of the Forum of Free Enterprise. We are only pointing out the pitfalls. You must understand that. As Dr. Mudaliar pointed out, we are only pointing out the difficult things and the pitfalls. You must understand the criticism in that light. There may be a few elements who are not desirable but the whole community wants to work for the country. If there was enthusiasm in some persons for gaining political independence, I think, Sir, in the rich persons there is enthusiasm and initiative to establish industries in our country so that our country ranks amongst the first five. That is the ambition of many industrialists and rich persons. That must not be forgotten. When we are making that criticism, we must remember that.

DR. R. B. GOUR: We like you but not the blacklegs in your community.

Sma C. P. PARIKH: You will have your time. I can only reply to you if the hon. Vice-Chairman gives me more time, otherwise not.

Let us see what riches exist in the country. In the entire country, there are only 127 persons who may be said to have fifty lakhs of rupees and over.

SHRI BHUPESH GUPTA: How do you arrive at that figure?

Sum C. P. PARIKH: That is borne out by the figures supplied by the Central Board of Revenue.

Sum BHUPESH GUPTA: Oh, but that does not include the evasions.

SHM C P. PARIKH: Although Div Mudaliar explained to him as to what is avoidance and what is evasion perhaps he did not listen but is trying to bring his own point of view before us and we are not going to be affected or our minds are not going to be vitiated by that. He must remember that we are quite conscious of what we are doing.

I now come to the concessions about which so much has been said. As regards the residential houses of the Princes, only one house has been exempted. That is entirely forgotten. On the rest of the houses, the Princes have to pay the tax. They have to pay tax on their personal jewellery but the State jewellery is exempt because it is the jewellery of India and not of any particular Ruler. It is not good to make breaches of the covenants that we entered into and of the promises that we gave.

SHRI BHUPESH GUPTA: May I know into which account the State jewellery is credited?

SHRI C. P. PARIKH: The State jewellery is the jewellery of India. For the present they will be with the persons . . .

DR. A. R. MUDALIAR: It is listed and is in the hands of the Home Ministry. It cannot be sold by anyone.

SHRI C. P. PARIKH: Let me tell you that the State jewellery is the jewellery not of those Rulers and Princes but is the jewellery of India.

SHRI BHUPESH GUPTA: Whatever is within the borders of India belong* to India.

SHRI C. P. PARIKH: Let us come to the small unearned income group. The limit has been raised from 7500 to 9000 on account of the company tax and also to promote middleclass.

investments about which so many Members are anxious. Exemption is also given for inter-corporate investment. That is necessary in order that there may not be double taxation. Exemption of furniture and utensils is necessary on account of the harassment and so many other things that may happen resulting in corruption. Therefore, furniture, utensils and household articles have been wisely omitted. The next is the case of the losing concerns. Some arguments were raised about this but we must remember that if the losing concerns had not been exempted, the result would have been that this half per cent tax would have been ultimately passed on to the consumer. That must not be forgotten. That is the law of economics and that always works. One hon. Member mentioned partnership profits. Partnerships have been roped in this year and they are handicapped even for income tax purposes. He said that shipping, banking and insurance companies should not be exempted. I wonder at the knowledge of these social and political workers. The prosperity of a country depends on its banking, shipping and insurance. Countries that are great in the world are so because of banking, shipping and insurance and we must not forget that. We are building up banking slowly; in the case of insurance, 50 per cent, of it is in foreign hands and we hold only less than 5 per cent, of interest in shipping.

DR. R. B. GOUR: Why not nationalise the foreign assets?

SHRI C. P. PARIKH: We know what to nationalise and what not to nationalise.

DR. R. B. GOUR: That is partnership, is it not?

SHRI C. P. PARIKH: Now, Sir. I come to company taxation. I think the hon. Finance Minister has to take great care even though the tax levied is only half a per cent. I know the requirements of Government and

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I also know the resources required for the Plan but, even then, the taxation of companies in matters of wealth is something which should not have been resorted to. Nowhere in the world it is existing excepting West Germany, Iceland and one more small country, What is the reason, Sir? We have to compare our entire tax structure with the tax structure obtaining even in those countries. We will have to admit that we are going in the wrong way.

DR. R. B. GOUR: Will Mr. Parikh tell us whether the concession given to shipping will apply only to Indian shipping and not to foreign shipping?

SHRI C. P. PARIKH: Foreign shipping companies are not registered in India. That is the difference. We are only coastal carriers. Remember that. I have to say that with a little shame.

Let us see about the companies. The percentage increase of taxation in the case of companies has been raised from 43 to 56 including the increase in Corporation Tax, income-tax and this wealth tax. From 43 per cent, it has been raised to 56 per cent. The profits in the companies are to the extent of about Rs. 200 crores per year on the average and so, the additional taxation that is levied is to the extent of Rs. 26 crores of rupees. I say, Sir, that this taxation should go. We must remember that companies are corporate enterprises and it is the contribution of millions of people. It is the fountain of wealth and from that the other wells spring. So, it is the initial producer which we should not tax. We have the Corporation Tax only for a very limited purpose. We are giving refunds in income-tax but there is a very important difference between what remains in a company and what goes out of it. It is important to remember the retained profits and the distributed profits. That differentiation is very material. Whatever is retained in an industry is for industrial development and whatever is distributed as dividends goes to the shareholders.

[Shri C. P. Parikh.] So long as the money remains within the company, I think it is for investment, for lands, for buildings and for machinery. As regards non-manufacturing concerns, these assets do not exist. Therefore, my earnest request to the Finance Minister is to exempt manufacturing companies from this levy of wealth tax. I will also say, Sir, that we should not exempt all the manufacturing concerns but only those which are investing their capital and reserves in land, building, machinery. This half per cent. tax on wealth is ultimately a tax on capital and reserves. Therefore, the tax on capital and the tax on reserves is this half per cent, but if this capital and if these reserves are invested in land, buildings and machinery, I think we should exempt them. We want to further industrialise our country and we want to increase the wealth of the country at a faster pace. The hon. Finance Minister wants to climb 27,000 feet and I have to point out to him that our industrial wealth of factory establishments is increasing at the rate of about Rs. 60 crores a year as is mentioned in the national income statistics. We want the wealth to increase not at the rate of Rs. 60 crores every year but at the rate of Rs. 150 crores a year. Then only will our standard of living increase and will our poverty be eliminated. Therefore, the Finance Minister should pay great attention to this and he should tax only whatever goes out of the company and exempt whatever remains inside. Taxing the undistributed profits of the company is cutting the very roots and putting backward the industrialisation of the country. I think, Sir, he will then gain much more by way of increase in production of wealth than this two or three crores that he will get by way of wealth tax.

We must not forget that. Whatever capital formation is there, the capital formation is as regards the public sector and the private sector. Now, on account of this tax there is bound to be a temporary lull in in-

vestment in the private sector. But what will happen? During that temporary lull the funds will be diverted to the public sector and I may say, Sir, that we are not able enough, we are not capable enough and we are not competent enough to expand the public sector to the degree that we desire owing to want of personnel, both technical and administrative. We have expanded it enough and whatever we have done, we have not done to our credit; let us admit it plainly. Therefore it is no use having the risk of a temporary lull in the investment market. That is the main thing, Sir, and if we do this we do so at the peril of our Plan, and again you will have to go into methods to revive that activity, and that will take long. I remember, Sir, the late Mr. Liaquat Ali Khan of course presented his Budget in concurrence with Dr. John Matthai but, later on, Dr. John Matthai had to retrace the steps, and Mr. Deshmukh also retraced his steps gradually and when the time came he also adjusted himself. Now let us see the development rebate, a thing of which so much is talked of. It is this 25 per cent, development rebate and with this only the industrial activity is booming in the country and it is for this industrial activity that the world is getting jealous of our progress.

Therefore I request the Finance Minister that this tempo of industrial production and industrial activity should not be disturbed because if we restrain it we restrain it at the peril of our Plan.

Now, Sir, there are other methods of taxation. I find that the receipts from companies on account of the wealth tax are expected to be Rs. 6*5 crores. I say that there are many other ways of getting it. I shall suggest the other ways, time permitting. Before suggesting the other ways, first of all I want to point out to the Finance Minister that if the Indian business community does not believe in the wisdom of this taxation how will the foreigners who want to in-

vest their capital in this country be convinced of the wisdom of our proposals? We are going in an academic way, not in a practical way. In matters of economics we blindly believe in the writings of economists and statisticians as Dr. Ramasami Mudaliar said. I think we must believe in the practical economy and practical finance in the country. In inviting foreign capital we should also see that if the Indians do not trust the present Government policy, much less the foreigners will trust it. It is not so much a matter of this levy but the consequences that it will lead us to are important. From wherever source the foreign capital is coming, they are watching what is happening in India and what is the trend in India. Now, Sir, I may suggest that you can easily recast the structure of the dividend tax. The dividend tax should in fact be levied on the return on capital, and on reserves. It cannot be levied only on capital. The stability and marketability of company depend both on its capital and its reserves. So the return on both capital and reserves should be calculated. The structure of the dividend tax should be put on a scientific basis. It should be treated in the same scientific manner as other direct taxes, for example, the income-tax, the tax on married and unmarried people, earned and unearned income. In a similar manner, if we must see how the economy moves in the country, how the investment moves in the country, how a middle class man also can be tempted to invest his savings in equity capital. It is the dividend that matters, and with regard to dividends if we are having the tax on capital and reserves, you may narrow down the slabs for levy of this dividend tax. You may narrow it down to 10 per cent, or 12 per cent, or 15 per cent, return. You may raise the scale of dividend tax in the higher slabs. All this you may do, and 15 per cent, on capital and reserves should be considered reasonable. The sliding scale method that I have suggested should be applied when the dividend is getting out of the

company's funds. Whatever is retained in the company, I think, Sir, is being forced or driven into land, building and machinery. There is also the system of compulsory deposits, which further will help to do it.

Now, Sir, the next point is with regard to the concessions in the shape of rebate on wealth tax. This concession is given to those whose wealth is Rs. 22,00,000 and above. To them he is giving concessions or rebate but there is no concession given to those whose wealth is above Rs. 2 lakhs and below Rs. 22,00,000. That rebate is given also to those under Rs. 2 lakhs. He has given it by raising the unearned income exemption limit from Rs. 7500/- to Rs. 9,000/-. But between Rs. 2 lakhs and Rs. 22 lakhs the burden remains the same. I think, Sir, that concession should be given to this category also.

Now, Sir, I come to the valuation of the assets. It is a thing which bristles with difficulties. You may value certain assets, but jewellery you cannot value even approximately accurately, and as regards the valuation of jewellery I make bold to say that the valuation by one expert will differ from the other by 50 per cent, and even if it is valued by two persons, it will not be correct. So I think, Sir, as regards jewellery it would be very good if it is made that you accept the valuation given in a reasonable manner on the assessee's own statement, if he can show that he acquired it at a particular price, to take that particular price into consideration instead of the market rate. Otherwise it should be taken at one-third the market value if acquired before 1939.

Now, Sir, two more points I have to say in this connection to make this wealth tax work successfully. You have by the Finance Bill brought down the figure of 91 per cent. income-tax and super-tax to 84 per cent. on unearned incomes. The Finance Minister said that for earned incomes he has brought it down to 77 per cent.

[Shri C. P. Parikh.] I am not prepared to swallow that because only two per cent, constitute the earned income group in that category and 98 per cent, in that group have unearned income. Therefore if he wants to have this wealth tax and the expenditure tax realised in a proper and scientific manner then he should follow the recommendations of Professor Kaldor. Prof. Kaldor recommended seven annas in the rupee as tax on individuals and companies. I have no objection even if it is 10 annas in the beginning and therefore he should have it curtailed to 65 per cent, from 85 per cent. Only then you will realise more income-tax and super-tax and there will be less evasion and avoidance. If we have the income-tax and the super-tax brought down to 65 per cent, and have this wealth and expenditure tax, the total realisation will not be less than what we otherwise hope to have and we would have less avoidance and evasion in the matter of income-tax, super-tax as well as wealth tax and expenditure tax. With regard to expenditure tax the same arguments will apply—Lastly I want to say one word about companies. Of the companies which are now existing in India about 250 companies only are able to pay 6 per cent, tax free dividend and are able to carry something to their reserves. The rest of the companies are only able to pay dividends. **Out** of 20,000 companies which are active in India, 10,000 companies are making profits and 10,000 companies are making losses. This is the picture of the profits of the companies. So do not do anything that will come in the way of companies' promotion and prosperity or in the way of formation of companies. With these words, Sir, I support the Bill.

SHRI KISHEN CHAND: Mr. Vice-Chairman, we are now considering this wealth-tax Bill and the majority of speakers who have preceded me have spoken on every thing except on this Wealth-tax Bill. I submit, Sir,

that it is a new Bill. It is a new measure of taxation and it is primarily for revenue purposes. So far as it is a revenue yielding measure, it is welcome. I have no grievance against it, in particular when the hon. Finance Minister pointed out that this Wealth-tax Bill is very essential to determine the total wealth of all assesseees in order to plug all loopholes of tax evasion. I say that I have no objection to the Wealth-tax Bill. As I have already pointed out, in the Finance Bill the tax on companies has been raised to a very large extent. And the tax on companies, together with this wealth tax, may become a little too heavy and may result in the slowing down of our industrialisation. As far as the individuals are concerned, I have no objection. We will have to levy the tax. But if the levying of this tax, over and above the increase in the rate of taxes on companies in the Finance Bill, is taken into consideration, the total tax comes up to a very high level. Some hon. Members said that this wealth tax on companies will retard industrial progress. By itself this Bill is not going to retard, for a company which has got a capital of Rs. 50 lakhs will be paying only Rs. 25,000 under the Wealth tax Bill. A company with a capital of Rs. 50 lakhs will probably make a profit of Rs. 7 or Rs. 8 lakhs and it will pay out of Rs. 8 lakhs nearly Rs. 4J lakhs in income-tax and corporation tax. And if the company can pay Rs. 4J lakhs in incometax and corporation tax, an additional Rs. 25,000 by this Wealth-tax Bill is not going to make any material difference. If at all we raise any objection, it should be for the collective charge both by the Wealth-tax Bill and by the Finance Bill. Solely by itself this is almost a harmless tax on the companies, a tax of half per cent., especially when exemption has been given to companies which are not making profit or to new ventures which are established—and up to five years they have been given exemption. And if at all any further concession is to be shown, the exemption limit may be

raised from Rs. 5 lakhs to Rs. 7 lakhs. I have read through the Report of the Select Committee of the other House and in that I found that several hon. Members have appended minutes of dissent in which they have suggested that the exemption limit for the companies may be raised from Rs. 5 lakhs to Rs. 7 lakhs. Their sole object was that the small companies, though they are not paying the wealth tax as companies, the shares are held by individuals and those shares will be added on to the wealth of the individual and wealth tax will be collected there. Even now, if wealth tax is paid by a company, corresponding reduction is given to the individual in the assessment of his wealth tax. And, therefore, there would be no harm if certain concession is shown with regard to companies by raising the exemption limit from Rs. 5 lakhs to Rs. 7 lakhs. But as I said before, I take strong objection in the Finance Bill to the raising of the corporation tax and the income tax on companies. That has already been passed and it is a matter of the past, but the two together will be a heavy load.

Sir, an objection has been raised about the non-exemption of a dwelling house, while exemption has been given in the case of jewellery up to the extent of Rs. 25,000/-. I think that different people have got different likes and dislikes. Some people want to keep jewellery; other person may like to keep a house. Some may have investments in one article; *some* may have investments in another article. Is it equitable that we give exemption in the case of jewellery, but we do not give exemption in the case of a house? In *my* humble opinion, a better method would have been to include every type of wealth, but raise the exemption limit from Rs. 2 lakhs to Rs. 2½ lakhs. That will be better. Now, even in the case of jewellery you have kept an exemption limit of Rs. 25,000/-. The jewellery will have to be shown to the income-tax officer. It will have to be valued as to whether it is worth Rs. 25,000/- or it is worth Rs. 50,000/-.

All these processes will have to be gone through. The process is not avoided. Your jewellery is thoroughly examined by the income-tax officer for the purpose of valuation. After evaluating it, if it is found to be below Rs. 25,000/-, it is not included in the wealth for tax purposes. In the other case, there may be an individual or even a lady who has no jewellery but she has a house. In her case, because there is no jewellery, she will not get any exemption. As she has no jewellery, she should be compensated by exemption of the house.

Then, an hon. Member has pointed out very ably that in urban areas, in big cities like Delhi, Bombay and Calcutta property values have gone up tremendously. Supposing somebody's ancestors were rich people, or even though not rich people, they had a very central plot somewhere in Connaught Circus. They built a house in Connaught Circus. Now today the value of that house is at least twenty times. If the property had been worth Rs. 50,000/- in those days, its worth today is Rs. 10 lakhs, in Connaught Circus. Now, under the Rent Control Act you do not permit the rent to be increased on that property. In that case he is getting the old rent, on the old valuation of Rs. 50,000/-, the rent which he was getting in 1930. But today you will go and say that this property is worth Rs. 10 lakhs and you have got to pay Rs. 5,000/- as wealth tax on it. Probably that fellow is only getting Rs. 5,000/- a year as rent from that house. And it is most unfair in that case.

Similarly, supposing a man is living in that house. He has built a house when he was a civil servant drawing a salary of Rs. 25,000/-, a big house, with a big compound. Then he retires on a pension of Rs. 600 a month. Now you come and say that his house is today worth so many lakhs. He has got to pay a wealth tax on that house. Probably his pension will not be sufficient to *meet the* wealth tax demands on that house.

[Shri Kishen Chand.] Therefore, I humbly request the hon. Finance Minister to carefully note that in evaluating the proper value of a house, he should give the option of accepting either the cost of the house when it was built, or the present valuation whichever is lower. If you do not have this provision in urban areas where property values have gone up, you will be forcing every man to sell his house.

SHRIMATI LILAVATI MUNSHI: Who will take it?

SHRI KISHEN CHAND: Whether anybody takes it or not, it will have to be sold whether for a song or a small price. In any case, if he has got to pay as wealth tax an amount which he cannot afford, which is more than his income, he will have to do something. That is why I have suggested to the hon. Finance Minister that in evaluating houses, either their original value at the time of construction should be taken into consideration or their present market value, whichever is less. In certain urban areas prices have gone down, for instance, in Nagpur.

DR. A. R. MUDALIAR: Why not municipal valuation? That seems to be the safest.

SHRI KISHEN CHAND: I submit to the hon. Members who have raised an objection that in the case of certain municipalities—and I have at least the experience of the Hyderabad municipality,—a special officer for re-assessment has been appointed who does not accept the rental value. He says the rental value should have been this and, therefore, he is going to assess on this basis. In spite of the fact that even when full evidence is produced about that actual rent being paid and received, it is not accepted by the municipality. Sometimes certain municipalities have got special set of officers who have got wrong notions about the rental values I think my suggestion is a simple one, If you bring in the municipality, it may encourage the landlords and the house-owners to try to influence the

municipalities for bringing down the price of their house or under-value it. My process is a simple process. Either the man proves that its market value today is so much, or he may prove that the original cost when it was built was so much. Whichever is less, may be accepted, and give him the benefit. And in that case he will probably be able to pay it; in particular when he is residing in the house. As has been rightly pointed out, specially in old age, a man has attachment to his house. He wants to continue to live in that house. And with the house rents going up so high these days, it is not easy for any man to sell his house for paying the wealth tax and then search for another house at very exorbitant rates of rent, or go into small by-lanes and live in an unhealthy atmosphere. Sir, what is the solution? As I said, we cannot exempt a house in the urban area completely, because some part of it may be rented and some part of it may not be rented. And moreover, an individual may not have a house; he may have all his investments in the shape of jewellery, art collections etc. Therefore, the moment you give more exemptions, it provides a loophole for avoidance of tax; it gives a loophole for appeals to the appellate authorities. But if you have a simple law, the total wealth will be taken into account, including the value of a house, the original cost or the present valuation, whichever is lower, being added on. There will be an exemption limit of Rs. 2½ lakhs. One hon. Member on this side pointed out that a clever man, by investing in everything for which there is exemption, can get an exemption limit of even Rs. 3½ lakhs. He can have jewellery of Rs. 25,000 and art treasures of Rs. 25,000 and scientific instruments of Rs. 20,000 and so on and so forth. In this way he can manipulate these things. Whereas a simple man who has got probably a house of Rs. 1½ lakhs and something in the shape of capital or shares, that man will get only Rs. 2 lakhs as exemption limit. If we want to treat all strata

of society on an equal basis, I think it is most essential that we should raise our exemption limit slightly, and do away with all other exemptions in the Bill which will give a loophole for tax evasion or tax avoidance.

Sir, some objection has been raised about the Princes. If you raise the exemption limit to Rs. 2½ lakhs, they will benefit by it to the extent of Rs. 50,000. But you cannot make a distinction. Some hon. Member said that there is a covenant and the Rulers made sacrifices by acceding to the Indian Government and there was unification of India in a harmonious way. I certainly agree that there is a covenant, and they will continue to get their privy purses. The privy purse is free from income-tax or super-tax. It is exempted from the taxes on income. As far as that covenant is concerned, the Government of India fully follows it, although there is a demand from the Opposition benches that the privy purse of the Princes should not be exempted from income-tax and super-tax. But that has not been accepted by the Government. I cannot see, Sir, why they want an exemption from this tax which is a new tax. This wealth tax is to be levied on the Rulers, and they have got to pay the wealth-tax on their entire wealth. If their entire wealth is Rs. 10 crores, then exempting a house of Rs. 5 lakhs or so is not going to make any material difference. Why should we make an exemption? If an exemption is given in the case of a palace, it is not going to be material. But it will be a blot in the Bill. Therefore, Sir, you are unnecessarily introducing undemocratic principles in the wealth-tax Bill. I do not want the palace of the ruling Prince to be exempted. I do not want the urban house to be exempted. I do not want anything to be exempted. I want only one exemption, which is in connection with the heirlooms and works of art. Supposing there is a great painting. It may have no value, or it may have a very large value. Some paintings may have such a big

value that nobody can pay it. Therefore only in the case of heirlooms and works of art which are duly registered with the Home Ministry and with the Central Government, some exemption can be given, because I do not want these heirlooms to be sold. If they are sold, great loss will happen. The foreigners have got more money and more wealth, and naturally they will take them away. It is a well-known fact that some of the books and works of art in U.K. and in France have been sold to Americans who have taken them away. And now those nationals are repenting for having allowed the foreigners to take away those works of art. Similarly we should be very careful to see that works of art and heirlooms and jewellery of a rare type which is not easily marketable and which is not sold, is exempted.

DR. R. B. GOUR: They are valuable and priceless.

SHRI KISHEN CHAND: Yes, they are valuable and priceless. Sir, I suppose that some such stipulation can be laid down that after some time, for short periods, they may be lent to art galleries or to museums to be displayed and exhibited there and returned to the owners after some time, and every few years they should be shown to the people.

Sir, regarding the shipping companies, an exemption has been given to them. I know that we are backward in shipping and every kind of encouragement should be given to the shipping companies. But here also I do not see any reason why they want a small exemption from this wealth-tax. As I pointed out, the capital of the shipping companies is generally in the neighbourhood of Rs. 2 crores. The annual income and expenses of such a big company with Rs. 2 crores as capital will be running into crores. A shipping company with a capital of Rs. 2 crores will generally have an income and expenditure of about Rs. 3 crores or so. I think for such a company it will not be a very heavy

[Shri Kishen Chand.] charge. It will be far better if they ask for certain concessions in the corporation tax and income-tax, but to ask exemption from wealth-tax, which is a sort of capital levy, I do not think will be right. The hon. Finance Minister has done something wrong by giving exemptions in those cases which were not deserving.

Then, Sir, I want to say just one word about the earned income and the unearned income. The hon. Finance Minister, in his closing speech yesterday, gave a concrete example of a man whose annual income was Rs. 2 lakhs, and he said that after paying all taxes, if it is earned income, he will get Rs. 40,000 and if it is unearned income, he will get Rs. 15,000. Now I would ask hon. Finance Minister whether in the case of a man who has built ten houses, the rent will be considered as earned income or as unearned income. You might say that he has no justification for building ten houses, in spite of the fact that there is acute shortage of houses which have to be built. Now he has built ten houses and he is looking after them and taking the trouble of collecting rents by spending time over it. Now that income is considered to be unearned income, but if he invests his money in a company and takes salary to himself, it is called earned income. The position remains exactly the same. Supposing four brothers in partnership are running a shop. They earn some money and they divide the profits. If they divide the profits, it is unearned income. If they take salary, it is earned income. Sir, I think that this distinction between the various incomes beyond a certain limit is fallacious. Up to Rs. 2,500 per month which is the normal salary for the highest paid man in this country, I can understand if there is a distinction between earned income and unearned income, but beyond that there is no justification for making any distinction. Every income is earned. If somebody has inherited some property, he will not be able to «arn **any** rent out of the property

unless he properly looks after that property and maintains it in a good condition. He is doing work. He is spending probably six to eight hours a day, looking after the property which is bringing him a rent of Rs. 2" lakhs; it is not an easy job. You cannot do it just sitting at home. Therefore to make such a big distinction that in one case he will have Rs. 40,000 a year left out of that income and in the other case only Rs. 15,000 out of that income, is most unfair. When the original Finance Bill was being discussed, I said that you might raise the income-tax and super-tax level slightly for the higher slabs but do not have any distinction between earned and unearned income. Everything is unearned income for the honourable Finance Minister but from my point of view everything is earned income. The only possible exception is the privy purses of the Rulers, which can be considered to be unearned income, but that is exempted from income-tax and super-tax. Now, we have given a further concession that in the case of earned income there is a rebate of one-fifth, 20 per cent. It is there, and over and above that, you have made the further distinction that ' in the case *of* unearned income there will be a surcharge of 15 per cent. I have been raising my voice to the effect that the surcharge of 15 per cent, on unearned income should be removed, that both kinds of income should be put on the same level. Once you give this 20 per cent, rebate on earned income, there is no justification for keeping, this further distinction.

Lastly, I want to stress on one thing that in a society, if you want development, it is most essential that people should know what maximum tax they will have to pay. The tax should be collected out of earning and not out of capital, unless you call it a capital levy. You can have a capital levy and collect it not by bits but in one lump sum. If you think that it is essential for the economy of the country, do impose a capital levy of

20 per cent, and collect it on all wealth in the country. But the income-tax, super-tax, wealth tax and expenditure tax, all taken together, should be met out of income. It has been pointed out that in every progressive country there is a maximum, and I submit that the maximum should be kept at 80 per cent, or 85 per cent. No man should be asked to give more than 80 or 85 per cent, of his earnings in the shape of taxes. Capital levy is in a different class by itself. You levy it for a definite purpose; you want to create equality and you take away some wealth in the form of a capital levy but it is different to have a recurring thing as every year an assessment will have to be made when the value of the shares changes from month to month. You will have to fix a particular date on which you will take the value of the shares. Suppose you take the middle of the year and by the end of the year the value goes down, how are you going to calculate tax in that case? Similarly in the case of houses and in the case of jewels. The price of gold is fluctuating. The price of pearls is rapidly changing. The price of pearls is almost half of what it was a year back. In this way, I want to submit that, if you are going to vary the value of the property from year to year, from month to month and continuously go on asking the man to submit returns, probably his sole task will be to submit every month to the income-tax officer the sum total of his wealth, as it goes on changing from day to day. Therefore, I submit that this Wealth-Tax Bill is all right except for the exemptions which should be removed. The tax limit should be raised from Rs. 2 to Rs. 1½ lakhs in the case of individuals and in the case of companies from Rs. 5 lakhs to Rs. 7 lakhs, and no exemption should be given. There is no need for giving any exemptions. My only suggestion is about alterations in the Finance Bill which is already passed.

SHRI JASWANT SINGH (Rajasthan): This morning, the hon. Finance Minister told us that the wealth-tax

is not a new tax, and that in the advanced and progressive countries of Europe and America, this tax is being levied. I tried to see as to what are the countries in Europe and America where this tax is being levied. It would have been better if the hon. Finance Minister had given us the names of such countries because we would have known whether in any of the big countries such a tax is being levied or not. We are a democracy and generally our democratic principles have been taken from the bigger democracies like the U.S.A., the U.K., France, etc. As far as I can see, there is no wealth tax in any of these countries, nor, I understand, in Soviet Russia or any of the other totalitarian States. However, I have been able to find out that in five countries there is wealth tax, and if in other countries also there is wealth tax, perhaps the hon. Deputy Finance Minister will be able to throw some light. But as far as my information goes, I find that in Denmark, West Germany, the Netherlands, Sweden and Norway wealth tax is being levied, and now we are levying a wealth tax. Nobody would have any objection to a wealth tax being levied because the Second Five Year Plan has to go through, Parliament has approved of it, and money has to be found, but in levying that tax, there should be some fairness and equity. Let me take the five countries where wealth tax is being levied. The per capita income in Denmark is Rs. 3,654 as against 269 in India, and there the wealth tax is 2 per cent, as against 1½ per cent. here. The difference in the *per capita* incomes of the two countries is very big. Similarly in West Germany the per capita income is Rs. 2,690, but the wealth tax is only 0.75 per cent, which is much lower than what is proposed to be levied in our country. In the Netherlands the *per capita* income is Rs. 2,650 but the wealth tax is only 0.5 per cent. In Sweden the *per capita* income is Rs. 4,912, while the wealth tax is levied only at 1.8 per cent. In Norway, the *per capita* income is Rs. 3,050 and wealth tax is levied only at 1.75 per cent. Thus, if we com

pare the proposals in our Wealth-tax Bill with what is levied in other Western countries, we will see that the rate which has been proposed is comparatively very high, looking to the burden that has been already imposed on the poor and the rich alike by the various taxation proposals of this year's Budget. Then the imposition of wealth tax is advocated in economic literature but as a substitute, for very high slabs of income-tax and supertax prevailing in various countries but so far as our country is concerned, we have taken the inspiration for this wealth tax from Prof. Kaldor's recommendations and I would submit that while his suggestion in regard to imposition of wealth tax has been accepted by Government, but the conditions under which he had proposed the levy of this tax have been ignored by the hon. Finance Minister. Prof. Kaldor recommended that the maximum rate of income and super taxes should not exceed 45 per cent, of the gross income whereas the present maximum rates of income tax proposed are 77 per cent, and 84 per cent, on earned and unearned incomes respectively. Anyhow the argument in favour of wealth tax proposed are unacceptable because this tax is on top of the very high rates of income and super taxes and not as a substitute for them. We have deviated from the principles on which the wealth tax should be imposed. On this very principle it is being imposed in various countries to which the Finance Minister referred this morning but for some reasons which have not been explained to this House or the other House as to why this deviation has taken place, we are unable to follow the principle which has guided the government to levy this tax. In an integrated tax structure—and this joint was pressed by many hon. Members before me and I need not go into the details of it—the total tax should not be more than the income earned by an individual. Dr. Kunzru this morning quoted from the Consti-

tution of Sweden and my friend Mr. Kishen Chand has also dealt with this point but according to this proposal some of the rich people who have large wealth with them will have to pay wealth tax not from the income but it will be much more. After a certain stage the tax would be much more than what they earn and not only that but they have to fork out a large amount from their capital which in principle is wrong.

I would in this connection come to a point which to my regret, is being much misunderstood in this House. As far as the companies and the industrialists are concerned, they can look after themselves and they have been replying also, to my friends sitting on my right. Probably everyday they cross swords or words on this point but I can tell my next-door neighbours here that I am not a Prince nor I hold any brief on their behalf but I have worked under them and with some eminent Princes also. The more I hear about the criticisms levelled against them the more I feel that there is a large amount of misunderstanding and I can say with certainty that if my friends here view dispassionately much of the misunderstandings can be dispelled. A little while ago, Kazi Karimuddin spoke on this very point. Shri Kishen Chand also spoke a little while ago. It appears that the very fact that they are called Princes is a sort of anathema to our friends here. If they come to know of the real position, they will. . . .

SHRI BHUPESH GUPTA: They call themselves Princes.

SHRI JASWANT SINGH: They don't call themselves because they fight shy to call themselves Princes but for some reason or other they are called Princes but their position is very unsatisfactory. About my friend the Maharaja of Dungarpur who sits behind me, he is not here at present, I can say that his position is worse than that of Shri Bhupesh Gupta financially. It is a fact and I am going to prove. Why? His fault is that he is called a Prince and he had been

the Maharaja of Dungarpur. I submit that.

SHRI BHUPESH GUPTA: How much income he has?

SHRI JASWANT SINGH: He has no money. I want to remove the misunderstanding. Simply because you follow some ideology and somebody does not follow it, therefore for you to attack him in season and out of season is not fair but if you see dispassionately the position, you will understand the position. This morning Shri Perath Narayanan Nair attacked the patriotism of the Princes and said that they had left this country. I am prepared to take a challenge on this. Not a single Prince has left the country except the Nawab of Junagadh. He deserted because he was a Muslim ruler. Out of 600 and odd rulers, he was placed in a position where for him it was a question of life and death, whether he was to be killed by his overwhelming Hindu subjects in Junagadh or take shelter with Mr. Jinnah in Pakistan. But beyond that, I don't want to go into details. I want to place one fact before the House and that is this. On another occasion also I spoke about that and I do hope that it can bear repetition. As to what the Princes did in British days, I can only tell you that as long as the British Government were here, the overwhelming majority of Indians, out of the 33 crores of population at least 20 crores, were co-operating with the British because they were the masters of the country. Not only the Princes but others as well, the Liberals and Moderates in the country, the outstanding leaders like Sir Tej Bahadur Sapru, Dr. Kunzru and many others like Shri Setalvad were co-operating because they thought that by slow stages the country should reach its goal.

SHRI BHUPESH GUPTA: The Centenary volume will say something else.

SHRI JASWANT SINGH: Can the country not be too grateful to the

part which the Maharaja of Kashmir has played? Kashmir is the brightest jewel in the Crown of India and for the little mistake of our National Government we are suffering today. He had option to go with Pakistan or India because the principle of division of the country was that the ruler was considered to be the sole authority to opt with any of the two countries, either Pakistan or India. 90 per cent, of the population of Kashmir was Muslim and they are more staunch and begot than Hindus and the population would have, at that time, welcomed joining Pakistan and he would have got better terms but as a nationalist, as a true patriot of the country, and a true son of the soil, the Maharaja of Kashmir . . .

SHRI BHUPESH GUPTA: His father.

SHRI JASWANT SINGH: Yes, Maharaja Hari Singh chose to join the Indian Union and the result is we can say at least two-thirds of Jammu and Kashmir is still in the possession of India, otherwise the whole of it would have gone out. Not only that. I don't want to go into details.

All I want to say is this that I want my friends—I sit next to them—to be fair, whether they are Princes or anybody else. If they go wrong, certainly attack them but simply because they are Princes, don't go after the Maharajas. There is an adage in Mar-wari that a wolf and a lamb were drinking water in a rivulet and the wolf wanted to swallow the lamb. It said to the lamb 'You are polluting the water.' The lamb said 'I am not polluting because I am down-stream and water is not coming to you from me.' Then the wolf said, 'A year ago you abused me.' The lamb said, 'I was not born even at that time.' Then the wolf said 'Your mother abused me and you were in the womb.' Therefore because at one time they were Princes and however they may have acted don't attack them. I want my friends to look at them in the true light as to how the majority of them are behaving and I can tell my

[Shri Jaswant Singh.] friends that most of them have sympathies with the group which he represents.

5 P.M.

SHRI BHUPESH GUPTA: That is news to me.

SHRI JASWANT SINGH: Yes, I am not joking. I am one of them.

SHRI BHUPESH GUPTA: You are a lovable person.

SHRI JASWANT SINGH: I don't know whether lovable or not. We feel in certain respects we do not agree with what the Government is doing. Even fairness and equity they sometimes overlook because of the party whip. We feel that whatever is the view of the majority, that view must prevail; but they have a certain ideology and because of that ideology what they do is not equitable or fair.

Anyway, there are two points to be considered now, and on these two points there seems to be general misunderstanding among hon. friends here. They ask why the exemption of a house is made with regard to the rulers? Well, there is a history behind it and there is good reason for this exemption. Over that particular house, according to paragraph 13 of the Merged States Declaration Order, the rulers are not the master. They cannot mortgage it. They cannot sell it. They cannot pass it on to anybody else. They have the right only to live in it as long as they live. Not even the second son can get it nor members of the family get the house. The next ruler after the previous ruler dies and he is recognised by the President as the ruler, then he and he alone will be entitled to live in that house. When there is so much limitation on his right, I would ask my friends here whether they would like to levy a tax on that house also?

Moreover, they have not only this one house, but in this twentieth century, they have constructed a modern house for themselves and it has been

recognised as the residence of the Maharaja. Besides that, they have got the forts where there are temples and for religious and sentimental reasons they have to maintain them. They are priceless. You cannot put a value on them. They will have to pay tax on the fort also. And then, in the country place they have a house. Sir, even now, we hear from some business people that the taxes are so high that they will have to pay the taxes out of the capital. Similarly in the case of a large number of princes, they will have to pay the taxes on the houses which will amount to much more than they can afford. So either they have to surrender them to the Government or demolish them or leave them. Otherwise they will not be able to pay the taxes. Take the case of Dungarpur, for instance. I know the case and I have seen the house. The ruler has not as much authority over that house, as my hon. friend Shri Bhupesh Gupta has over his house or I have over my house. The ruler has no authority over it, except that he can live in it and his eldest son if he is recognised by the President can live in it, as the next ruler.

Then, there is this question of jewellery. The princes have got both heirloom jewellery and personal jewellery. I know this, because I was connected with the Covenant entered into between the late Maharaja of Bikaner and the Indian Government and I know there were two kinds of jewellery. An inventory was made of it all and it is with the States Ministry, or rather it is now called the Home Ministry.

SHRI BHUPESH GUPTA: What will be the value of it?

SHRI JASWANT SINGH: Whatever it may be, what I was saying is this. The ruler has no authority over it, i.e., heirloom jewellery. He cannot sell it. He cannot mortgage it or give it to anybody or go outside with it or give it to somebody else even for wearing.

SHRI BHUPESH GUPTA: Can they wear them?

SHRI JASWANT SINGH: Why not? It is theirs.

SHRI BHUPESH GUPTA: So ostentatious.

SHRI JASWANT SINGH: Otherwise they have no authority over them. But if my hon. friend thinks that even on such things a tax should be levied, then it would not be democracy, but as Dr. Mudaliar said a little while ago it can be done in countries whose ideology some of my hon. friends here follow or appreciate or admire. But as long as India follows the path of democracy, then however much we may like to please friends here in the good name of democracy, it cannot be done.

There is another big misunderstanding among hon. friends in this House. They feel that every prince is a very rich prince with immense wealth. Friends, including my hon. friend Mr. Kishen Chand—probably since he comes from Hyderabad, he thinks that every prince is as rich as the Nizam of Hyderabad—they suffer from this misunderstanding. But I am prepared to take a bet with any of my friends here that only some two dozen princes, out of the 600 and odd princes, about 20 or 24 in all, and only a dozen out of them also, can be called capitalists, that is *to say*, persons with about a crore and over, including jewellery and all that. The other dozen princes are mediocres and the remaining 560 and odd are such that if they do not receive their quarterly privy purse payments, they have no means of making both ends meet.

Not only that. Take the case of the Maharaja of Bikaner who has now a privy purse of Rs. 10 lakhs. It may look a grand figure to my hon. friends here. But out of this Rs. 10 lakhs the personal expenditure of the Prince would be less than that of many hon. Members of this House and the

remaining all goes towards maintenance of the large number of people who for generations have been dependent on him. The other day I read in the papers that our Prime Minister, Mr. Nehru, though he has not the old traditions of the rulers even he has to pay out of his meagre income Rs. 900 per month to the old servants who have been serving his father and his grandfather. He has to pay Rs. 900 per month simply because he cannot throw them out of the house. What to speak of these rulers with a tradition behind them of centuries? They have got thousands and thousands of dependants. I may tell the House that according to the Covenant, the late Maharaja of Bikaner received a privy purse of Rs. 17 lakhs and when he died and the present Maharaja became the ruler, it was reduced to Rs. 10 lakhs. I was then one of the advisers.

SHRI BHUPESH GUPTA: That was according to the general agreement.

SHRI JASWANT SINGH: Yes, because no prince can receive more than Rs. 10 lakhs. But his father was receiving Rs. 17 lakhs and Rs. 7 lakhs was cut off from the privy purse and we had to retrench some 2,000 servants. For years they used to come in front of my house and curse me, because they could not get any employment. They would go in front of the Maharaja, but he said, "What can I do? Where can I produce Rs. 7 lakhs from?"

So that is the position. What I would like to submit is this. If there are black sheep among the princes, certainly attack them. If anybody is a black sheep, attack him, whether he be a business man or a common man.

SHRI BHUPESH GUPTA: Sir, I remember reading in the London Times that the Maharaja of Bikaner possessed ornaments, wealth and, diamonds worth several crores of rupees. Is it true?

SHRI JASWANT SINGH: It is absolutely wrong. That I can say. It is a big fabrication which has no realism whatsoever.

Well, that apart, what I want to say is that we do not agree with this ideology of my friends here. We have to work together to make this country big. I also want to dispel this misunderstanding that exists in the country. There are hardly 20 or 30 princes who can pay income-tax on their property if the privy purse were taken away. The others will fall within the group which has nothing to pay so far as income-tax is concerned, because they have nothing excepting one house which they would naturally require for living. The other houses will have to be sold by them as otherwise they will have no money to pay the wealth tax.

SHRI BHUPKSH GUPTA: That will be avoidance.

SHRI JASWANT SINGH: What is avoidance? They will have nothing to pay and there is no source for them. I think, Mr. Bhupesh Gupta is in a better position to pay income-tax than even the Maharaja of Durgapur who sits here. You can ask him. I assure you it is a fact.

SHRI BHUPESH GUPTA: I pay Rs. 11 and it is deducted at the source here.

SHRI JASWANT SINGH: Having said this much, I come to one or two other points which have already been dealt with.

SHRI JASPAT ROY KAPOOR: How long are we going to sit?

THE VICE-CHAIRMAN: (SHRI M. B. JOSHI) : Till 5.30.

SHRI BHUPESH GUPTA: Let us hear the princes' story.

SHRI H. P. SAKSENA (Uttar Pradesh) : The time mentioned was, as and when necessary, we may sit after 5. Anyhow, it is for you to decide

whether it is necessary for us to sit now.

THE VICE-CHAIRMAN: (SHRI M. B. JOSHI): The Deputy Chairman has already announced that we shall sit till 5.30.

SHRI BHUPESH GUPTA: It is an interesting story and let us hear it by all means.

SHRI JASWANT SINGH: The other point that I want to refer to is the distinction made in this Bill between those who receive pensions and those who receive provident fund and retirement gratuities. I do not understand why this differentiation has been made and I hope the hon. Finance Minister would kindly enlighten us when he addresses us tomorrow. Both are the result of the services rendered by people. In some places there is provision for pension and such cases are exempted. In other cases, provident fund and retirement gratuity are given and these are liable to be taxed under this Bill. I should like to know why this differentiation is there.

Enough has been said in regard to houses in urban and rural areas and I would not repeat them. But I would like to know this. While agricultural property worth lakhs and lakhs of rupees has been exempted from the wealth tax urban property of any kind has not been exempted and is subject to this tax.

SHRI J. S. BISHT: This is a State subject.

SHRI JASWANT SINGH: Would any steps be taken to see that this discrimination does not exist? There should be no distinction whatsoever between citizen and citizen. While citizens having property in urban areas will be liable to pay tax, the same persons having larger property in the rural areas will be exempted as far as this Bill is concerned.

It is a matter of satisfaction, Sir, that the tools and instruments needed for professional and vocational purposes have been exempted to a larger extent. In the original Bill, the provision made was only for Rs. 2,500. This was raised to 10,000 by the Select Committee and the Lok Sabha raised it to 20,000. It is a matter of satisfaction, but I would still say there is scope for increasing this limit. Take the case of the doctors. In the case of surgeons and physicians probably this Rs. 20,000 will be enough but take the case of a private practitioner in the line of Radiology. Ordinarily, an X-Ray machine costs about 2 to 3 lakhs of rupees and the modern machines cost nothing less than 7 to 8 lakhs of rupees and this way the private practitioner will be completely driven out of the profession. After this man retires from the profession, this machine will be of no use to his family. This machine will be sold only for a song if it comes to the market for sale.

SHRI BHUPESH GUPTA: Why for a song if the market price is so high?

SHRI JASWANT SINGH: It has been worked for 10 years and so naturally, the other man would like to pay only his price, not the price at which it was bought. In such cases, discretion should vest with Government to make exception in such hard cases.

With these words, Sir, I support the Bill.

SHRI AKBAR ALI KHAN: Sir, I extend my qualified support to this Bill.

DR. R. B. GOUR: Why not unqualified?

SHRI AKBAR ALI KHAN: When I say qualified support, I have this in my mind. The Finance Minister was broad-minded enough to yield to the Select Committee and he had the courtesy to yield to the Lok Sabha and to certain suggestions made there.

DR. R. B. GOUR: Not suggestions but pressures.

SHRI AKBAR ALI KHAN: In such circumstances I am sure, he will extend the same courtesy to this House, the Rajya Sabha, and give certain further concessions if they may be considered legitimate and regarding which practically everybody has laid emphasis. I am sure, he will not be adamant and, if I may say so, stubborn only so far as the views and suggestions of the Rajya Sabha are concerned. With that understanding, Sir, I say that if he will accept those suggestions, he will have my unqualified support; if he will not accept those suggestions, then it will only be a qualified support.

I wish my learned friend, Dr. Mudaliar, had been here. He is one of the best speakers here and I have always considered that it is an asset to have him in this House. However, Sir, the regard that I have for him does not prevent me from saying something against the views which he has placed before this House. He commented in his own way on the socialistic pattern and suggested that we are carried away by slogans and that we do not understand the meaning and significance of it. It may be, Sir, that when it comes to any dictionary meaning, most of us may not be able to give a very satisfactory explanation of the socialistic pattern but not only we in this House but the whole country understands what socialistic pattern means—*viz.*, removing poverty of the millions of our countrymen, removing the illiteracy of our people and giving them a better standard of life than what they are unfortunately having today. Is there any difference on that score? Have we not to put all our heads together no matter to whatever party we may belong and to see that the misery of this country, the economic poverty of the country, the illiteracy of this country and other ills and evils of the country are eradicated from us as early as possible?

With that objective in view we have brought out the plans, Sir. It is not

[Shri Akbar Ali Khan.]

anything sacrosanct in the sense that, because it is a Plan, because we say we are committed, we are not to go behind it. We believe that in order to remove these things we have got to think of certain remedies. And those remedies are embodied in the Plan.

Then again, Sir, he said and of course he quoted one of the Planning Commission Members and statistician. It may be, he may be wrong; he might have given an exaggerated view of certain things. But let us see to this thing, that we are not following only the economists and academicians.

• There have been economists, there have been statisticians, there have been professors and then the practical administrators and the public leaders. Everyone sat together and after detailed consideration extending over a year we have come to certain conclusions. It is quite possible our respected friend, Dr. Mudaliar, may differ in certain methods, as our other friends on the opposite differ in certain methods. In my party also there are differences of opinion, but on the whole we think that for the time being this Second Plan embodies the best proposals for the economic and social progress of this country. That is our conviction and with that conviction we are going ahead and we want to implement it and with that object in view, whenever any proposal comes before us, taxation proposal or any other proposal, we test it by that idea whether it will help, whether it will take our Plan further or not. So an eminent person like Dr. Mudaliar, an able administrator, he out of all persons should say in such sarcastic a way, about the planning or about the socialistic pattern, that really not only gave me a shock, Sir, but it pained me also. Now so far as the third point of co-existence in a country is concerned, I would leave most of it to my learned friend, Mr. Bhupesh Gupta. But I do believe, Sir, that when we live and work democratically and we approve a democratic process, if any other party

comes in, it should be welcome and it must be welcome. Otherwise it is not democracy and it is not a democratic frame of mind. Leaving it there, Sir, I would say that so far as this Wealth-Tax Bill is concerned I have my own apprehensions. I do agree with some of my friends who think that so far as the development of industry through the private sector is concerned, it will be very much discouraged. I also feel, Sir, that by this ingenuity we are raising psychological apprehensions also and I do not know whether the 12J crores of rupees that we will get is a fit return for all the troubles and difficulties that this new taxation will bring in its train. Notwithstanding that, Sir, as all these points have been debated and discussed and ultimately the Finance Minister has come with this proposal, no principle as a measure to further the Plan, I agree and I support it.

Regarding the other factors, that is, the suggestions that I wanted that the Finance Minister should agree to, the foremost thing, Sir, is that he is trying, at least I feel that he is trying to draw inspiration from Professor Kaldor and Professor Pigou. He is trying to follow countries like Sweden. Is it not necessary, Sir, when he is trying to take a certain policy from these writings and from the financial policy of Sweden, should he not follow also that in no case the taxation should be more than 75 per cent or 80 per cent of the income? It is apprehended and I would like the Deputy Finance Minister, who is very carefully and kindly listening to me to reply to the points made, to assure the House that the total tax including the income-tax, the super-tax, the wealth tax, etc. would not be beyond the total income that a man will be getting. That is essential as it has been emphasised by most of my learned friends in this House.

The other thing that I would like to say, Sir, is that so far as residence is concerned there should not be any

distinction between rural and urban. Each has its own attachment. It is a different matter. You may limit it in a certain way. But I think a house which is really a home should also be brought under the same category and exempted from the wealth tax. Sir, while I am suggesting this I am also giving him another source of revenue by another suggestion.

DR. R. B. GOUR: Does the hon. Member mean that the country houses of so many urbanised people should also be exempted?

SHRI AKBAR ALI KHAN: One house either in the countryside or in the city. I mean that would be fair. I do say that if you exempt country houses then you can levy on the urban houses. The choice should be of the person to whom that property belongs. I won't say both.

SHRI J. S. BISHT: Without limiting the price?

SHRI AKBAR ALI KHAN: I would suggest that but I would be agreeable if they put a certain limitation. As Mr. Kishen Chand said there may be a house in some important place built some thirty years ago or some old big family house. Now its value might have gone very high but it is a house where the whole family resides, the children, the grandchildren and others live, and now to ask him to pay a wealth tax on it is not fair. Instead of doing this it is much better to say that it is capital levy and then finish with it. But that is a different proposition.

DR. R. B. GOUR: Is it not a fact that the country houses have also attached gardens from where earnings are made?

SHRI AKBAR ALI KHAN: If they earn you can distinguish their earnings through their gardens or through their agricultural lands attached to the house. When we are trying to tax a property which pays certain income that stands on a different footing. 52 RSD—10.

When a property has no income and it is only for residence with a little garden for recreation and so on, I think that should be dealt with in a different category.

in mailers of new industrial development I am glad they have given a five-year holiday to a new company. But I think that might not be enough to encourage an enterprise.

{Interruption}.

The beginning might be the other way also. I am not a businessman but I do feel that certain more latitude may be considered by the Finance Ministry in the light of the fact that we want to produce more, we want to develop our country and the more the production the better it will be for the country.

Now, Sir, I was saying that I will give him also some sources of income. Now you will see, Sir, that in clause 3 animals have been exempted, animals have been left unqualified.

DR. R. B. GOUR: They are the bull* of the Congress symbol.

SHRI AKBAR ALI KHAN: Do I take it that race-horses are also exempted?

SHRI B. R. BHAGAT: That is business!

SHRI AKBAR ALI KHAN: If it is 'business' then liquor business is also 'business', but we have certain principles.

SHRI B. R. BHAGAT: 'Business' is dealt with under a different clause. There come trade, profession and business. Race-horses are for business.

SHRI AKBAR ALI KHAN: Then you can put it under 'business.' It is a different thing. But here if you absolutely exempt animals, then in cases where you may be able to charge on horses, that will get out. Besides that I feel, Sir, that so far as this betting is concerned there should

[Shri Akbar Ali Khan.] be some control on betting on racehorses and let us begin it from here and all the race-horses should also in my opinion be considered wealth and the wealth tax should be imposed on them.

DR. R. B. GOUR: What about the Alsatian dogs?

SHRI AKBAR ALI KHAN: I leave it to my friend if he thinks that they are also so costly, but I know there are race-horses which are worth lakhs of rupees and they bring an income also in lakhs. So that is my suggestion.

DR. R. B. GOUR: They are the accompaniment of the Princes.

SHRI JASPAT ROY KAPOOR: But then the Finance Minister has a special liking for race-horses himself riding on a race-horse running fast with new tax proposals everyday.

{Time bell rings}

SHRI AKBAR ALI KHAN: I shall take five minutes, Sir.

THE VICE-CHAIRMAN (SHRI M. B. JOSHI): Then tomorrow.

DR. R. B. GOUR: Let us hear him and let him finish.

THE VICE-CHAIRMAN (SHRI M. B. JOSHI): Then please finish.

SHRI AKBAR ALI KHAN: I think the mood of the House is that I finish now. So I finish here.

THE VICE-CHAIRMAN (SHRI M. B. JOSHI): Have you finished?

SHRI AKBAR ALI KHAN: Yes, Sir,

THE VICE-CHAIRMAN (SHRI M. B. JOSHI): The House stands adjourned till 11 o'clock tomorrow.

The House then adjourned at thirty-one minutes past five of the clock till eleven of the clock on Thursday, the 5th September 1957.

*Editor of Debates,
Rajya Sabha Secretariat,*