

[Dr. P. J. Thomas.]

doubts about the size of the Plan and particularly pointed out some of the possible dangers arising from inadequate resources and from deficit financing when carried out without making provision for an adequate quantity of foodgrains etc. But this advice was not heeded to then. So, the fault is not really that of economists. Politicians naturally think of votes and with a General Election to fight, thus Plan came handy. Naturally, in a democracy like ours, this is inevitable.

I do feel along with many other hon. Members here that planning on a democratic basis may be found rather risky in a country with few of the moral and social influences that make democracy work fairly well in some other countries. So we have to go slow. Let us also remember the usage, slow and steady wins the race. Thank you, Sir.

PAPER LAID ON THE TABLE

STATEMENT ON THE OUTSTANDING
FINANCIAL ISSUES BETWEEN INDIA
AND PAKISTAN

THE MINISTER OF FINANCE (SHRI T. T. KRISHNAMACHARI): Sir I lay on the Table a statement on the outstanding financial issues between India and Pakistan. [Placed in Library. See No. S-248/57.]

THE WEALTH-TAX BILL, 1957—
continued

SHRI P. N. SAPRU (Uttar Pradesh): Mr. Deputy Chairman, before I develop my arguments on the Wealth-tax Bill which has my support, I would like to refer to certain observations which were made by my esteemed friend Dr. Mudaliar in the course of his speech yesterday. Mr. Mudaliar thought that co-existence between the Communists and the other parties was impossible in this country. Well, Mr. Deputy Chairman, we have a quasi-federal constitution and free

elections. We cannot prevent the Communists or any other party from coming into power. Democracy would be denying its creed if we were to attempt to do any such thing. That is the difference between democracy and fascism or communism. Democracy believes in a free competition of ideologies and in order to effectively prevent communism or the Communists from coming to power, you would not only have to ban the Communist Party—and even in the United States of America with all the MaCarthyism you find in some parts of the U.S.A., they have not banned communism—but you will have to go further and establish real censorship on thought and books and literature. We would have to regiment thought. We would have to ban books by Marx and Engels and their many interpreters, their British and even American interpreters.

MR. DEPUTY CHAIRMAN: Please come to the subject.

SHRI P. N. SAPRU: Yes, Sir, but this is very important.

MR. DEPUTY CHAIRMAN: You have only fifteen minutes.

SHRI P. N. SAPRU: I will finish, my observations within fifteen minutes. I am not completely a Marxist in my thoughts. But I would like to say that Marx was a very, very great man and as Justice Holmes in his Pollock-Holmes letters says, it would be a tragedy indeed if Marxian literature was banned in this country. Therefore, what Dr. Mudaliar was asking this country to do was to follow some quasi-fascist pattern of society. That certainly is not the attitude of this party.

DR. A. R. MUDALIAR (Madras): Just the opposite.

AN HON. MEMBER: Marx is obsolete now.

SHRI P. N. SAPRU: I am afraid my hon. friend is getting obsolete, if I may say so.

Anyway, it is too late in the day to question the basic principles of the Five Year Plan. That Plan has to be carried through and funds have to be provided for that. Therefore, I sympathise in this respect with the Finance Minister in his task. But, Mr. Deputy Chairman, there is a vital reason why this tax should be supported by every progressive thinker. I have given some thought to this question and I want to put before you what I consider to be the basic reason. That basic reason is that not only will it help towards an integrated system of taxation, but it is essentially a just and ethical tax. Why should I not pay a tax to society for the privilege of holding, acquiring and disposing of property? Property has a social element in it. Property, apart from income, capital, apart from income, has a social element in it. It is the toil of others which makes me acquire wealth. Why should I not part with some of that wealth in favour of the community? Therefore, Mr. Deputy Chairman, I suggested a straight course to the Finance Minister. I suggested the levy of a capital levy on men with huge fortunes. But we have adopted a more moderate course and we have adopted this course of the wealth-tax. Sir, this wealth-tax is not unknown in other countries. It is operating in Sweden, it is operating in Japan, in Switzerland, in Finland and in West Germany.

SHRI AKBAR ALI KHAN (Andhra Pradesh): They gave it up in Japan.

SHRI P. N. SAPRU: Perhaps the incidence in those countries is not so high as it is under the scheme of the Finance Minister and certainly, Professor Kaldor when he suggested this tax, did not suggest that the incidence should be as high as the Bill before us proposes. I wish it were possible for us to fix a maximum. But let us not forget that the maximum of 100 per cent. income-tax, super-tax, etc., will be on individuals who have over Rs. 80 lakhs. Personally, Mr. Deputy

Chairman, I do not think anyone in this country has the right to have anything more than five to seven lakhs. We have a society of great disparities in the country and there is so much of disparity of fortunes in this country. In fact, we have two nations in the country; we have the nation of the poor and we have the nation of the handful of rich people, 26,000 owners of capital who are the managing agents and the financiers of our bigger concerns.

I am glad that Mr. Krishnamachari has given certain concessions to new companies. They have been given a tax-free holiday for five years. I am glad that old companies which are going to start new ventures have been given relief. I find that shipping concerns, insurance concerns and some other such concerns have been given some concessions. I think the co-operatives also have been given concession and I am glad about it. I am glad that to the extent concession have been given, the Bill has been improved. I am not prepared to go as far as my hon. friends on the other side though I am prepared to suggest a capital levy. I would like to say that the capital levy can only be levied once and this tax should not work in such a manner as to become a capital levy on small fortunes.

AN HON. MEMBER: Once in how many years?

SHRI P. N. SAPRU: Once in a generation, ten years or fifteen years. Now Mr. Deputy Chairman, we have exempted the princes . . .

SHRI KISHEN CHAND: Only to the extent of one house.

SHRI P. N. SAPRU: . . . from the operation of this measure in regard to one house. We have exempted the rural section of the people or people living in areas whose population is not more than ten thousand from the operation of this tax. I see no valid distinction between people living in urban areas and rural areas. In fact the housing problem is one of the

[Shri P. N. Sapru.]

ravest that we have to solve. Food and shelter are things for which the State should be responsible and I think the city-dweller too is entitled to ask that there should be some exemption for him so far as housing is concerned. The Finance Minister has made concessions which would cost the exchequer some revenue. He had been expecting Rs. 15 crores but now he will not get more than Rs. 12½ crores. Well, let him be content with Rs. 12 crores in which case possibly the yield from the tax will be greater than what he expects it to be. Therefore, I would say that we may divide our cities into classes, A class, B class, C class and so on and some arrangement should be made for the city-dweller.

I would now make a reference to complements of trade and profession. I am glad that books are going to be exempted from the operation of this tax. I feel that we need to increase knowledge and we need to encourage people to read and think in this country where the library habit does not properly exist. It is disappointing to find men who leave schools and colleges not reading any books after they leave their Universities or colleges but I should like the highest professional skill and technical skill to be developed in this country. You have raised the limit to Rs. 20,000 but even this sum of Rs. 20,000 does not satisfy an eminent doctor very far. He probably has to have an X-ray set and other scientific instruments and it is right that we should encourage the development of the highest medical and scientific skill in this country. Therefore, any exemption given in this respect would be all to the good.

So far as corporations are concerned, there is a case for treating them differently. Great many of the investors in our companies are middle-class people. Though they will not, as taxpayers, come directly within the purview of this Bill but indirectly they come within the scope of this tax be-

cause their shares will be subject to taxation. Therefore, as we are going to have a private sector—it is conceivable that some day we may own the means of production, the State may own the means of production. I do not rule out that possibility and I am not also alarmed at that possibility, but as we are going to have a private sector—let us be fair to that private sector. Let us not make that private sector unworkable. Let us not have a position at the end of the Five Year Plan which will give us a number of heavy industries and no consumer goods. For the consumer goods, the private sector is answerable and, therefore, let us not work towards a state of affairs which gave trouble to the Soviet Union and Eastern Europe.

Mr. Deputy Chairman, before I close, I would like to say one or two words about the manner in which this tax should be administered. I have had some experience of income-tax work and I can testify from personal knowledge to the integrity of our Income-tax Officers. I do not say that all of them are honest but by and large they represent a hard working and honest class of men. The difficulty is that the Income-tax Officer feels that his promotion depends upon his getting the maximum that he can from any assessee. Now, that feeling should not be generated amongst our officers and the endeavour of the Finance Minister should be to see that this tax which undoubtedly represents a novel feature in our taxation system, this tax about which there is much controversy in this country, is worked in a sympathetic manner and specific instructions should be issued to Income-tax Officers to be considerate towards honest assesseees in the working of this tax. Then, Sir, take the question of valuation of property.

MR. DEPUTY CHAIRMAN: It is time. There are six more speakers.

SHRI P. N. SAPRU: I will finish now, Sir. Take the question of valuation of property. Now, that might raise difficult questions, but with goodwill

on the part of assesseees and goodwill on the part of taxing officers difficulties which the assessment would give rise to can be got over. It is not necessary to have assessments on property every year. Once you have a property valued you may accept it as the basis for the second year and the following years unless you find that the situation in that part of the country presents some special features.

Thank you, Mr. Deputy Chairman.

DR RADHA KUMUD MOOKERJI (Nominated): Sir, I still think that perhaps the right approach towards the solution of the great problems that face the country is not being undertaken. I still hold strongly to the view that perhaps it would have been better for the Finance Minister to raise once for all, by a stroke of his pen, a sort of a capital levy so that the people may understand where they stand, and by means of a capital levy he will be able to raise the required capital for financing the Plan and be done with it. But he is now indulging in a series of pinpricks administered by legislation, some kind of persecuting pinpricks, so that we are faced by a series of legislations one after another with the net result that the people at large will feel that they are not at all safe and they do not know how to plan their small economic activities in view of the uncertainty that is created by these new methods of taxation. I think that these piecemeal measures of legislation will only create so many stagnant pools of capital, pools which engender a spirit of frustration and also a climate unfavourable to the growth of capital. But, if instead of these stagnant pools the Finance Minister would have attended to the creation of a flowing stream of capital in the country full of health and vigour in the shape of facilities to cheer the masses, to induce them to invest their capital, if he would have associated the people with himself cheerfully he could have associated with him the people with their spontaneous support for all kinds of sacri-

fices and for all kinds of taxes proposed by Government—I think that the economic picture of the country would have been radically different. But just now we are creating a spirit of antagonism by dividing the people, by separating them from Government. I do not like this way of approach.

Now coming to some details of the taxation, first of all I should stand up firmly with some of the previous speakers for the sanctity of the home. Home is the foundation of our cultural life. Now, our religious sense dictates to us the primary obligation to recognise that religion like charity begins at home, that it is in the home that you must lay the foundation of your spiritual and religious life. This means that religion consists of the cultivation of proper domestic relations as the basis of a moral life so much so that even the great Emperor Asoka by whose name we swear, he has repeated in most of his edicts the cardinal principle of religious life, namely, that the domestic life must be pure and must be marked by principles of liberality and charity. There lies the foundation of religion. Therefore, I say that there should not be any distinction made between house and house. The exemption is granted to a rural house whereas the same exemption has been denied to an urban house or home. I think that there should not be any kind of distinction on principle between claims of homes for exemption. I do not think that we should reduce the nation to one of homeless vagrants. The home is the most steady influence in civilisation and therefore the influence of home in domestic life must be strengthened as much as possible by legislation and by taxation. So I do hope that the Finance Minister will be able to include in his list of exemptions the home which an urban needs as much as the rural people.

Now I have some comments to make regarding the provisions of the clauses and I hope they will be accepted. "Dependants" has been defined in the

[Dr. Radha Kumud Mookerji.] European sense of the term, but I should like the Finance Minister to adopt the definition of dependants as it is prescribed by Hindu law. I do not want to go into the details of it. My proposal is simply this that the word "dependants" should include all other relations who are contemplated according to the normal Hindu law.

SHRI AKBAR ALI KHAN: It is only relations.

DR. RADHA KUMUD MOOKERJI: It is only sons and daughters. I want to bring in the parents, widowed sister and so on. So please be liberal in respect of this definition.

SHRI B. B. SHARMA (Uttar Pradesh): Sardar Panikkar says it is outmoded.

DR. RADHA KUMUD MOOKERJI: I do not agree. The attachment to one's parents and other relations does not disappear with the passage of time. It is not limited to time.

Then I find that the exemptions listed under clause 5 do not give the total amount of relief because the exemptions are not granted so far as the rate of assessment of the wealth-tax is concerned. I wish the Finance Minister to be a little more liberal in this matter because what you grant by one hand you take away by the other hand.

Then another point. The transferer should not be liable to tax on the property that he has transferred. Therefore, I think that sub-clause (4) of clause 4 need not be retained. It is the beneficiary that will pay the tax. Why should the transferer be liable to pay the tax on property which he does not possess.

Now as regards valuation. Well, many speakers have referred to it and I do not like to take the time of the House by repeating what has been already stated. I say this that where there is a controversy as to the value of the property the best thing would

be to take recourse to U. K. legislation under which the State would be compelled to make good its own valuation so that the private parties who are weaker than Government might have the benefits of Government's liberal valuation. The next point is that the valuation once fixed should be fixed for some kind of a stated period; it should not be reopened every year or every two years; just as municipal assessment stands for about five years.

Sir, the last point that I wish to urge is this that it is very necessary to give liberal exemptions for equipment which is necessary for the proper practice of professions, professions involving scientific skill. I think that nowadays there are many scientists who have to maintain their own private laboratories. It is not merely a question of the medical man wanting his equipment and his costly machinery to keep up his practice and for making oneself up-to-date. Even literary workers require libraries and libraries are exempted from taxation. But I think the scientist, the physicist will have to keep his own laboratory for constant reference in his leisure hours for some kind of experiments which he may carry on even at home. I do not think that the exchequer will lose much by allowing a total exemption for that kind of scientific equipment upon which depends the practice of those great professions and also those particular studies in humanities upon which depends the welfare of the whole people. Therefore, as the interests of national welfare are concerned, as in the case of medical equipment and libraries, the Government may very well ignore the possible avenues of taxation so far as scientific equipments are concerned and exempt them in a wholehearted spirit because these exemptions are not likely to be abused by any kind of profiteering on behalf of scientific or literary workers.

DR. R. B. GOUR (Andhra Pradesh): Can one individual, whether scientist

or doctor, be expected in the conditions of our country to own instruments worth lakhs?

DR. RADHA KUMUD MOOKERJI: My proposal is that the medical man or the scientist will have his efficiency very much enhanced if he is given proper facilities for his work even at home, outside the official laboratory, because I know of a scientist who is hardly sleeping on account of the great discoveries that are always on his brain. Why do you prevent him from working even at home? Therefore, we must give him facilities by exempting from taxation such equipment.

SHRI JASPAT ROY KAPOOR (Uttar Pradesh): Mr. Deputy Chairman, Sir, I want to deal with this measure in a fair and frank manner for I do not think it is a fair way of dealing with a measure to support it initially and then suggest amendments, deletions and omissions, pilfering it at every stage here and there until virtually nothing is left of it and yet claim to support it. Sir, I submit that I find myself rather in a difficult predicament in dealing with this measure for while I am almost entirely in agreement with the principle of this measure and with the utility of it and also with the necessity of it, I do not think that this measure has been brought before us in proper time. I consider it ill-timed and premature because I think that the country is not yet prepared to receive this measure, howsoever good and necessary it is, in good grace. I also think, Sir, that too many taxes should not be imposed all at once, though it is very necessary for us to gather all possible resources to implement not only our Second Five Year Plan but to achieve the goal of a socialist society as soon as possible. The hon. Finance Minister has assured us—I think I am right in saying that—that no fresh taxation proposals will be brought before us for a good time to come. I would have rather wished that rather than all these taxes hav-

ing been imposed all at once this year, these were spread over a number of years, two, three or four. For, if the public at large gets accustomed to it, they will be able to bear the taxes a little more lightly. We have a proverb in Hindustani: “एकड़ने-एकड़ते पकड़ना चाहिये।” If you want to catch hold of the wrist, you should first catch hold of the tip of the finger, then the finger and then the palm and then ultimately the wrist. Then only you will succeed and you would not get any rebuff from that person. Similarly, here if the hon. the Finance Minister—necessary very much though it is for him to gather all possible resources for achieving the goal of socialist society—had proceeded a little more steadily, a little more cautiously, he would have taken the entire public with him and there would not have been all this criticism against this measure and other cognate measures. I do not mind the criticisms very much; criticisms will be over in due course but the feeling which is left behind in the minds of the public is certainly not to the advantage of the Plan, not to the advantage of the State as a whole. This morning my hon. friend, Prof. Kane, rightly said that a feeling of terror has overtaken the public as it were; I wish that that were not the position. If only we had proceeded gradually step by step, year to year, we would have done very much better. Sir, I have said that the public is not prepared to receive this measure and I would also submit that the Administration also has not yet been geared up from the point of view of efficiency or integrity to properly administer these measures. I find from the Statement of Objects and Reasons that the object of this measure is to achieve the goal of socialistic pattern of society but, as I have already submitted, without preparing the ground for this measure, it would not help us to reach that goal. It is for that very object of reaching that goal as early as possible, that I am submitting that this Bill should have been deferred. This measure and the other Bill, the Expenditure

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Tax Bill, should have been kept in reserve for some time and they could have been introduced, say, after two years, after a good deal of propaganda had been carried on by the Government and by the leaders of society preparing the public to receive such a measure in good grace and with goodwill

Sir, the hon the Finance Minister made an initial mistake while trying to find out what measures he should adopt to secure the necessary finance. On page 8 of his speech, under the heading 'Taxation policy' he says, "Taxation policy and proposals at this juncture have to be shaped in the light of the following criteria" One is, it "must produce a sizeable addition to public revenue" That is all right. Secondly, "they must provide incentives for larger earnings and more savings" True. But I will presently examine whether this criterion has been satisfied. And then there are two other criteria which I need not read out for want of time. The one essential criterion which he omitted to mention here is that 'the people should not feel the burden too much,' and secondly, 'its assessment and realisation should not be cumbersome and irritating to the people'. These two criteria were absolutely ignored by the Finance Minister when he sat down to think as to which criteria he should have before him. If he had taken into consideration these two criteria, I am sure this Bill would not have been brought forward at this early stage, and it would have been before us perhaps in a much better and a different form. Sir, one of the criteria suggested by him is that they must provide incentives for larger earnings and more savings. And again at page 14 he claims that these measures would help us. This is what he says on page 14

'I would like to say a few words about the import of these proposals. We are pledged to move in the direction of a socialist society. This means that we wish to develop an

efficient system of production and an equitable pattern of income and wealth which will ensure well-balanced progress. Such a system requires a strengthening of incentives to work and to save."

In the present state of our society—and I lay particular emphasis on the words 'present state of society'—we have not many people who work with any altruistic motive. We find people so very selfish. Not only they want to keep everything that is due to themselves, but they do not want to pay the taxes which are due to the State. Therefore, Sir, I submit that this Bill has been a little too early, and it will not help us to achieve the object which we so dearly cherish. On the other hand, I submit, Sir, that it will retard capital formation and industrial production. Secondly, it will drive wealth underground. People will invest their money in gold and jewellery and will keep it underground and conceal it from the tax-gatherer or the tax-collector. It will also open up a way for corruption in the administration. I would, therefore, submit, Sir, that it is necessary and desirable that we should wait till the public has been educated, the public outlook has changed and administrative efficiency and honesty have also increased. Otherwise this measure will fail to serve the purpose and will retard the progress.

Sir, yesterday my hon friend, Dr Mudaliar, said that we must always be out, and particularly the Ministers must be out always, to defend the Administration. Sir, I do not agree with him. I should not be supposed to suggest that all the officers are dishonest. But quite a number of them lack the necessary integrity. Dr Mudaliar said, Sir, that if there be any such cases, condemnation should not be in public. The Ministers should openly defend them, but in their private chambers they may call them and scold them. Well, that may be good and that may be practicable for the Ministers who can get hold of officers lacking in integrity in their chambers.

But what about us, Sir? The only opportunity for us to condemn them or to criticise them is in Parliament or elsewhere openly in the public. We cannot summon them to our houses. And then, Sir, when we condemn them and say that quite a good many of them lack in integrity, we do not mean to suggest that this particular class of the society are the only people who lack in integrity; they come from the society in general. If they lack in integrity, there are also a number of other businessmen who lack in integrity. In every walk of life people lack in integrity. There are professors, doctors, lawyers, and think of any profession whatsoever, you will find that a fair number of persons lack in integrity.

SHRI RAJENDRA PRATAP SINHA: (Bihar): What about politicians?

SHRI JASPAT ROY KAPOOR: Well, politicians too. I am prepared to admit that everyone of them is not absolutely honest. And probably my hon. friend, Mr. Sinha's experience in this matter may be better than mine because of his personal experience and contact. Probably he may be right in thinking that a much larger number of politicians are dishonest than I think they are. Sir, they say "Hypocrisy is the homage which vice pays to virtue." And it may be that because of that, Sir, my hon. friend, Dr. Mudaliar, suggested that even if the officers are not honest and if they are lacking in integrity, they should not be condemned here. They should be protected and defended here, and must be condemned and scolded in the chamber. Well, Sir, if by his personal experience he thinks that that will lead to better results, I have nothing to say. I would welcome such a step being taken by the Ministers. And as a matter of fact, they are doing that now. For do we not find every day that every Minister, particularly the Home Minister and the Prime Minister, defending their subordinates and their Secretaries? That is just what Dr. Mudaliar is a king them to do, and they are doing it. But

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perhaps he will excuse us if we, who are not in that dignified and convenient position of Ministers, express our views occasionally with regard to this lack of integrity among the officials as also among the other persons. (*Time bell rings.*) Sir, I will just take two minutes more, and I will have done.

Sir, the only way in which we can gather more resources is to educate public opinion. I will submit, Sir, that if a few top-ranking politicians, top-ranking personalities, top-ranking social workers, who are imbued with religious fervour, take to this work, there can be a moral rearmament in the country so that these taxes may not be evaded, these taxes may not even be avoided. Among such top-ranking social leaders in the country I can count only a few, Sir, like Dr. Rajendra Prasad, Dr. Radhakrishnan, Vinoba Bhave, who is already doing his best in this connection, Shri Purshottam Das Tandon, the venerable Congress President and Shri Rajaji. These are the five or six that I can think of at the moment besides, of course, Sant Tukodaji. If these half a dozen personalities or a few more take it to themselves to morally rearm the country, probably there will not be much need for such taxation, for Rs. 200 to 300 crores that are evaded every year, according to Prof. Kaldor would be forthcoming. And even if we do impose such taxes, they will be easily realised.

One last word. My hon. friend, Dr. Mudaliar, yesterday wanted to distinguish between avoidance and evasion of tax. I am not prepared to share his view. I really feel unhappy when I find that many retired Income-tax Officers, Income-tax Commissioners and persons holding much higher positions after retirement join big industrial and commercial firms to advise their employers how to avoid tax, if not to evade tax. It is hardly worthy of them. Avoidance of tax may not be illegal as evasion of tax, but certainly the avoidance of tax is against the social interest of the

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country. If it is not a legal crime, certainly it is a social sin. Such a conduct on the part of anybody should not receive the support and even the approbation of a very eminent person like my hon. friend, Dr. Mudaliar is some thing to be regretted.

SHRI RAJENDRA PRATAP SINHA:
Mr. Deputy Chairman, we have these tax measures before us because we are committed to the Second Five Year Plan, and I maintain that this House and this country are committed more to the physical targets of the Plan. It will be a bad day indeed if we fail to achieve the physical targets of the Plan. I was rather surprised at the Finance Minister the other day stating in this House that, if the Plan price rose to Rs. 7,000 crores or Rs. 7,500 crores, he will not be able to get the Plan implemented. Well, what we feel on this point is that if the cost of the Plan rises, if the prices go up, then it is largely due to the mismanagement of the Government.

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

The Government will fail the country if they do not achieve the physical targets of the Plan on the plea that prices have gone up, and the cost of implementing the Plan has gone up. We feel that the country has got enough resources and that this Plan, of this magnitude, could be implemented, and if we fail, we will fail only because the economy of the country is not being properly handled by the Government. We have got to raise the standard of living of the people, and there could be no compromise in that respect. The other day the hon. Member sitting next to me—he is not here now; I mean Dr. Mudaliar—said that he could not distinguish between the policies of the Congress Party and those of communism. If communism means the raising of the standard of living of the people, if communism means the removal of the disparities that exist today in this country between wealth and poverty, then I must say that the

country will accept communism whatever you may think. If you want not to allow communism in its totalitarian form to come into this country, the only way is to deliver the goods to the people. This is the best way to fight communism. And then we are not so much worried about isms. If there is anything good in the communist philosophy, we should accept it, we should adopt it. Have we not adopted and accepted the more or less communist philosophy in the matter of our land management, i.e. what is now known as the Bhoodan Movement? Vinoba Bhave says that the land should belong to the community, to the village. We have accepted that theory of wealth in land. Why should we not follow it in other forms of wealth? Wealth is a social product, and if an individual owns wealth, he owns it subject to the needs of the community or the society. When we have accepted the idea of bhoodan, there is no point in not extending that ideal to the other forms of wealth as well, and it is from that point of view that we in the opposition support a measure like this.

Our Party had advocated a capital levy for the implementation of the Plan and for the purpose of raising the standard of living of the people. We look at this measure as a sort of capital levy, and with that in view we support this measure, and if it falls short of that, we criticise this measure, and we want it to be improved, we want that it should function more or less as a capital levy. If the price of the Plan comes up to Rs. 7,000 crores, that means that the value of all the property rises, and if we have a capital levy, we can finance the Plan even then—even if the price goes up to Rs. 7,000 crores or Rs. 7,500 crores. Therefore I object to the exemption limit granted in this Bill. I want to reduce the exemption limit to Rs. 1½ lakhs in order that we may have more resources for our Plan. We know that the people of this country are not prepared to tolerate wealth. You have given them the vote. If there is a democracy in action in this country

and if we fail to remove the disparities in the standards of living of the wealthy on the one hand and the poor on the other, you will undermine the very foundations of democracy in this country. Therefore, I maintain that the sooner we do away with these disparities, the stronger will we make the foundations of democracy in this country. With this end in view, I plead that the exemption limit should be brought down to Rs. 1½ lakhs.

I do not approve of the schedule given in this Bill. The rate of taxation is inadequate. We advocate the implementation of the Plan even if it means the taking away of the wealth of the very few wealthy people. How they have accumulated this wealth we must see. This accumulation has been made by the sweat of the millions in this country, because we believe in the labour theory of wealth. Therefore, I would like that on the one hand the exemption limit should be lowered, and on the other, the rate of taxation should be increased on every slab. Double it, we would say, so that your original estimate will be doubled too. You had estimated for Rs. 15 crores; I think that you should make this measure yield Rs. 30 crores. On the other hand, what you have done by sending this Bill to the Select Committee and through its passage in the other House is to reduce the expectation from this measure by Rs. 3 crores. Sir, we consider that the

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Government has yielded to the pressure of the vested interests in this country which is a very undesirable affair. The exemptions that you have given to the rulers, we object to that. After all they are the citizens of this country and there should be no discrimination in the application of the law of this country on one citizen and the other. Therefore, whatever exemption you have given to the rulers, we strongly object to it and many hon. Members of this House and of the other House have also shared the same opinion. In this respect I would say that we should

not encourage a vulgar display of wealth, whether it is by a private individual or by the Government officers and the Ministers. What I found in China was this. The President of that Republic stays in a very very modest and small house. He goes to receive Government guests or to hold public functions in some big palaces but he himself stays in a very very modest house. When the Congress Government was thinking of providing a small house for the Prime Minister, I don't see what is the justification in allowing our princes to live in palaces. The best thing would have been to have these palaces by way of wealth-tax and to convert them into health resorts for our labourers and peasants.

As regards the exemption given to jewellery or heirlooms of the rulers, I have my objection to them also. I am entirely in agreement with what Mr. Bhupesh Gupta said the other day that the gold and jewellery of this country should be made use of to finance our foreign purchases. After all gold belongs to this country even if it is in individual hands. It is meant to be used in some period of crisis and this is a period of crisis.

SHRI AMOLAKH CHAND (Uttar Pradesh): May I know from the hon. Member as to how that gold will be used when the international price is Rs. 62 and the market price is Rs. 108.

SHRI RAJENDRA PRATAP SINHA: He does not follow what I am saying. I cannot possibly answer him on this question because it is a waste of my time. I have a limited time. What I state is this that we should take all the gold which is available in this country and in place of gold, we could easily give them National Savings Certificates. You could use all that gold for making purchases of machinery for the steel-plants or for machinery for productive purposes. What for the individual keeps the gold? He keeps it so that in case of necessity he may use it. A family

[Shri Rajendra Pratap Sinha.]
 keeps gold or jewellery—of course I am talking of the middle classes—so that in case of necessity, if some trouble arises, they may make use of that jewellery. Is it not a fact that in many cases gold and jewellery have been used to set up factories? I want to make that principle applicable for the whole country. After all the gold belongs to the nation. The nation must harness all that gold, whether it belongs to the princes, the Nizam or the ordinary individual. Is it not a fact that during the days of our national movement, Gandhiji used to ask for the jewellery and gold that were on the body of the ladies who used to visit his prayers? And they gladly used to give. Is this not a crisis that we are facing again? Our ladies gave that gold to free our country and that gold now is required today to reconstruct this country.

SHRI AKBAR ALI KHAN: On payment or as gratis?

SHRI RAJENDRA PRATAP SINHA: I have said that Government can give them National Savings Certificates or Plan Certificates. If necessary, we can even say to all of them that 10 years' hence we will return the gold. By that time if our economy is expanded, we can take out gold from our own gold-mines or earn gold from abroad. When that is my approach, we cannot see eye to eye with the Government when they have given exemption for jewellery to middle classes and also to the rulers. That gold can be fully and better utilised by the nation for importing capital goods.

There is another loop-hole which I would like to point out. They have provided in this Bill that properties transferred before 1st April 1957, if I am correct, will not be examined by the Wealth-tax Officers. If I have made certain assignments or disposal of my property before 1st April 1957, that will not be questioned. If I had done that later, that will be questioned.

SHRI AKBAR ALI KHAN: They have modified it to April 1956.

SHRI RAJENDRA PRATAP SINHA: Yes, April 1956. I take objection to that. Because we were thinking of all these before that day and these things were in the offing. The whole nation knew it. The people who are with money and properties are very wise people and they always get information earlier than the common-man. Therefore, why have this exemption? If the Wealth-tax Officer feels that the disposal of a property has been made for the purpose of avoiding the tax, certainly he should be entitled to examine the case. What is the sanctity in this date of 1st April 1956, I cannot understand. We must give the investigating officer enough power to examine every case which he considers is a doubtful transaction, or is a transaction done with a *mala fide* motive. Unless we do that, we will not achieve the purpose that we have in view. What is the purpose? One is to earn revenue and the other is to remove the disparities in income or of wealth. All this cannot be achieved if you hedge in all these measures with such clauses in the Bill.

The other point I would like to say is this that we must include landed properties, agricultural properties under the purview of this Bill. There should be no exemption of landed estates, agricultural properties, from the purview of this Bill. We know that agricultural properties are the special field of legislation for the States but is it not a fact that we had such a measure passed by way of Estate Duty Act? We had said that agricultural properties would be included for the purposes of the Estate Duty Act and the revenue from agricultural properties are passed on to the States. We all know that, if we examine the budgets of the States, except Kerala all the States have given deficit budgets. They have not dared to balance their budgets by

taxing the agricultural wealth of their State as the State of Kerala has done. What we should do is to include agricultural wealth also under the purview of this Bill and pass on the proceeds to the States to meet their deficits. Some such thing should be done. You can have even this provision that only properties belonging to such States as pass Resolutions in their State Assemblies as was done in the case of Estate Duty will be taken into account. In my State, the State of Bihar, the Estate Duty was not applicable so far as agricultural wealth was concerned when the Bill was passed into an Act by the two Houses of Parliament. But at a later date, a Resolution was passed in Bihar Assembly to include agricultural wealth also in the Estate Duty Act. Therefore, what I submit is that we should have such a provision so that those State Governments who want to avail of this measure may do so by passing a Resolution in the State Assembly. That is very important. It is more important to provide for funds in this manner than to get them through taxing the railway passenger.

I have only to refer to one more point and I shall finish in two more minutes. That point relates to the exemption given to companies up to Rs. 5 lakhs. Sir, we would like to encourage the smaller people, the smaller companies. Therefore, we would like to raise this exemption limit from Rs. 5 lakhs to Rs. 7 lakhs. We want to give all kinds of facilities to the small entrepreneurs, to the small men to join hands and thus increase our production. It is also a well-known fact that the smaller companies have very many difficulties and it is difficult for them to earn the same amount of profit which the bigger companies earn. Therefore, concession should be given to them and this exemption limit should be raised from Rs. 5 lakhs to 7 lakhs.

Thank you, very much.

SHRI BHUPESH GUPTA: Mr. Vice-Chairman, yesterday we heard some very interesting speeches in this House and one of them was delivered by that redoubtable friend of the British—Dr. Ramaswami Mudaliar.

SHRI JASPAT ROY KAPOOR: Ex-friend, now he is our friend.

SHRI RAJENDRA PRATAP SINHA: Now he is the friend of the Congress.

SHRI BHUPESH GUPTA: Well, the Congress is trying to capture his friendship, I believe.

AN HON. MEMBER: He is an independent.

SHRI BHUPESH GUPTA: I liked his speech, not so much because of what he said, but we were reminded of an old regime, and we felt we were listening to Josiah Stamp and Maxwell combined together, blended into one. Sir, we have heard of prodigal sons returning home. But it seems, Mr. Vice-Chairman, that prodigal sons of this type never, never return home. Well, I can understand his discomfiture when from the other side Shri P. N. Saprú asked him whether he would like to give the right of vote to the Communists, he said he should not be asked to answer questions which he did not understand. I was a little surprised at first, why such an intelligent man as he, is not in a position to understand so simple a question. Then at once I remembered that having been accustomed to the antechambers of the British Viceroys, it takes a little time for him to take the broad road of democracy. Sir, we have heard of some specimens of birds which are always frightened by light. You know what I have in mind. Dr. Mudaliar suffers from the same malady and I think a cure is necessary. The hon. the Finance Minister is here and he is very fond of giving rebates to various people for various reasons. I wonder whether he would consider

[Shri Bhupesh Gupta]

some rebate being granted to Dr Mudaliar if he were to be given some re-moulding of his ideas and thoughts Sir, we believe in co-existence with even that species, because we feel that our ideology is strong enough to mould them to something which they are not at the moment I know that he is a most meticulous and skilful creation of the British, but at the same time we have also the confidence that, given the opportunity, we can remould him in a proper school of training, and for that, if Dr Mudaliar needs a little rebate to meet the cost of that expenditure, to meet the cost of such rectification, a rebate should be granted

SHRI RAJENDRA PRATAP SINHA: You want to give him a brain-wash?

SHRI BHUPESH GUPTA A rebate should be given, because we want to rectify some people who went wrong We have no grudge as such against them—after all, our people went wrong—although yesterday, while listening to him I could discover nothing except his turban which could be called “national” in his speech or in his person Therefore, I would like attention to be given to that As far as co-existence is concerned, I do not see why he should fight shy of existence with his own countrymen, while in the Executive Council and in the Viceroy’s Council he was very happily co-existing almost to the point of reaching honeymoon, I do not know why he should be afraid of a solid, healthy, fraternal co-existence with his own countrymen Well, I leave him at that

Of course, my hon friend said many other things, but I need not go into them because after all, he had to make a speech and he made it I would only remind him that he is at least a quarter of a century behind the times and it will take a little time for him to catch up with the tempo of development in our country. I know of the journey he made from

the Viceroy’s Council to the Board of Directors But that journey has been too surreptitious and much too mysterious for us to understand where the difficulty arose

Now, let me come to the proposals in the wealth-tax As the hon the Finance Minister is sitting here, I hope I will not be accused of bringing in ideological controversies After all, the wealth-tax is something which has been recommended by Prof. Kaldor who by no stretch of imagination could be regarded a Communist or anything like that I would rather consider the Finance Minister somewhere near that than Prof Kaldor. I want to close that question once and for all and say that ideological issues are not involved.

Here is a proposal for collecting fund, for the State, with a view to meeting the requirements of national reconstruction A financial crisis having overtaken the country the proposals should not be rejected The Finance Minister has been a very admirable friend of many businessmen and even he has been compelled to resort to such measures Of course he knew that he was doing something which was perhaps not to his liking or to the liking of his friends But immediately after the proposals had been brought in, he made a whirlwind tour of the country He went to Calcutta, he went to Madras and then to Bombay He stayed in hotels and talked to various people, to the big business and gave assurance after assurance We felt that the fate of the Wealth-tax Bill as it was originally formulated was in danger The more the Finance Minister started meeting big business, the more we became apprehensive that even those proposals in the original Bill would be whittled down and concessions would be given to placate the big money and the plutocrats in India That is exactly what has happened now

SHRI AKBAR ALI KHAN: Do you know what big business speak of T T K? They say it means “tax, throttle, kill.”

SHRI BHUPESH GUPTA: Well, I like to be interrupted by my hon. friend, but time is short and I shall deal with him later on.

Sir, we felt that something was going wrong. Then he landed in a select committee. There he pretended as if he was helpless and he made one concession after another to the pleadings and pressure tactics of the big business, carried on in the Select Committee by certain agencies, I do not know how. But why did he surrender? He gave concessions after concessions to make the tax measure ridiculous, to take away much of what was good in it and to circumscribe it in such a way that it would be possible for the would-be assesses or those who would be under the obligation to pay taxes, to evade it. Now, we have been treated to a discourse on tax evasion and avoidance. As far as we are concerned, it does not matter at all. It does not matter whether fish is fried in margarine or butter. Whether it is tax evasion or tax avoidance, it does not matter two hoots for the Treasury because sometimes you evade tax by avoiding it and sometimes you avoid the tax by evading it. They are much too interlinked and I do not have that kind of subtle distinction as was made out by Dr. Mudaliar. Practically there is none whatever.

There have been concessions given but, first of all, let us make one thing clear and that is, all these fiscal measures can certainly reduce disparity but you can never eliminate it. Disparities in the income arise out of certain social relations in the economic sphere and these relations are relations of production and as long as that situation, remains, that is to say, the land remains in the hands of the few, vast masses remain without land, as long as workers remain dispossessed disinherited and slave their labour in the mills, factories, etc., they will remain in the hands of the few, and there will continue mounting disparity of income. I think it is not possible to do away with disparities this way and I also

feel that you will need other solutions. Now, I concede that by effective fiscal measures you can remove the ugly disparity and reduce, not eliminate, to a certain extent the disparity. I wish that were done but I doubt whether the measure, as it stands now, will achieve it.

Let us again not think in terms of ideologies. Even in England, at the time of the War, 19s. 6d. was taken away as a tax from the pound in order to meet the national emergency. Nobody was talking in terms of socialistic pattern of society or socialism. When the national interests demanded, as they understood it, even the Tory Party came out with a tax proposal which took away, in the higher slabs, about 19s. 6d. in a pound. That is what we have seen. We have known of other continental countries where heavy taxes had been imposed even by governments run by the plutocratic classes, government of big money and big bourgeois in order to meet the situation. If they could do so, how many more times would we be justified in getting money from the richer classes, from the millionaires, from the princes and the big landlords to re-make and re-build our country? I put that question before you. Have you not read in the newspaper that when Rothschild died leaving behind property worth eleven million sterling, the death duty alone came and took away 7.5 million pounds? I do not think anybody would say that Macmillan was becoming either socialistic or a votary of the socialistic pattern of society. Therefore, let us not view it from that angle. No question of socialism or otherwise is involved in this. We want some fair deal, some fair concession on which there can be agreement between this side and that side provided gentlemen on the Treasury Benches give up hobnobbing with the rich, give up their confabulations and secret talks with the propertied classes in the way that they are conducting and do a little talking to the back benches and learning things from them.

[Shri Bhupesh Gupta.]

Now, the hon. the Finance Minister has said that for the next four years there will be no tax. I would like him to give some assurances to the common men that there will be tax relief for the coming four years but he is giving assurances in the context of opposition to this tax with a view to, I believe, relieving the suspicion that he might tax them in the coming years. Now, who authorised him to give this assurance? That is what I would like to know. Has the Parliament given any *carte blanche* so that he can go and issue such statements and assurances to the big money or do we at all retain power in our hands to tax whenever we think that the rich should be made to pay more than they have been paying in the interests of the nation? I think this kind of an advance announcement does a lot of harm to the common man.

Now, of all things, the Finance Minister has discovered that the Communists are a threat to the Plan almost; as far as this wealth-tax is concerned, sitting in their lap, I do not know where and how the Plan is being sabotaged, whether on this side of the House or in the big business side where profiteering, speculation, hoarding, blackmarketing and bullying of the Minister is going on, pressurising the Minister is going on. That is what I would like to know from the Finance Minister. Let him speak in this House. I am extremely sorry that this measure should have been whittled down in this manner in the Select Committee, the hon. Minister submitting to the pressure of the business. He, undoubtedly, deserves congratulations from those sections of the people, but we are very sorry that even on a measure like this, we cannot offer our congratulations to him because he took a step falteringly and then toppled over in order to please big money.

As I have already said, concessions have been given. Let us first of all be

clear about this wealth-tax. An hon. Member from this side of the House was almost making out yesterday that the princes had all become paupers and I thought that probably some of them might be standing outside the Parliament House in a procession to seek a little relief but I was relieved to find none of them there. He made only a few exceptions, some princes like the Maharaja of Bikaner who, I believe, gets a privy purse of Rs. 17 lakhs and who, according to him, is very down and out. Then there are others, the Nizam of Hyderabad who, according to him, has to maintain big families, dependents and what not and that, unless and until you offer them a privy purse of fifty lakhs of rupees, the heavens would come down and that humanity would be in dust. This is what he was making. Mr. Vice-Chairman, here is a list which was submitted to a Hyderabad Court, by one Mr. Keskar,—what he said was for calling information—under section 191 of the Criminal Procedure Code, in April, alleging that 300 adult women, 300 adult men and an unknown number of minor boys and girls were detained as slaves in King Kothi.

SHRI RAJENDRA PRATAP SINHA: Who is this Keskar?

DR. R. B. GOUR: He is a lawyer.

SHRI BHUPESH GUPTA: Here is a list. Since a reference was made to the troubles there, troubles facing the people there in his having to maintain a lot of people, I have to say this. We have never been to the house of a prince; my hon. friend over there may have been there.

SHRI AKBAR ALI KHAN: He has 20,000 servants and dependents. All of them will be unemployed.

SHRI BHUPESH GUPTA: May be more. Anyway, it is a very formidable list, too many adult men and too many adult women have to be maintained. Now, Sir, I do not know whether Government should not make

an enquiry into such matters with a view to finding out whether such maintenance should be passed on to the Exchequer. After all, we are paying fifty lakhs of rupees as privy purse for what is known to be a person there who, we are told, has to maintain something and that it is a necessary expenditure. We are entitled to know, covenant or no covenant, as to how this money is being spent. Parliament is not a thing to be trifled with. Therefore, the hon. Member over there can try.....

SHRI AKBAR ALI KHAN: His budget has been put before the State Government.

SHRI BHUPESH GUPTA: I do not know but I am interested only in what is happening here. I would like to know whether the adult women cannot be put to some little social work, whether the adult men cannot be used for building constructions and other things. That is important.

SHRI SONUSING DHANSING PATIL (Bombay): On a point of order, Sir. The application hon. Member refers to has been dismissed.....

DR. R. B. GOUR: Because of lack of jurisdiction of the court.

SHRI SONUSING DHANSING PATIL:.....and I want to know whether it is proper to make a reference to it.

THE VICE-CHAIRMAN (SHRI M. B. JOSHI): He is making reference only to the facts of the case.

SHRI BHUPESH GUPTA: Mr. Vice-Chairman, the hon. Member wearing a Gandhi cap is so much now interested in the other thing.

SHRI SONUSING DHANSING PATIL: My hon. friend should not have attacked us loosely and lightly about the Gandhi cap. He must be careful about his remarks about the Gandhi cap. I protest.

SHRI BHUPESH GUPTA: I made that remark because I never expected the statement on this matter from such a person.

SHRI SONUSING DHANSING PATIL: He should not have addressed us so lightly.

SHRI JASPAT ROY KAPOOR: On a point of order, Sir. I do not want to interrupt him, but a couple of minutes ago he said something which is not in keeping with the dignity of the House. A certain decorum must be maintained, and I would request you to consider whether that expression should not be expunged.

SHRI BHUPESH GUPTA: Hear me please.

SHRI JASPAT ROY KAPOOR: He said—the reporter might be referred to—“if there are too many adult women too many adult men have to be maintained.” Now that is the sort of expression, Sir.

DR. R. B. GOUR: He did not say that.

SHRI JASPAT ROY KAPOOR: He did. Let it be referred. If he has not said it it is all right. But I did hear it. Let it be referred. He did say so. I have consulted my neighbour who says that he did say so.

SHRIMATI T. NALLAMUTHU RAMAMURTI (Madras): He did not say that. Had I heard it I would have challenged it immediately. I would not have kept quiet. He said, “too many adult men and too many adult women.”

SHRI RAJENDRA PRATAP SINHA: Yes, that is right.

THE VICE-CHAIRMAN (SHRI M. B. JOSHI): The hon. Member must remember that this is not an arena for political purposes. The hon. Member may refer to a member as a Mem-

[The Vice-Chairman] ber "on the other side" only and not as a Member "with a Gandhi cap on."

Now the other thing is that if anything is referred to "adult women" abusively or in a manner which is something out of order the Chair will order that these words should be deleted. That is all.

SHRI SONUSING DHANSING PATIL: The hon. Member should withdraw the remark "that gentlemen with the Gandhi cap". I am an hon. Member of this House. He should refer to me as "the hon. Member", not "a Member with a Gandhi cap."

THE VICE-CHAIRMAN (SHRI M. B. JOSHI): The words "the Member with a Gandhi cap" should not be there. The words should be "the Member on the other side."

SHRI BHUPESH GUPTA: I am very sorry he is annoyed. But I paid a tribute to him.

SHRI SONUSING DHANSING PATIL: I do not want any compliment from you.

SHRI BHUPESH GUPTA: I can expect it from my princes-men. I never expected this thing from you. It is a tribute to your Gandhi cap. Anyway let me proceed. I am very sorry. I never disrespected him. Because he made the statement it shocked me. I am accustomed to defence being put up for such persons from other quarters, not from such holy quarters.

Now, Sir, let me proceed. I know that I am facing heavy weather but I think I shall be able to proceed with your pilotship in this matter.

THE VICE-CHAIRMAN (SHRI M. B. JOSHI): It is your role today.

SHRI BHUPESH GUPTA: Now, Sir, about this tax on wealth. Let us first of all be clear a bit how the wealth has accumulated. My hon. friend was referring to that very much

materially. First of all we have the princes who have their accumulated wealth and you know how they accumulated their wealth. It is known how they have done it. Therefore, I need not go into that story. It is not a question of mere exploitation by some people. There have been plunderers; there have been all kinds of things, and much of that money is ill-gotten money and this is something which I am not saying for the first time. Prime Minister Nehru has written this in his earlier writings. That is one set of wealth. The other set of wealth is of the big landlords and zamindars. I come from a place where some of the zamindars indulge in sheer piracy. I am not saying that they were pirates. The British showered on them favours for treachery and betrayal of the country's interests. They accumulated their wealth. Now I come to the modern lot, the millionaires and the monopolists. I am told the Birlas had only one lakh of rupees in 1900. Now I do not know how many crores of rupees their fortune runs into. Then during the war, as you know, this monopolist class made enormous wealth out of profiteering, out of speculation, out of blackmarketing and hoarding and all manner of malpractices at a time when the hon. Dr Ramaswami Mudaliar was the presiding deity in the Ministry of Commerce and Industry. Is it or is it not a fact? Since that time they have been flourishing on the favours of Government. In the beginning when they came into power they abolished certain taxes, they gave tax relief to these men; concessions had been given. They have been given all opportunities to exploit the resources of the country, to run away from the Commerce and Industry Ministry with a whole bunch of export and import permits, and that is how they made money and this is the unsavoury tyranny of wealth-making in this country. It is in these hands that today the vast sums of India's wealth are accumulated. It is our duty to pursue that wealth and get it and harness it to productive purposes, for the country's development. It is mor-

ally just, it is democratically solid, it is politically permissible and that is why I am insisting upon it. Therefore, here is no more the question of doing something which goes against good conscience. I am not bringing in any ideology. Here is something which we stand duty-bound to do because in the first place the wealth there is ill-gotten money. In the second place, the country direly needs the national resources for the rebirth and rejuvenation of the nation. This is my moral justification.

Now, Sir, here you will find that the hon. Minister has given so many concessions. In the Select Committee he raised the exemption limit to Rs. 4 lakhs in the case of a joint family. He has exempted the shipping companies. He has given some concessions to losing companies. They are also exempted. Holding companies have not to pay. Jewellery up to Rs. 25,000 is exempted. The exemption was originally provided for "jewellery and other things". Now we get exemption for jewellery alone and jewellery up to Rs. 25,000 will get exemption. (*Time bell rings.*) Are we to make provision for ostentation, for the ostentatious demonstrations of the bizarre princes when the society languishes, when the millions are starving and dying? Are we to provide for such exemptions, when the people outside, all over India do not have a morsel of food to eat and a piece of cloth to wear? What kind of moral sanction is it? What kind of moral sense is it? I would like the hon. Minister to explain. If these princes and millionaires have jewellery worth Rs. 25,000 and Rs. 50,000... (*Time bell rings.*) Let me finish. If these princes and millionaires have jewellery worth Rs. 25,000 and Rs. 50,000 jolly-well we should take them and move them to the exchequer for meeting the needs of the Plan.

A prince must live in a palace, no matter what happens to India,—no matter what happens in the eastern region of Uttar Pradesh, no matter

how long the famine lengthens its shadow, no matter how many people are unemployed in the country and no matter how the masses groan under the tyranny of taxation. No matter whether the people in millions live in slums and shelter under the bare sky, the princes of India by the grace of the Congress Government is a privileged class and it must be allowed to live in palaces. I call it morally repugnant. I call it democratically inconceivable. I call it something which rebels against good conscience. Therefore, Mr. Vice-Chairman, I would like you to consider this thing.

Then again the houses in municipalities, all of them will get away. Now, many people have got big houses in Calcutta and Bombay. They will say they reside there, that some members of their family after separation reside there, and tax evasion will take place on a large scale. Gift tax has not been imposed and without the gift tax this tax can be easily avoided by some kind of family adjustment, by some kind of fictitious gift. It is possible. I expect that this measure would be accompanied by a simultaneous measure of gift tax in order to prevent evasion. But that is not there. (*Time bell rings.*) Now, Sir, this is what is happening.

Then there is the holiday given to the companies. Well, I tell you these holidays will soon take the form of honeymoons between the company managers and some corrupt officials of the income-tax department.

Then, Sir, race-horses will be exempted. Are we to run horses in the turf in order to see how they run and what money they win? When we are rebuilding the country should we make provision for it? Let the princes buy horses or white elephants if they like out of the money they have got already. And must we make an exemption, must we exempt the race-horses from this tax? A nation does not shun before the world by the number of race horses it possesses or

[Shri Bhupesh Gupta.]

the exemption allowances for such horses. Sir, I do not think the Finance Minister is particularly keen on horse racing. He may believe in all kinds of financial horse trading but certainly he does not believe in horse racing. I would, therefore, ask, why did he allow this concession? I therefore, say that this measure will produce very little by way of revenue. Even the original Bill said we would get about 26,000 people to pay this tax, individuals, 6,000 joint families and 4,000 companies. Now, after the amendment I think the number would be fewer under each item and everybody knows today there are many more people in the country who could be taxed under the wealth-tax in order to procure money for the reconstruction of the country. (*Time bell rings*) I would ask the Finance Minister to rethink; I would ask him not to be carried away by the speech that we make because he is always afraid. He suffers from an inferiority complex the moment we raise this thing, because he knows where the shoe pinches. I know that. I would ask him to think dispassionately, quietly, in his own drawing room or sitting room, about this problem as to how to get money. Consult the hon. Members who sit behind, including the hon. Member who is sitting there and who is a very respectable person, about this question. (*Time bell rings.*) And money can be found for the reconstruction of the country provided the Government has the democratic sense and courage to tap the resources wherever they lie. This is all that I want to say.

SHRI J. S. BISHT (Uttar Pradesh): Mr. Vice-Chairman, Sir, when the Leader of the Communist Party began to deliver his speech today, I thought that there was a great revolutionary change in his attitude because he said that he would leave the question of ideology apart and that he was going to judge this fiscal measure on

its merits. Sir, there is a saying that a leopard cannot change its spots, for soon he reverted back to the old theme of using the floor of the Rajya Sabha as the sounding board for Communist propaganda. I do not blame him; it is open to him in a free democracy to use it as such, but when he himself laid down a principle that we must judge this particular measure purely on merit, I thought he would stick to it to the end. So much of heat has been generated merely because we have tried to judge this measure either from the rightist point of view or from the leftist point of view. I believe the hon. the Finance Minister had no intention of bringing forward this measure in order to bring about a communist society in this country or a capitalist society in this country. The plain and simple question is that we need funds for carrying out or implementing the Second Five Year Plan approved by both the Houses of Parliament. It is known that we are short of funds; it is known that we are short of internal money as well as external money and it is not possible to get external money until we strengthen our internal monetary resources. It is for this purpose that these taxation measures of such dimensions have been brought forward this year by the Finance Minister.

But apart from that, what is the difficulty about this particular tax, namely, the wealth-tax? Mr. Kaldor has examined all these taxation measures purely from a scientific point of view. He is not interested in the leftist or the rightist ideology of this world. He looks at it from the point of view of the three principles which he has laid down, namely, the point of equity, the point of view of its effect on the general economy of the country and point of view of administrative efficiency. He has said that from the point of view of equity, it is highly desirable that wealth should be taxed and the reason is very simple. You tax a man on his income. He has pointed out very

clearly that a beggar in the street is without income and he goes free of income-tax. Or a man earning only Rs 200 a month goes free of income-tax. But there is another man who has got a hoard of Rs. 10 lakhs worth of gold or jewellery; he also goes free of income-tax. Or a man who has got property which is not rented or which is not earning any money but which is worth—which is disposable—if disposed of, of about Rs. 15 lakhs, he also does not pay any income-tax. Obviously, this is very inequitable. To tax a man on his salary, that is to say, a man who is dependent or whose family is entirely dependent on the salary, to tax him and yet not to tax a man who has got a very large hoard of gold or jewellery or property in the form of disposable assets which endow him with taxable capacity quite apart from the money income that the property brings because in fact he can dispose it of if he gets into trouble, he can raise funds on it, he can pawn it, he can start any new venture with it—it is really not fair. And it is in order to remove this inequity that he has suggested this tax on wealth.

Apart from that, there is another difference. Even the income portion that is taken into account for income-tax is inequitable. For instance, a man invests, say, Rs. 2 lakhs on a very risky venture and he succeeds and makes a profit of, say, Rs. 50,000 a year on that. It is an ordinary enterprise. A man with some boldness and some foresight goes into a particular business which has not yet been taken up by other people, and makes a big profit. His whole capital involved in that may be worth only Rs. 2 lakhs, whereas there is another man who is earning Rs. 50,000 on invested property which is quite secure. It may be Government securities where there is no risk involved at all. Yet on the total income of Rs 50,000 or Rs 20,000 or Rs 10,000, whatever may be the amount, the income-tax levied on both types of income is the same. Because it goes on the slab system

without any regard for the source from which the income is earned, whether the income is earned, unearned or earned through risky ventures. That is why Prof Kaldor tries to balance these two factors, that is to say, income-tax and tax on wealth so that the burden of the tax may be equitable on society between those who are entirely dependent on their salaries and between those who earn it by risky ventures and those who are dependent on unearned income. And much of the opposition that came from the propertied classes or from those interested was rather misplaced because you will remember that in the light in which it has been proposed it is only fair and just that all property and income should be assessed to tax in various ways in such a manner that the incidence of tax on everybody is according to his capacity to pay.

Apart from this particular point, he has also tried to cover the great loop-hole that is there in the tax system by which there is, what is called, avoidance of tax and evasion of tax. Merely saying that it should not be evaded is not going to stop it. After all, it is a country which is ruled by law. The courts of law are open to all and everybody, whether he is rich or poor, everyone is entitled to the protection of law. There is no arbitrariness here. It may be that in some other country where there is no rule of law an arbitrary whim of some dictator may operate as some sort of law to the detriment of justice. But, Sir, where you have got law, you have got to put it in some legal form which will cover up all these people. But whatever be the legal draftsmanship, after all, it is to match the wit and the ability of the earning classes, the business classes and the legal advisers, and the combined wisdom of these people is always a match to a couple of draftsmen sitting here in the Secretariat. Therefore, to get round this difficulty, Prof. Kaldor has proposed that there should

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be an automatic self-checking system, and one of the methods is this wealth-tax. He has proposed wealth-tax, capital gains tax, expenditure tax, and a particular form of return for property in which a man will have to put down all his incomings and outgoings, his assets, his liabilities and everything, so that the income-tax officer will be armed with a lot of material from which he can always check and counter-check and find out whether the evasion is coming in. Now, if we look into this matter very carefully, we will find that a business man today is trying to avoid tax legally by showing a large amount of debt from his own people, and that debt is deducted from his income, because he has to pay so much interest. Now, that man may be a *benami* man and he is quite free, and it may go up to Rs. 5 lakhs or Rs. 10 lakhs that is supposed to have been advanced. Now, under this self-checking system nobody will be prepared to come forward as a dummy at all, because in that case that man is taxed. He will have to show his assets and his capital account. So, this sort of thing that has been added here is merely a device to avoid what you cannot legally do or any cleverness in draftsmanship cannot overcome. And that is what he says has been found by experiment in other countries, namely, the Scandinavian countries, and now in West Germany and in Switzerland it has worked very well.

Now, there is only one point that has been repeated very much that the total amount of tax realised should not exceed the amount of income. I have got here a statement prepared by the Chamber of Commerce, and I have got here also another pamphlet which shows that on the assets of Rs. 5 lakhs if you take the return at 6 per cent., there is an income of Rs. 30,000 a year. But after paying income-tax, super-tax and the wealth-tax, you are still left with about Rs. 22,000. That is not bad at all. Even if you take another

slab of Rs. 15 lakhs, at 6 per cent. you get about Rs. 90,000. But after paying all these taxes including the tax on wealth, you are still left with Rs. 32,000. Then you go to another slab of Rs. 40 lakhs. At 6 per cent. you are entitled to get about Rs. 2,40,000 as income, but after paying all these taxes including the wealth-tax you are still left with....

SHRI KISHEN CHAND: What about the unearned income and the earned income?

SHRI J. S. BISHT: I will just come to that. Even up to Rs. 60 lakhs of assets you are left with about Rs. 10,000. It is only at Rs. 70 lakhs that you are left with Rs. 5,000. It is only when you cross the level of Rs. 80 lakhs and above that you have to pay out of your capital account.

My friend, Mr. Kishen Chand, has said something about earned income and unearned income. I will give him some figures about the unearned income. On a capital of Rs. 50,00,000 if the return is about 4 per cent., the income is about Rs. 2 lakhs. On Rs. 2 lakhs he pays Rs. 1,99,824. That is not bad. On an unearned income of Rs. 50 lakhs he pays Rs. 1,99,824. This figure is given by the Chamber of Commerce. It is only when you go above Rs. 80 lakhs that you have to pay from your capital account. My hon. friend, Mr. Parikh, yesterday said that there were hardly 127 people in the whole of India with assets exceeding Rs. 50 lakhs. So that is not a big number over which we should feel so much agitated. I have got here a pamphlet in my hands which most of the hon. Members must have received. It is by Prof. Rusi Taraporewala about **wealth and expenditure tax**. Even this gentleman who is a critic admits that up to Rs. 70 lakhs you have not to pay anything out of your capital. You are still left with Rs. 5,000 as your income. It is only when you come to Rs. 80 lakhs that you are on a par. So, that is not such a great difficulty about which we should feel agitated at all.

(*Time bell rings.*)

Now, Sir, there is only one point about which I wish to have some clarification. There has been, I think the hon. Minister will agree, a general consensus of opinion that at least one residential house should be exempted. I think that is very fair. After all the Finance Minister has exempted one house in the rural area, although the formula that has been put in here is rather very unfavourable. (*Time bell rings.*) On that I say you may put a ceiling, as in the case of jewellery, that a house worth no more than Rs. 1 lakh shall be exempted whether it is in the countryside or in the city. I can understand that.

(*Time bell rings.*)

Sir, there is only one point more with regard to new companies. The wording used here is "on which the company commences operations for the establishment of such unit." I would suggest that it should be "on which the company goes into production". Otherwise what happens is that in these days there is the difficulty of import, foreign exchange and all that. A company may be registered today, but it may go into production after some months or years. After all, there are difficulties about foreign exchange, about deferred payments and about import licences and about so many other things. And it may be an empty concession altogether. Therefore.....(*Time bell rings*) I suggest, Sir, that this thing should be made clear at least in the rules later on.

Dr. R. P. DUBE (Madhya Pradesh): Mr. Vice-Chairman, Sir, thank you very much for this opportunity given to me. For want of time, I will restrict myself only to the cause of my professional brothers. (*Interruption*) I am not treating anybody here. As I have just heard the Finance Minister, he does not believe in Delhi doctors at all. He says "Let me go on". I am talking about doctors only. The exemption has been given for Rs. 20,000. I am very grateful to the

Finance Minister for doing that. But I fail to understand how many doctors are there in this whole country who are above this limit of Rs. 20,000. I wonder if he has made any survey. But if a survey is made, I am perfectly sure that there cannot be more than 30 or 40 doctors who own equipment above Rs. 20,000. And, Sir, how much money will the Government get out of these people? How much money will the Government spend to collect this tax which they are going to levy? I have requested the Finance Minister to reply to this point. But he has told me that he is not going to refer to doctors at all. Well, I implore him to think over it. Let him not reply to me. But is it worth while putting this tax on the doctors? I would like to know how much amount of tax the Government of India is going to get. If the Government is going to get, say, a couple of lakhs or even a lakh and a half, I will say, "yes, please have it." But I personally think that the Government will not earn even a lakh of rupees out of the doctors who will come under this Bill. (*Interruption*) Why are you interfering? You are neither a doctor, nor a speaker. I have got hardly three minutes. I cannot waste my time like that. Sir, I would not have pressed this point, had the Government been properly equipped and could help the public properly. If you send a specimen for examination to the Government hospital in connection with pathology, it will take two days or three days to get the result because the doctor has got no time to attend to outside things. Now, if you go to a radiologist, you will find that he has no time. Where there is an X-ray plant in a Government hospital, the radiologist is not there. He is busy in his own work and he can hardly find any time for outside work.

[MR. DEPUTY CHAIRMAN *in the Chair.*]

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And it is very difficult for a private medical practitioner to get investiga-

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 tions done. Then, there are some nursing homes, and I dare say that these people earn from these homes. You are charging income-tax from them. Why should we charge this tax on equipment? If the Government hospitals can provide all the room and facilities, I think there will be no need for nursing homes, but Government cannot do it. Therefore, I plead with the Finance Minister to please see his way—I do not say he should do it now; he can do it later on—to change this Bill. He can find out what Government is going to earn out of this from doctors. If it is going to get any substantial sum, well, with pleasure, you can have it. But I personally think that it will not get any substantial sum.

THE MINISTER OF FINANCE (SHRI T. T. KRISHNAMACHARI): Mr. Deputy Chairman, it cannot be said at some future date that the Rajya Sabha had not given enough thought and consideration to this measure. More than twenty-four hon. Members have participated, and I have no doubt that all of them—practically every one of them—have given adequate thought and consideration to the various provisions of the Bill, and therefore they were in a position to express their views for or against the provisions of the Bill.

I am grateful to them for the comments that they have made, not only the comments of those who have approved of the Bill but even those who have criticised the Bill. In fact Government by discussion has got this virtue that you could not do anything in a hasty way. The full glare of public opinion is cast on any measure that the Government brings before the Houses of Parliament.

It is somewhat hackneyed, so far as I am concerned, if I go on repeating the same answers to the same questions. Apart from that fact so far as I am concerned, if hon. Members raise the same points whatever be the measure or the Bill before us, I shall have to furnish the same answers. None-

theless, hon. Members have been very kind to me personally in dealing with my own deficiencies in the matter of this Bill which I have brought before the House. My hon. friend, Shrimati Munshi, who set the ball rolling had something kind to say about me. I am grateful to her for that. When the final accounts are rendered, I suppose there will be a debit and credit in the way in which we keep the accounts in this country. A portion of what she said is to my credit, and if I balance finally, I will have nothing when I am ready for the ultimate destination because I shall neither carry merit nor demerit with me. I think that the speech that she made, balanced as it was, had also neatly balanced my own shortcomings as well as such of the good qualities that I appear to have possessed in the past. My hon. friend has said that I have a hard heart, that probably I have no heart at all. It is a good thing because—I hope my hon. friend, Dr. Dube, will not be angry with me—you know what the medical people say, if they cannot find any excuse for a man's death, they say it is heart failure. I suppose I shall be free from that particular certificate that doctors will give when the final end comes. I have a heart which by a sort of atrophy and desuetude would not be functioning at all, and so there cannot be any end to it, when the final end comes. But what is it that my hon. friend wants that I should do with a soft heart? Does she mean that I am not in a position to shed tears when she recounted to this House in all grimness, with all the artistic pathos that she can add to that grim description, all the woes of the rich woman? I am perfectly certain, Mr. Deputy Chairman, that when we are born, we commence our woes. If you are rich, woes are added to it. For one thing, you have got to guard that wealth, and I am perfectly certain that those members of the fair sex who have a lot of jewels suffer more than those who have not got them, because apart from other duties, which I am sure they have, they have this job of having to look after their

jewels. I am sure that that entitles them to consideration if nothing else does. Here, the people who look after the property for the sake of the State ask them to pay taxes. Looking after property, it is such a big and tremendous affair, and jewellery as such could be taken away so easily. I appreciate her consideration for the woes of a rich woman. Then, she said: What shall I get out of it? Well, if I get nothing out of it, what is the particular worry that I am giving to these people? But I do expect that I would get something out of this. According to her own arithmetic, there are 8,000 women, each of them having Rs. 1 lakh worth of jewels. That will probably mean a few lakhs. Certainly, it would not mean Rs. 2 lakhs, but Rs. 25 to 30 lakhs. The point really is this: It is not a question of my being merely fond of getting money out of jewels or out of rich women. Here, we enact a particular legislation in regard to owners of wealth. For one thing, we want to know what they have. Secondly if they have wealth, they must work to maintain that wealth. That is the basic factor, and that is the point which was mentioned by the last but one speaker, Mr. Bisht.

Unearned income by itself would not be able to sustain wealth beyond a particular point. I mentioned the other day that if a person has an unearned income in an income of Rs. 40 lakhs, even though his income is Rs. 2 lakhs, what will be left to him will be a comparatively small amount, but that is only an illustration which has no bearing on reality. Normally, a person who has Rs. 40 lakhs makes that property earn much more than what we expect that it would earn. The whole idea is that what a man gets must be earned. Otherwise, he pays a penalty. The scheme of the taxes that we have placed before the House, part of which Parliament has approved, is that you give a premium to the person who works. You reduce the taxation on him. For earned income, the tax is lower. For unearned income, the tax is higher. For

wealth, there is an additional tax. When we give freedom to any person to earn anything he likes, and tax him lower, we do not want him to spend that money, and therefore, if you spend money, you pay an additional tax so that you do not spend but show substantial savings, invest it and produce wealth again. That is the scheme of this taxation. If there is capital gains, again you pay a tax. That is the scheme of taxation that we have put before the House.

Maybe the gifts tax, that my hon. friend opposite mentioned, is something which is needed not so much as revenue producer but for the inhibition of gifts of large category, which is really diversion of funds during the life-time of a person which again escapes estate duty. From that point of view this particular gifts tax is complementary, not a revenue-producing measure primarily but something which would fill up the gap.

So here we have gone away from any idea that you had in the past that to earn money is wrong or put a ceiling on incomes, which is a wrong thing to do because you are putting a ceiling on creative effort. The tangible product of creative effort is something that is there which has a monetary value. A good picture produced by a painter, you assess the value of the painting by the money that people are willing to pay. Similarly, the artistic character of some acting or a song is something that is measured by the amount of money that it would fetch, the income that he gets; same thing with regard to an author, same thing with regard to an administrator, with an engineer or with a man who invests with an inventive genius. So long as the question is there in regard to measuring human effort and we want to allow human effort to expand to productive business, you should allow, you should put no restrictions on income. You have to tax the person. The tax has to be progressively higher in regard to his capacity to pay but you must leave something for him to

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take home, to feel that 'I have worked, I have paid my tax to the State, I have got something left.' But what do you do with that something that is left? You spend it on yourself to the extent that is normal and decent. If you spend anything more, you pay tax to the State. The best thing for you is not to spend, put it into forms of productive effort so that the nation's wealth grows. That is the scheme that I have put forward. It may be wrong, it may be that hon. Members think that this man is just a dreamer, or is an Utopian but that is the scheme. I want hon. Members to judge this taxation as they would judge the Finance Bill, as they would judge the Expenditure tax Bill, from the point of view of its being one collective integrated picture where we have now provided for a human incentive to act and to earn as much as it wants. Then, thereafter, put the checks and balances. Therefore, I would like to tell my hon. friend, who has been kind in her criticism,—she has not been harsh—that she has missed the main point of taxation. I have no particular bias against rich women, or against jewels. They are good in the body of a good looking woman. Jewels are something very attractive and still, I am not speaking about it from any sense of making fun. After all what Keats said is as true today in the case of any of us it was then that 'A thing of beauty is a joy for ever', and I suppose a good-looking woman having nice, pretty jewels, tastefully modelled and designed, certainly gives a glimpse of it sometimes, and you say 'Oh! that is a good-looking woman. She has nice jewels on.' The point is not that you are . . .

SHRI BHUPESH GUPTA: Is that the reason why you have given exemption?

SHRI T. T. KRISHNAMACHARI: You are not coveting her or her jewels but you see something which is good, artistic, some ensemble which

attracts attention. So it is human nature. It does not mean necessarily that any person either wants to snatch the jewels or wants to say something about the person who wears. So it is not that we have anything against her, nor I have anything against the particular profession which Dr. Dube represents. But the picture that I have before me or the purpose I have before me is something which is completely unconcerned with these particular individuals and their particular troubles because I know troubles are there. Why should I tax a person who has got about Rs. 50 lakhs, who lives on, what is called, unearned income? He is a quiet person, he does not go out. He collects his rents, he banks them, he makes investments in shares or certificates. Why should I put in 15 per cent. unearned income-tax on him and supposing tomorrow I lower, next year I find the income-tax progression goes up, and the principle that I have now enunciated is something which is taking roots, and more people earn, I might lower down the percentage of earned income-tax from 77 per cent. to 72 per cent. and then probably the unearned income-tax shall have to be raised by another 5 per cent. because there is no need to give any incentive for unearned income at all.

I will again like to tell my hon. friend that I am not thinking of the rich woman's woes because, in the same way, a lady, who has a lot of jewels in a civilized country, makes paste counter-parts and wears them and keeps them in the bank. In the less civilized countries like ours, they wear it but they keep it carefully. All that I am saying is to pay a little more. . .

SHRI BHUPESH GUPTA: How are we a less civilized country, may I know? We thought we are civilized if any country is.

SHRI T. T. KRISHNAMACHARI: Civilization and my hon. friend are very far far apart. But the point really is, I don't ask her to do anything very serious. If you want

jewellery, you pay something for these jewels. You probably improve them. You have one set of jewels made with diamonds in a particular pattern. Ten years after, she gets fed up and she goes to a goldsmith and says: "I want it to be designed this way because I have seen so and so wearing it that way." Then he draws the designs and she pays for the gold, for the labour and all that. Similarly, you pay about half per cent. or if you are wealthy, 1 per cent. tax. Where is the question that my taxing jewels is anything wrong? No. It is a form of wealth. In fact when the expenditure tax comes, you will find that hon. Members say "why do you exempt purchase of jewels from the expenditure-tax, merely because it is a tangible form of wealth, which we could tax as well, which could be converted later into cash and could be invested somewhere else? The shape can be transformed though in essence the money value will remain and it has to be taxed as well, and it is not taxed as an expenditure because it is not something that is wasted." Therefore, I am afraid jewels happen to form an integral part. We leave Rs. 25,000. It may be a large amount, it may be a small amount. Anyway to certain categories of persons we will not go and ask tax. Maybe a person whose wealth may be Rs. 2 lakhs, his wife may have only Rs. 5000 worth of jewels. A person may have 1 lakh of rupees and his wife may have a lakh of rupees worth of jewellery. The possession of jewellery is not altogether dependent on the proportion of money you have. It depends upon a number of circumstances, a kind father, an uxorious husband or a very possessive lady, all these factors make her get jewels and these are not things which I can describe as a tax collector. I might speak about it on a platform if my hon. friend will give me the forum of the Bhartiya Vidya Bhawan and I could sometimes also forget the fact that I am a hard Finance Minister. I may not be able to equal some of those people who are aesthetic genius but still we could talk about these. It is

not very difficult. I am saying that I have done nothing very seriously wrong. My heart may be hard. It has been hard all the time, but it is not hard against jewels because if it is hard against jewels and if two hard things meet, I don't know, there will be disaster or explosion. Therefore, I want my hon. friend not to be angry with me because I have done no harm to any of these. Of course, if she does not like the wealth-tax, that is a different question. She might not like it for various reasons. But all that I can say is "Yes, I appreciate that you don't like it but please develop a tolerance for it." That is about all I would like to say.

I am sorry I was not in the House when my hon. friend Dr. Ramaswami Mudaliar spoke, particularly because I think he made certain points which I should have heard him first. Secondly, I must also express my gratitude to my hon. friend not so much because of the compliment that he paid to my work as the Commerce and Industry Minister as that he deprecated that personal attack, of a personal vendetta, is something which is not called for even when you condemn a particular man or you condemn the policy of Government, or you warn the Government against pursuing a particular policy as, in your opinion, it will lead to something which is disastrous, the personal attacks and all that goes with it are completely unnecessary. Well, Sir, it cannot be helped. You cannot come into the lime-light. You cannot do particular things and then complain that people are just gazing at you and the consequence of that gazing is that sometimes they attack you. But I do think it was a very good corrective coming from an elder politician like Dr. Mudaliar who does not belong to my Party, that this kind of attacks in public life does nobody any good. I am even more grateful to him for that caution that he administered which was particularly in tune with my own ideas on the subject of this question of witch-hunting and calling the officers corrupt, dishonest and so on. Because, actually I want

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them to see that these taxes are properly collected, that these people are not unnecessarily put to any trouble and that creative effort is not in any way endangered. Sir, these are two very good correctives he administered to the House which he could by reason of his age and experience, for which I am very grateful to him. I am sorry he is not here to accept my thanks in person.

Sir, he raised certain doubts in regard to our major policy. He said he was not able to understand what was meant by the socialist pattern of society. Sir, we have never attempted to define it precisely, because, after all, socialism is a thing which means different things in different countries. The East European countries think that communism is socialism. They say you go to socialism and then ultimately become communist and they speak of people's democracies where there is no democracy such as we understand democracy to be. Similarly, socialism has meant several things all over the ages. The Co-operators had thought of socialism. The Fabians had a different version of it. The British Labour Party is thinking of it in different ways and is changing also its outlook. Socialism at one time meant, more or less, the State possessing all the means of production, though it might perhaps be a form of state capitalism. So it is changing. The concept itself is a changing concept. The only thing that we understand by socialism in a democracy is that the democratic functioning of the State must be maintained, that the democratic spirit must be sustained, that human initiative and incentive must be preserved, but in its exercise, it should not obtrude on the life of society as such or on other human beings. We are thinking of an egalitarian concept as part of socialism. You can have an egalitarian society without its being socialist. The Communists have an egalitarian society up to a point; but it ceases to be egalitarian later on,

because disparities in incomes come and they start to exist. They might check it by freezing all the savings. But they do not really go into this idea of an egalitarian society. There can be an egalitarian society and it need not have socialistic content. Socialism is something where the individual's initiative for doing anything that is good, anything he is interested in, to develop his own aesthetic and intellectual capacity, is allowed to remain free subject to certain overall considerations. Every person has the opportunity to develop. My hon. friend, if he were here perhaps would have liked to hear something from me and he might have been pleased. After all, he belonged to a party which in 1917 in Madras, wanted to put down what they conceived to be the monopoly tendencies of a particular caste. But at the same time, one must recognise this fact that Hindu society as such, had the socialistic content in it. It never believed in wealth. It never believed in the supremacy of the wealthy man. But it degenerated into a system of castes where there was, what might be called graded inequalities, according to Burke. Dr. Mudaliar's party at the time he came into politics protested against this tendency. Today that is gone. Whether he succeeded or somebody else succeeded, caste supremacy in that particular part of the country no longer exists. The Brahmin against whom they were campaigning is no longer powerful. Still the slogan is maintained, because we want something to hang our anger on, something for public agitation, though it may not have any meaning. So sometimes, even a good concept, an egalitarian concept, becomes a matter of slogan mongering. So it is very difficult for me. I would have told him that socialist pattern would be something similar to what the Justice Party conceived in the initial days as an ideal. That ideal was more or less, achieved and it became a slogan where it has no socialism, for it got into the hands of vested interests, a group who used it for the purpose of slogan mongering.

So, it is not as if socialism is our birth-right and that we will introduce it today or tomorrow. Nor do I claim that this tax structure that we have envisaged is something which is going to bring in socialism tomorrow. It is not. The general principle is what I have enunciated, namely, that while keeping the individual's incentive, we are going to get a tax system which is integrated and which will have an equalising effect and which will discourage people from not earning or working, a system that might fit in with the socialist pattern of society. I may say—and my chief the Prime Minister has often said it himself—we do not claim by some measures that we are undertaking that we are bringing into being a socialist pattern of society. A lot more will have to be done. We have, as I have said, even in the Hindu concept of society, something which is socialist. In my own particular caste, a Brahmin who was my cook yesterday, if he leaves my service and comes to me, that man sits by my side and eats. Merely because he was my cook, getting Rs. 40 or Rs. 50 per month from me, he is not made to sit low down at the table or made to eat by himself, because a man, when he comes to the house, is treated as an equal. The question of status or the question of wealth does not come in. That is good, so far as that caste is concerned. But caste made things rather difficult, for it spoils the socialistic concept, because particular groups that came into power wanted to keep power. That is the real difficulty in any system that we propound. It might be socialist or it might be anything else. Unless you have checks and balances, unless you are constantly at it, you will probably get another society which will be the very opposite of what we believe socialism to be. It does not mean that if in Russia Lenin started a particular form, tomorrow it will not become something else. It may have engineer autocrats getting 40,000 roubles or something else. It is quite possible. So when we lay down a pattern of taxation, it does not mean that we are evolving a philosophy. The wealth

tax, the expenditure-tax, gift-tax and the capital gains tax, all these might exist even without a socialistic concept, or merely with the concept of a Welfare State. So, I would like him to understand that if he thinks that it is merely because we have been thinking of going towards the socialist goal—whatever that might ultimately be—that we are doing all this, then he is mistaken. We have to do all this even if we are not socialist. If I am the Finance Minister in a government which does not keep the socialist goal such as my party has, even then I think we would have to do this sort of thing, for this reason that the tax structure itself becomes moribund. A 92 per cent. income-tax evaded at all points is no good, because when the top becomes heavy, the base becomes corroded, and it has absolutely no resilience, and I cannot raise any money. But if I bring my income-tax towards 60 per cent. then I can make a surcharge. Any year I want extra income I can put in a 36 per cent surcharge. It is possible. I think the tax that we are imposing with low incidence, from my point of view at any rate, is a thing which is capable of yielding something at any time you want it.

Dr. Ramaswami Mudaliar asked a question and it was repeated by my friend opposite. He asked, "What does your assurance mean? And the other asked, "Why do you give this assurance?" Well, my point is somewhere in between. My hon. friend opposite asks, "What right have you to give the assurance? The Finance Minister of the Congress Party to give an assurance? When we come there, we are not going to adhere to those assurances. Well, if that contingency arises, nothing that we hold sacred is going to remain sacred, not even the Constitution.

SHRI BHUPESH GUPTA: I never spoke of our coming. I only said that Finance Ministers change and their views also change.

SHRI T. T. KRISHNAMACHARI: There is only one thing that is constant in this House, and that is my hon. friend Mr Bhupesh Gupta. Everything else changes.

The point now is, Dr. Mudaliar very rightly asked me, "What does that mean? Does it mean that you are not going to change the rates? You are already talking of a gift-tax. Does it mean that you will not amend this Bill?" Sir, I would again tell the hon. Member and this House to please refer to the penultimate paragraph in my budget speech where I have said this is the pattern of tax that I am placing before you. The principles of taxation I have placed before you. If the earned income-tax does become the standard tax, and yields more, as I expect it will, where is the chance of its being lowered? The other things are merely complementary. If you lower the earned income-tax, you have got to raise the unearned income-tax, because there is no justification. There is little yield. If you lower one you have to raise the other. This compensatory action will be necessary. The pattern is there and that pattern is that the tax structure must be flexible. Something must be left in the hands of the people which may be used at any time when I want a little more, by way of temporary surcharge for a year or two, as the hon Member mentioned. God forbid that there should be a war on. But supposing we come to a situation where we want a little more, I might levy a surcharge of 30 or 40 per cent. for a period of two or three years, and people will be willing to pay it for the reason that it is a temporary tax. That is what I mean in the penultimate paragraph of the budget speech. This is the broad pattern for the Plan and I think any successor of mine, should he take charge within a year or two or three or four years, would be unwise to disregard the assurance I have given, for if he starts anew and does something then the whole edifice might collapse.

After all, what we are doing is not something for today. I am not doing it merely because I happen to be the Finance Minister. I am doing something which my successor can carry out and my successor can earn more money for the State by way of tax collections. That is exactly what I have in mind. It does not amount to much because it is a question of half a per cent. or a quarter per cent. here or there. Any adjustments made or any concessions given today can be taken away tomorrow but that does not alter the pattern of taxation for even the people who start businesses. We are not doing away with capitalism; capitalism is staying and private sector is staying. All that we are trying to do is something by which this handing down of money from father to son and big families staying on all the time will not be possible unless the son is going to be as good as his father. The father is the man who builds the enterprise. Unless the son is as good as the father, he will not be able to attain his father's place. He has to sell. My hon. friend, Mr. Bisht, made that point very clear. Therefore, if he works, he has got the right to what he earns; if he does not work then he has progressively to part with it and that is the scheme we have placed before the country if it is accepted, I think the pattern will remain and people who invest money can know. If he is earning money and is paying 77 per cent perhaps he will think that he will pay a little less next year, say 70 per cent. for, company taxation is such that there are checks and balances everywhere. If you want to plough more money into the company for purposes of developing the company; do so; there is nothing to prohibit you from doing it. We have all kinds of rebates for new enterprises, the development rebate, the special depreciation allowance, etc. If you buy capital goods at high cost, there is something to bring it down; if, on the other hand, you want money to pay your debts, there is money to borrow. If, on the other hand, you

have ideas of postponing the payment, you can postpone and you can double your plant. These are factors which make people know that they can act freely, of course, subject to the overall condition that the stability of the State is maintained and the moral principles which govern any State are adhered to. I do not say that morality is the monopoly of my hon. friend. Sometimes, it is a little amusing when he speaks about the moral principles but the point really is that we say that this pattern will be there because certain things are accepted as being the order of the day. That is what I would like to tell my hon. friend, Dr. Ramaswami Mudaliar. Whatever we may say about the socialistic pattern, our goal undoubtedly is greater egalitarianism, greater democracy, not merely in the political sphere but also in the economic sphere. Every child that is born should be capable of rising to the highest positions in the country, whether it is business, industry, political or any other field. There should be no let or hindrance and we should probably come to a time when the State will be able to find him all the money necessary if he has got the talents to develop. That is the type of pattern we have in view and that is not covered entirely by this tax scheme. It merely is endowed with certain of our ideas but primarily it is a question of having an elastic system of taxation which will yield more money for the Plan and for the future plans thereafter.

SHRI B. B. SHARMA: He put a question whether your taxation measures are not blazing the trail for the Communists coming.

SHRI T. T. KRISHNAMACHARI: The point is this. I am sorry my hon. friend is not here. We are acting on the presumption that normalcy is going to rule over this country and my hon. friend is an abnormality. Therefore, I never make any provision for him. I am not afraid of him myself. I do think that people are normal in this country and so long as I behave properly, so long as this Plan

succeeds and future plans are brought into being, so long as we admit our responsibilities to the people that that is the pattern of society that we want to create, that that is something which is going to help the man down below and he feels that Government is doing something for him, I do not think I need bother about him; he is an aberration which will appear today and go away tomorrow. He is a comet but I have nothing against him. He is a friend of mine. I can also tell you, Sir, that to some extent, I do not mind. If they say, I shall not quote Marx, I shall not quote Marx but, to some extent, everyone started with enthusiasm. The only trouble is that after some time, when we got past the stage of adolescence and entered maturity, we found that that enthusiasm had to be tempered. I shall not deny my hon. friend starting off the way he did because of the certain amount of enthusiasm and certain amount of repulsion against the state of society that exists which he could not tolerate, and I am also not saying that, having developed normalcy, he has gone off at a tangent. I am not looking at him at all; I am thinking of a normal society, normal set of circumstances and I am not afraid of witchcraft or the bogey. I believe society, this democratic society under the Plan we have envisaged, will function and flourish and I am building up for a society of that nature. I am not building for aberrations. Therefore, Dr. Ramaswami Mudaliar was not right. The fact is, he had wide experience and, more or less, towards the end of his experience, he sees manifestations which are in the nature of aberrations. They are not part of the permanent structure of the country and, therefore, I am not making any provision in anything that I do today for the possibility of those people coming. If they come, they do not want my help.

They know how to put an end to trouble when the trouble arises. They are fairly efficient and ruthless. Do you mean to say that they are going to allow us to build an economy?

[Shri T. T. Krishnamachari.]

Having started this, I have no such hopes or illusions.

SHRI BHUPESH GUPTA: Very good. Proceed.

SHRI T. T. KRISHNAMACHARI: I shall say, *amen*.

My hon. friend, Dr. Kunzru gave his support to the Bill but doubted the wisdom of its provisions. I do not blame him because anything new might go the wrong way. It is quite possible. He objected to certain facets of the Bill like my hon. friend, Mr. Parikh, but, so far as the approach to the problem by Dr. Kunzru is concerned, it is purely intellectual and unbiased. If he felt that my taxing the companies was wrong, it was because he had some fears that it might perhaps stifle initiative and not that he was fundamentally against taxing companies. Now, so far as my hon. friend is concerned, I do not blame him for it. It is a thing which he holds and holds fast and I do honour him but; generally, Sir, I would like to say that we are not doing anything to put an end to the private sector. I am not claiming here that I am going to put an end to the private sector by this measure. It is not my intention at all and even if such were my intention, it is not the way of doing it, of putting an end to the private sector. What my hon. friend suggests is this: After a particular stage of wealth, take away the whole thing. We can provide incentives later on. A new class of people will come and if you like, you can pay them Rs. 25,000 per month, but this class of people should go. The real trouble is this. Now he wants to speak like this. If he gets the responsibility, if he occupies my position, even as a Communist, he may say, "I will encourage private investment to come to India" and he may ask them to start industries. He will I do not blame him. If you ask, "Why should not he be consistent?", well, consistency is the virtue of an imbecile, not of an intellectual person.

SHRI P. S. RAJAGOPAL NAIDU:
Kerala. . . .

SHRI T. T. KRISHNAMACHARI:
Let us not mention any names. The real point is that any Government which is in power does not like any gap in its economic activity. Supposing I do determine to do away with private sector, supposing I say that all this private enterprise must go and that we shall take away all these things, then who is to run all these things? There will be a gap and this gap will be for ten or fifteen years. We can get some managers from these institutions but the initiative will not be there. So, we are not thinking in terms of doing away with private enterprise altogether, nor are we thinking in terms of chopping off all the tall poppies. We do believe, in course of time, that private enterprise itself will shape according to what we want it to shape, that is, a man who starts as a worker, an apprentice or a probationer would become the managing director and then he will be there for a short time and then go. He has no vested interest in that. So long as he is the managing director or the general manager, he functions for the unit as a whole and that unit is part of the community as a whole. That is the culmination which we expect ultimately to come provided all our other measures bear fruit. I am not saying, I do not think, even then the private enterprise will go. Nobody is thinking of taking away shops. Nobody is thinking of taking away the initiative of a person who sets up a workshop, even, for that matter, something bigger than that. We are not thinking in terms of doing away with the private sector. Nor are we thinking in terms of doing away with their initiative. But that initiative will have to be exerted fully and freely subject to the overall needs of society, and that is all that we are trying to do now. In fact, our socialism, if it really takes shape in the next few years or perhaps decades, is such which will allow private enterprise so long as it plays ball, and it will play

ball. There is place for the private enterprise in a society where fresh blood will be coming up right at the top; it is not going to feel like building dynasties. It won't, and other checks and balances will be thought of. Every day ideas in regard to what the Government should do in the field of industries are changing. It may be Mr. Gaitskell is thinking in terms of acquiring interests when the Labour Party comes to power, in particular big companies, 500 companies. Well, we have thought of it much earlier. The only trouble is we have not much money to invest, but we do feel that in course of time public institutions like the Provident Fund Trust, like the Life Insurance Corporation, like the Pension funds which you probably want to establish later on, will have a share in the profit-earning industries so that the benefits of these industries would to a very large extent be diverted to probably public channels. We are not thinking so much of State-ownership or State control but of something where there will be public control; the benefits would be passed on to the public. So, this concept is something which has occurred to us, which is occurring to the Labour Party today. The experiment might be tried; it might not be successful but it is worth while trying. So we are not thinking in terms of eliminating the private sector at all, and I would certainly not at the present moment take away any initiative. But that does not mean I should give a free rein to anything that they want to do. Of course, private enterprise says, my hon. friend Mrs. Munshi mentioned, about *laissez-faire*. Well, *laissez-faire* is a doctrine which has no application in any country, not even in America. In America where they speak of private enterprise the checks under which private enterprise has to work are sometimes even greater than what exist in a country like the United Kingdom where there is.....

SHRIMATI LILAVATI MUNSHI (Rajasthan): I did not ask for *laissez-faire*. But it was the practice I men-

tioned about the practice by Government.

SHRI T. T. KRISHNAMACHARI: I did not practise it. I had complete control over all the instruments of production when I was the Commerce and Industry Minister. If I did not exercise that control it was because I did not feel that there was any necessity to do so. It was there, the power was there watching them. Once you are a good policeman there is no need to put people in prison. People will behave properly and I was a policeman over the private enterprise as Commerce and Industry Minister. I did not practise any *laissez-faire*.

Coming back to this question of private sector, we do believe it will exist. It will exist in varying forms. Its shape will change but it will not be destroyed. So, we would like to leave the initiative to it. The initiative is still there for any person interested in industry. It is still there, and in fact I do feel that the measures that we are now putting forward would perhaps help in the long run. Today what is happening? I said the other day about this question of no equity capital being available over a period of five years. That is not my fault, not the fault of Government. When debenture capital is available and the existing companies are able to get subscriptions to their right issues even from people who are not shareholders, from people outside, well, there is something wrong. It is a question of lack of confidence in particular people who go to the market rather than lack of confidence in Government. It is unfortunate because we want then to get savings. Today my chief trouble is that this expansion in industry which is taking place notwithstanding our difficulties in regard to foreign exchange is credit financed and not backed by genuine investment, and I think that this tax on wealth which compels people not to keep their wealth as idle wealth is something which is going to be productive, which is going to help us, not to hinder.

[Shri T. T. Krishnamachari.]

Sir, the question of taxation of companies has been mentioned by my hon. friend and I have answered it at considerable length. The tax is very small—1/2 per cent. There is no point in saying that it is very small, it should be raised to 1 per cent. I do not think it is good because 1/2 per cent. will yield a sizeable revenue. If we raise it to 1 per cent, well, it will start dropping being a heavier burden, and I always believe in a very small tax. The yield does not rise with a higher tax. The yield shrinks on account of evasion, and that is how we have ruined the sales tax system in our country. If we had started the sales tax small the evasion would have been small and the total out-turn would have been much greater. In fact, I had something to do with the first sales tax in India and we started off with 1/2 per cent. So I think 1/2 per cent is a good thing and I do not agree that it is going to do a lot of damage to the companies, is going to inhibit investment in equity capital. Half per cent would not scare anybody away. If anybody is going to tell me that the ghost is there, that it is having a hold on this country, I will have to say, "You are merely seeing the ghost and not the substance in it." I think that this kind of propaganda by companies that this company tax is something terrific, is going to ruin this country, is just a fiction intended to frighten the people and merely because they think that this is a stick with which they can beat the Government. When the big industry has no other stick the tax on companies is a thing with which you can beat the Government. I find no validity in these objections in regard to company taxation.

Let me come to exemption limits. Members have spoken on the exemption limits. Some hon. friends here have also said: Why leave a house free in the rural area? For one thing, even a big house in the rural area has no value at all, and its valuation is a problem. It will cost money to the house-owner as well as to the State.

So far as the house in a city is concerned it is a different thing. Somebody said: Why don't you give them a house which is worth a lakh of rupees? I have no objection, Sir, if the hon. Members in this House think that the limit of taxation should be lowered to one lakh from two. I have no objection to their allowing a house of Rs. 50,000 to be given free. The real point about it is this. Everybody forgets about these two lakhs and when you speak about jewellery, a person having jewellery worth Rs. 27,000 will be asked to pay tax on Rs. 2,000, wealth-tax on Rs. 2,000. Rs. 27,000 is not some arbitrary figure. It is to be added on to the Rs. 2 lakhs. If a person has Rs. 2,27,000 then he will be taxed on Rs. 2,000 but Rs. 2 lakhs is a thing which everybody conveniently forgets.

Then, Sir, people speak about the middle class man. Sir, I was born in a very poor family originally and we were middle class thereafter. I do not know what class I belong to now because I am a person harrangue my salary, without any ostensible means of livelihood. But the point really is that this middle class has not got Rs. 2,00,000 and I think that is precisely where the Rs. 2 lakhs will start off. The Rs. 2 lakhs will exempt the middle class altogether and I think a middle class person even if he has Rs. 25,000 worth of jewellery would probably won't have more than Rs. 2,00,000. If there be a marginal difference of 2 or 3 thousand rupees no wealth-tax officer will tax you, 1/2 per cent. for it. The real point about it is: If you do not want the two lakhs, if you start with no exemptions at all, I agree you must give a house free; you must give many other things free. In fact if you do not want anything free I am prepared to raise the limit by another Rs. 25,000. There is no point in saying: You raise the limit from Rs. 25,000. You cannot have it both ways. You cannot conveniently forget the Rs. 2 lakhs and say, "Oh, Rs. 25,000. A person has Rs. 27,000. What should he do? What about this, what about

that, what about tools and equipment? Rs. 20,000 for tools and instruments? Why do you give?" I do not know why the Select Committee raised it from Rs. 2,500 to Rs. 20,000. I cannot see the rationale of it. Many doctors will not come within Rs. 20,000 but some will come and if some will come why worry about some, for the very fact that they are just some? Maybe a doctor may have some idiosyncrasies.

For example we had a doctor in Madras, a man who was the friend of the poor. He earned a lot of money and he spent a lot of money on his patients. But he had one weakness. He always wanted a Rolls Royce car. He never charged a fee from any patient. He never asked for a fee even if you woke him up at 3 o'clock in the morning. If you want him he will come. But his one weakness was Rolls Royce car.

SHRI BHUPESH GUPTA: How did he get it?

SHRI T. T. KRISHNAMACHARI: Well, people gave him money. When people gave him money he just put it in his pocket. He never looked into it. He went and put it in his house or sent it to the bank. But that is his weakness and when he treated a poor patient, in fact he used to allow me to drive his Rolls Royce car which is the only excitement that I ever had; I could never own one. I have seen days when poor people used to stop the car and say, "Oh, the patient is very ill today." I remember once I had to wait outside for four hours and at the end of the day, he said, "Look, T. T. I do not know; my hands are not clean. Put your hand in my pocket, take out some money, count Rs. 100 and give it to this poor devil. I am afraid his wife needs nourishment more than a doctor." There have been doctors like that but I suppose when he has a Rolls Royce car, you can tax the Rolls Royce car. There is nothing wrong in it. I am not speaking about the medical profession; they may be good people, they may be bad people.

We sometimes need the doctors and we are prepared to pay the price, whatever the demand. What is it that we are doing when we speak about the professions, and my hon. friend said, "say something about it." The only trouble is, if I eliminate the doctor, I must eliminate the architect, the plumber, the engineer, everybody else. All professions will be exempted. Professional tools may be anything and we might need many other things for the profession. Not merely do you need a marble floor but you need also air conditioning because a doctor has got to work under conditions which are difficult. But you are going to make money. If you are going to be free, then the maintenance of the institution for purpose of charity comes in. But if you are going to make money, what is wrong in paying me $\frac{1}{2}$ per cent. or one per cent. as the case may be? Merely because you do not exempt doctors who are doing very good service, the Bill does not become bad and if it is only 50 or 100 people who earn money in India; it does not matter. It is easier to collect money from 50 or 100 people instead of going to every doctor. So our exemptions in some sense have no rationale. Sometimes we have given exemptions just because of pressure as he says; not malicious pressure but . . .

SHRI BHUPESH GUPTA: Pressure of affection.

SHRI T. T. KRISHNAMACHARI: Well, my hon. friend, Mrs. Munshi, does not wear any jewels but she is sympathetic to women who have got jewels. It is merely a matter of sympathy. Of course, my hon. friend may not be sympathetic; it is a different matter altogether. So it is sympathy, it is sentiment that has made us concede quite a lot of concessions. I quite agree; I have said so, that some of these concessions have no meaning, have no rationale but it does not mean that if I have done something wrong once, I should do wrong all the time.

DR. R. B. GOUR: By implication you agree that you are sympathetic to the wealthy.

SHRI T. T. KRISHNAMACHARI: My hon. friend has been born a little later; I was born a little earlier. He cannot put words in my mouth. He has to be in the Communist Party for another twenty years to do that kind of thing.

Therefore, I would humbly submit to this House that these suggestions of elongation of these exemptions granted have really no intelligent backing behind them. They are largely a matter of sympathy. Why not leave a person his house free? Yes; we can. I am quite prepared. And again even if I have to go back to the other House, it does not matter. If hon. Members say, "let us reduce the minimum to a lakh of rupees"; let us give the house free. Where a person lives, let us give the house free. I do not mind. But you cannot have it both ways. You cannot have Rs. 2 lakhs and the house free.

SHRI BHUPESH GUPTA: In one case you have raised. In the case of joint family you have raised from three to four.

SHRI T. T. KRISHNAMACHARI: My good friend, I am telling you that the whole thing has been given out of sentiment rather than any rationale. Joint family is another fiction. My friend, Mr. Thakurdas Bhargava, will take me to a court of law for saying something damaging about joint family, of course, in other House. Joint family is another fiction because today I do not think that the Joint family exists at all; it doesn't. It is breaking up. After the Hindu Code that you have enacted there is no room for a joint family. What is it that you are speaking about? Maybe, later on we can remove it. But the point about it is this. The Finance Minister is not the hard man that my friend, Mrs. Munshi, says he is. My hon.

friend may be right if he says that the Minister is soft but he is wrong when he says that he is soft to any particular interest. He is as soft to my hon. friend, Mr. Bhupesh Gupta, as he is to anybody else. Therefore, it is largely, I think, a question of sentiment; this elongation of these concessions is largely a question of sentiment.

But then I would like to say this. Hon. friends here have compared wealth-tax with the system that is obtaining in other countries and the rate in other countries is more or less comparable with ours but the exemption limits are different. In Denmark the rate varies between $\frac{1}{4}$ per cent. and 2 per cent; the exemption limit is 6,890. In Sweden, it is $\frac{1}{2}$ per cent. to 1.8 per cent, while the exemption limit is 46,000. In West Germany it is $\frac{3}{4}$ per cent. and the exemption limit is 22,000 according to the rupee valuation of the mark. If you want to have an upward revision, you can add another 6,000 or 7,000. In Netherlands the rate is $\frac{1}{2}$ per cent., the exemption limit is 18,825. In Norway it is $\frac{1}{4}$ per cent. to $1\frac{1}{4}$ per cent. while the exemption limit is 16,600. On this question of exemption, we can have a lower exemption limit and we can exempt a number of other things but you cannot have it both ways.

SHRI AHMED SAID KHAN (Uttar Pradesh): Have you got the income-tax rates in Sweden and Norway? What is the rate of income-tax there?

SHRI T. T. KRISHNAMACHARI: I am afraid I do not carry it in my brain. I can tell him, if it is any satisfaction to my hon. friend, the Nawab Saheb, that I have had a graph made of income-tax in India and in other countries. We were slightly higher than U.K.—the taxes which obtained before the Finance Bill was passed. We are now below U. K. In some sectors we are below Japan. In the top sectors we are above Japan. In the medium sectors we are below Japan, because Japan is higher. But

we are generally higher than any other country so far as income-tax is concerned.

AN HON. MEMBER: You can circulate it.

SHRI T. T. KRISHNAMACHARI: If my hon. friend says, "income-tax you are charging more, other countries are charging less" I can tell him this that the exemption rates in the case of income-tax in many other countries compared to their *per capita* income are much lower than ours.

DR. R. B. GOUR: How is the evasion of income-tax in our country compared to others?

SHRI T. T. KRISHNAMACHARI: I have not yet undertaken any research in regard to evasion.

Sir, that is the main criticism. Well, there have been other things. My hon. friends opposite have been criticising certain exemptions. Somebody said shipping companies should not be given any exemption. The real point about it is, I need not. I can include them but I have got to give them subsidy. Even as it is, it is heavily subsidised, and on the basis of their income even this tax of $\frac{1}{2}$ per cent. would work out somewhere about 22 per cent. So, there is no point in a heavily subsidised industry being included here, an industry which you want to stimulate so far as its future is concerned. There is no point in including the shipping industry. That industry is something which is totally different. It is an industry for which the Government has to give a lot of other help besides what I have given. That is why it is excluded.

So far as banking and insurance companies are concerned, it is somebody else's money, the money that is put in and which can be taken back at any time.

SHRI BHUPESH GUPTA: The competition may be different in the case of insurance.

SHRI T. T. KRISHNAMACHARI: What is the object in the case of shipping if I say that instead of $\frac{1}{2}$ per cent I am going to levy $\frac{1}{32}$ per cent which perhaps they may bear?

SHRI BHUPESH GUPTA: Insurance and banking.

SHRI T. T. KRISHNAMACHARI: So far as banking is concerned, it is money given today and taken away tomorrow. It is not a thing on which you can make an assessment. So far as life insurance is concerned, it is largely with the State and the other insurance is there where the assets are comparatively small. These matters have not been looked at from an ideological . . .

DR. R. B. GOUR: I would like to ask one question. How will he explain the addition of these exemptions that have been made to clause 5? You have included these exemptions as amended by the Select Committee and said, "such assets shall not be included in the net wealth of the assessee." That means that you are raising the maximum limit beyond two lakhs.

SHRI T. T. KRISHNAMACHARI: Not the whole lot of them. There are certain sectors only. If my hon. friend will look at it again, he will find that we have not included in the wealth of the assessee things like special ten-year treasury deposit savings certificates. You may say that the Government is being selfish; I admit but I want people to invest more money. I am already giving them tax-free concessions.

DR. R. B. GOUR: In the income-tax law as a principle you do include even the exempted amount when you are calculating the higher slabs.

SHRI T. T. KRISHNAMACHARI: The real point about it is if I do not include it, there is no particular concession given. A concession has to be given; without its inclusion the concession would not be a material concession. I am doing it only from my

[Shri T. T. Krishnamachari.]

selfish point of view. I am not doing for the sake of a person who has invested. I want persons to invest in this form of shares and securities. I would like to tell my hon. friend this that one of the provisions which the Federation of Indian Chambers of Commerce wanted to eliminate was this provision. I am sure my hon. friend would not like to agree with the Federation of Indian Chambers of Commerce. They wanted to eliminate this. They said, why should Government give a special privilege to people who invest in ten-year treasury deposit certificates? We say we want them to invest. Even though they are rich people, we want more money to come in. So, I have done it deliberately. If I have done something discriminatory, it is not discriminatory in law. I may be discriminatory so far as equity is concerned and I plead guilty. Therefore, I have done it with a full knowledge of the facts and the effect that it will have.

4 P.M.

DR. R. B. GOUR: Why don't you include jewellery in that Rs. 2 lakhs?

SHRI T. T. KRISHNAMACHARI: Only Rs. 25,000 and not more than Rs. 25,000 is included.

Then, Sir, the question was raised about collection, harassment and all that. I am glad my hon. friend, Dr. Mudaliar, is here. I was very grateful to him for pointing out the impropriety of blaming the officials, and I have no doubt in my mind that the officials who administer this Act would bear the fact in mind that it is creating, even among the small section of the people which would be affected, an antipathy, and therefore they have to go about it fairly gingerly, and we should try, Sir, as far as possible to see that the rules are so framed that the officials conduct themselves in such a manner that they will not give any room for this complaint, unless it be that it is invited, because sometimes it happens that a person

sends his return and we say we won't accept the return. Mere non-acceptance of the return cannot be harassment. So, if that is the interpretation of harassment, well, I am afraid we cannot help it. But needlessly worrying the people is a thing which we can certainly stop altogether.

Sir, I think I have broadly dealt with most of the main points that have been raised. Though many faults have been found in this Bill, a very large section of the House has generally accepted the principle of it, and I can assure the House that if they pass this Bill, they should bear in mind the fact that the House has given approval to this Bill, a new one, with the full knowledge that it would be worked sympathetically and that it would work as part of the integrated system of taxation which we are now envisaging and the Government will do its best to make it a success.

I think one hon. Member said something about reporting to the House. I do think, Sir, that it would be desirable that we should keep the House or Parliament informed from time to time about the working of these new taxes, and I shall certainly make it a point to send a report with regard to the working of this tax.

SHRI BHUPESH GUPTA: How can it be a part of the integrated system when the other tax is not there—the gift tax—which Prof. Kaldor has very strongly recommended and which is missing from the whole scheme of things here?

SHRI T. T. KRISHNAMACHARI: Well, Sir, every recommendation that is honestly made by a competent authority will certainly be looked into.

MR. DEPUTY CHAIRMAN: The question is:

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

The motion was adopted.

MR. DEPUTY CHAIRMAN: We shall now come to the clause by clause consideration of the Bill.

Clause 2—Definitions

MR. DEPUTY CHAIRMAN: There are seven amendments on clause 2. No. 11 is out of order. It requires the sanction of the President. So it is ruled out. No. 12 is also ruled out.

SHRI BHUPESH GUPTA: Sir, I move:

1. "That at page 3, lines 21 and 22 be deleted."

(The amendment also stood in the names of Shri Basavapunnaiyah, Dr. R. B. Gour and Shri Perath Narayanan Nair.)

SHRI P. S. RAJAGOPAL NAIDU: Sir, I move:

10. "That at age 2, lines 9 to 13 be deleted."

SHRI C. P. PARIKH (Bombay): Sir, I move:

13. "That at page 3, after line 12, the following proviso be inserted, namely:—

'Provided that in the case of a company the net wealth means such paid-up capital and reserves as are not employed in land, buildings and machinery for purpose of manufacture or in incorporate investments.'

45. "That at page 3, line 6, after the word 'assessee' the words 'including the ordinary and preference shares subscribed in cash' be inserted."

46. "That at page 3, line 6, after the word 'assessee' the words 'including the amount payable for redeemable preference shares subscribed in cash' be inserted."

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

SHRI C. P. PARIKH: Mr. Deputy Chairman, Sir, I move these amendments mainly because I am anxious that the tempo of development in our country should not be arrested. I am an advocate of so many taxes for the last four years. I am advocating this tax on wealth also. But I may here point out the way in which it is going to retard the tempo of development. Let us remember, Sir, that I am moving all these amendments in the hope that at least one of them will be accepted by the hon. Minister. The whole idea is that companies are creating wealth and especially the manufacturing companies are creating wealth which we require for our country. And for the manufacturing companies I am asking for a minimum concession from the Finance Minister. At present the tax will be levied on the company's capital and reserves, bonus capital as well as reserves. My point is that if a company is employing its capital and reserves in land, buildings and machinery for the purpose of manufacture, no tax should be levied on such part of the capital and reserves which are invested in land, buildings and machinery. The main thing is that these are sources of production and we should not tax the source of production because the source of production will create wealth and subsequent revenue in the form of income-tax and all other taxes. Therefore, such portion of capital and reserves should not be taxed. I am explaining this point in order that the Members should be able to understand it better. If we do not accept this amendment now, at a later stage I am quite sure that the tempo of development in our country is going to be arrested, and we may have to make changes later on. Suppose a company has Rs. 30 lakhs as capital and Rs. 20 lakhs as reserves, in all Rs. 50 lakhs. If it is investing Rs. 40 lakhs in land, buildings and machinery, the tax should be on the remaining Rs. 10 lakhs. Don't tax anything that is invested in land, buildings and machinery. I am also making a distinction between the manufacturing companies and other ordinary compa-

[Shri C. P. Parikh.]

nies. Do not give exemption to all of them. But give exemption to the extent they have invested their capital and reserves in land, buildings and machinery for the purpose of manufacture. I am qualifying these companies. The retained profits in a company are at present about 9 per cent. of the total profits earned by that company. If a company earns Rs. 200 crores, 9 per cent. will be retained which means Rs. 18 crores. Before this levy, 22 per cent. were retained by the companies as profits, that means Rs. 44 crores. So, companies will be deficit to the extent of about Rs. 26 crores. My friend may say that this is an exaggeration. But at least it is Rs. 20 crores, and I may say that the Finance Minister's estimates of revenue are under-estimates. So there will be a loss to the companies in the quantum of their retained profits to the extent of Rs. 20 crores every year, which means Rs. 100 crores during five years. And let us see what are the Planning Commission's recommendations. The private sector has to invest from their internal resources amounts to the extent of Rs. 300 crores. You are by taxation measures taking away Rs. 100 crores of this. I do not say that capital formation will not be there, but there will be a temporary lull in the capital formation. And therefore I think the Planning Commission, the statisticians and all those who have advocated this investment from retained profits will have to think twice. You can take the horse to the pond, but you cannot make it drink. You cannot ask the investing public to invest in the way in which you want.

Then, Sir, I have to make one or two points which are very important. They should be understood properly because the whole thing cuts at the very root of the industrial development of the country, it cuts at the very root of the Plan. About the reserves, Sir, the Finance Minister argued that he has given so many concessions and the companies' re-

serves are built on account of the concessions that have been given by the Government. But the Finance Minister is not placing before the House the true picture. As far as these reserves are concerned, Sir, they will be taxed if distributed to shareholders, by the Capital Gains Tax which was levied in November. The reserves are not going to remain with the company all the time. The man who is buying a security, gets the benefit of the reserves, and when he sells it, naturally he has to pay the Capital Gains Tax on the excess price paid for reserves. In my opinion, Sir, the present tempo of industrial production is on account of the development rebate, and indirectly the Finance Minister is withdrawing this development rebate. That must not be lost sight of.

Then, Sir, the third point that I want to refer to is this. The Indian industrialists may be backward or may be timid on this question, but at least this much is known that the Indian industrialists do not believe in the present economic and financial policy of the Government. And in that case how will the foreigners who want to invest in this country believe in the financial policies of our Government? Let me tell you, Sir, that in no other country in the world excepting West Germany, Iceland and some other small country there is this tax on wealth of the companies. The Finance Minister talks of half per cent. It is not the question of half per cent. but it is the principle that counts. It means Rs. 6½ crores. But the number of people on whom this tax is to be levied should be taken into consideration by all economists and all practical persons who desire the foreigners to invest their money in this country.

Now as regards the burden of taxation.

MR. DEPUTY CHAIRMAN: We cannot go into the principles of taxation. You have to be brief.

SHRI C. P. PARIKH: I will try to be brief, Sir. Now, Sir, the rising cost of living is there and I don't think we shall be able to arrest it. By this tax, there will be an addition to the rising costs of production and these will ultimately and gradually be passed on to the consumer.

Then, Sir, about the unearned income, what the Finance Minister said. . .

MR. DEPUTY CHAIRMAN: You cannot reply to the Finance Minister's points now. Please speak on the amendments and be brief. This is not the occasion when you can speak on the principle of the Bill. Have you finished?

SHRI C. P. PARIKH: No, Sir. There are three amendments which I have moved. I have spoken on only two so far.

The third point is about the redeemable preference shares. I will be brief, Sir. With regard to the redeemable preference shares, I think it should be clear that the capital may be redeemed in two or three years. If these two amendments are not accepted, the third is regarding the paid-up capital and reserves and it should meet with acceptance.

SHRI P. S. RAJAGOPAL NAIDU: Sir, the one object with which I have moved my amendment is to exempt essentially any building owned or occupied by a cultivator or receiver of rent or revenue out of agricultural land, wherever that building is situated. And there is a proviso added to that sub-clause which reads as follows:

"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 outhouse."

Sir, I do not want that this exemption that is granted for the agriculturist should be taken away by adding this proviso.

Secondly, Sir, we all know that sometimes the house of an agriculturist is situated far away from the place where he has land to cultivate. Suppose an agriculturist has a house situated at a place where the population is more than 10,000, the very relief that he gets under this clause is taken away. The Finance Minister has been very sympathetic to the agriculturists, and he has exempted the tools and other accessories required by the agriculturist. He has also exempted the residential building owned by an agriculturist, but by adding all these provisos, the very relief that he gives to the agriculturist is taken away. It is only for this purpose that I have moved my amendment.

SHRI BHUPESH GUPTA: I would like to say on this particular clause that I do not see as to why. . . .

THE DEPUTY MINISTER OF FINANCE (SHRI B. R. BHAGAT): What clause?

SHRI BHUPESH GUPTA: Clause 2(e) (ii).

I do not see any reason as to why any exemption should be given in respect of the rent receiver. If the house is assessed at Rs. 2 lakhs or more, even within the range of taxation, I do not see why there should be exemption in such cases, because those are parasitic properties.

Then, I come to my amendment. With regard to what Mr. Parikh has said, I do not accept his analysis of company development. I think that our industrial development does not depend on whether you are putting a half per cent. tax or not. He wants more exemptions. He is not satisfied with the holiday given, and all the other exemptions which have been given. He wants more exemptions. Then, I think there is no point in having such a measure at all. He referred to principle. We are also thinking in terms of principle. He referred to the principle that a company should not be asked to pay when it has got so much assets that come within the operation of this measure.

MR. DEPUTY CHAIRMAN: Please speak on your amendment.

SHRI BHUPESH GUPTA: I am speaking both on the clause and the amendments.

MR. DEPUTY CHAIRMAN: He is not accepting any of the amendments.

SHRI BHUPESH GUPTA: I know I am in order. Anyhow, I am just finishing. I will return to my amendment about the Ruler. We have given an amendment that it should be deleted. I do not think that you should make any kind of discrimination in favour of the Ruler under this clause. The Constitution is also referred to. The hon. Minister said in the other House that he was not bound under the Constitution to exclude a Ruler from the operation of this measure. Therefore, I do not see as to why this kind of favouritism should be shown towards a Ruler, and we shall come to the other aspects of the matter when we deal with clause 5.

SHRI B. R. BHAGAT: I do not accept any of the amendments. Let me first refer to Mr. Gupta's amendment, it is obvious that he wants to exclude the concessions given to the Ruler. He wants to take out the word 'Ruler' from the definitions, and the exemption of official residence or the exemption of ancestral jewellery. As has been suggested by the Finance Minister, these concessions are of the nature of some statutory or constitutional obligation to the Ruler, and I think that the consensus of opinion of this Parliament which has given these constitutional rights to the Ruler is that it fully approves of these concessions. I am not in a position to accept this amendment.

As regards the amendment moved by Mr. Parikh, he wants to define the net wealth of a company as well. The net wealth of an individual has been defined as gross value of assets minus the debts. His suggestion is that the net wealth of a company should be defined as that portion of its capital

resources which is not employed in company's assets or in other corporate investments. I think this is entirely inconsistent with the concept of wealth particularly in the hands of a company, because only funds which are utilised in particular forms of investments should be taken into account. I think that is a claim which can be described as too tall. If the suggestion is that by way of encouragement to enterprises such a definition should be made, I think the concessions in clause 5 or even the estimation of assets in a particular way in clause 7 provide ample scope for encouragement. On similar token, amendments Nos. 45 and 46 to exclude the value of equity shares and preference shares from the levy are not acceptable.

SHRI P. D. HIMATSINGKA: What about redeemable preference shares? The money has been paid back by the company to the shareholders.

SHRI C. P. PARIKH: The preference shares paid in cash.

Shri B. R. BHAGAT: I will explain in detail. I think that the total, not the net wealth, can be defined. As for the amendment of Mr. Naidu that the two conditions attaching to a house that in the immediate vicinity of the land etc. be deleted, I think this matter was gone into by the Select Committee in great detail and the idea was that any *bona fide* use by the farmer for such purposes should be included. That is why these two conditions were provided so as to prevent any misuse of these concessions. On this ground I am not in a position to accept the amendment.

SHRI B. B. SHARMA: Supposing I have my own agricultural farm one mile away from a city wherein my house lies and I have no other business except farming and the population of it is larger than what is provided here, will I be exempt from the wealth-tax?

SHRI B. R. BHAGAT: No.

SHRI B. B. SHARMA: Will not that work as a hardship?

MR. DEPUTY CHAIRMAN: The question is:

1. "That at page 3, lines 21 and 22 be deleted."

The motion was negatived.

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

MR. DEPUTY CHAIRMAN: The question is:

13. "That at page 3, after line 12, the following proviso be inserted, namely:—

'Provided that in the case of a company the net wealth means such paid-up capital and reserves as are not employed in land, buildings and machinery for purpose of manufacture or in incorporate investments.'

The motion was negatived.

*Amendment No. 45, was, by leave, withdrawn.

MR. DEPUTY CHAIRMAN: The question is:

46. "That at page 3, line 6, after the word 'assessee' the words 'including the amount payable for redeemable preference shares subscribed in cash' be inserted."

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

"That clause 2 stand part of the Bill."

The motion was adopted.

Clause 2 was added to the Bill.

Clause 3—*Charge of Wealth-tax*

*For texts of amendments, vide cols. 3813 and 3814 *supra*, respectively.

SHRI BHUPESH GUPTA: Sir, I beg to move:

2. "That at page 4, lines 3 to 8, for the existing clause 3, the following be substituted, namely:—

'*Charge of Wealth-tax.*—3. Subject to the other provisions contained in this Act, there shall be charged—

(a) at the rate or rates specified in the Schedule for the financial year commencing on the 1st April, 1957, and

(b) at such rate or rates as may be prescribed by any Central Act for every other financial year, a tax (hereinafter referred to as wealth-tax) in respect of the net wealth on the corresponding valuation date of every individual, Hindu undivided family and company.' "

MR. DEPUTY CHAIRMAN: Do you accept the amendment?

SHRI B. R. BHAGAT: I don't accept it.

MR. DEPUTY CHAIRMAN: The question is:

2. "That at page 4, lines 3 to 8, for the existing clause 3, the following be substituted, namely:—

'*Charge of Wealth-tax.*—3 subject to the other provisions contained in this Act, there shall be charged—

(a) at the rate or rates specified in the Schedule for the financial year commencing on the 1st April, 1957, and

(b) at such rate or rates as may be prescribed by any Central Act for every other financial year, a tax (hereinafter referred to as wealth-tax) in respect of the net wealth on the corresponding valuation date of every individual, Hindu undivided family and Company.' "

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

"That clause 3 stand part of the Bill."

The motion was adopted.

Clause 3 was added to the Bill.

Clause 4—Net Wealth to include certain assets

KAZI KARIMUDDIN (Bombay):
Sir, I move:

14. "That at page 4, line 16, after the word 'separately' the words 'by way of dower' be inserted."

SHRI P. S. RAJAGOPAL NAIDU:
Sir, I move:

15. "That at page 5, line 8, for the words and figures 'the 1st day of April, 1956' the words and figures 'the 15th day of May, 1957' be substituted."

SHRI JASPAT ROY KAPOOR:
Sir, I move:

16. "That at page 5, line 13, for the words 'the power to revoke arises to him' the words 'the transfer has been revoked' be substituted."

MR. DEPUTY CHAIRMAN: Amendment No. 17 is out of order as it requires sanction. The clause and the amendments are before the House. Mr. Kapoor.

DR. R. B. GOUR: Kazi Karimuddin has got priority.

KAZI KARIMUDDIN: Sir, the reason for my amendment is that it has been laid down under this clause that the assets of a wife which are transferred directly or indirectly ought to be included in the net wealth of the person or the assessee except on two grounds that if they are transferred for adequate consideration or in connection with an agreement to live separately. This clause does not

mention anything about the institution of dower which under the Muslim law is a matter of contract. The agreement referred to in this clause is regarding the separate living but it does not say anything about any agreement even at the time of marriage. The second clause is for adequate consideration. If Muhammadan law provisions are interpreted and if it is held that dower is not an adequate consideration for the marriage, then this clause will be eliminated. Therefore, I would like the Minister to give an exposition of the words 'adequate consideration' and whether the institution of dower is contemplated under these two words. If not, it will be a very great injustice that if at the time of contract separate property is created in favour of women and that is to be excluded.

SHRI JASPAT ROY KAPOOR:
Under clause 4(a) a property which has been transferred under an irrevocable deed of transfer will not be included in the assets of a person and under explanation to sub-clause (5), any property which has been transferred for a period exceeding six years or during the life-time of the transferee shall be considered to have been transferred under a deed of irrevocable transfer.

Now under the substantive part of sub-clause (5) it is said that when the power to revoke arises to the transferer, then such property shall be considered to be part of the asset of the transferer. My submission is that though the power to revoke may arise at any time, if that power has not been exercised, then the property transferred under the deed of irrevocable transfer, with the implication as contained in the explanation to sub-clause (5), will not revert to the transferer. That being the position, why should that property, which does not, as a matter of fact, come back to the original owner should be included in the assets of the transferer? He does not enjoy any rights over it. If he elects not to exercise the right

of revocation, the property continues to be in the possession of the transferee. Under what logic then should that property be considered as a part of the assets of the transferer when he holds no domain over it?

SHRI P. S. RAJAGOPAL NAIDU:
The clause says:

"In computing the net wealth of an individual, there shall be included, as belonging to him—

(a) the value of assets which on the valuation date are held—

(i) by his wife whom such assets have been transferred by the individual, directly or indirectly, otherwise than for adequate consideration or in connection with an agreement to live separately, or

(ii) by a minor child not being a married daughter etc."

Under sub-clause (4) it says:

"Nothing contained in clause (a) of sub-section (1) shall apply to any such transfer as is referred to therein made by an individual before the 1st day of April, 1956, and the value of any assets so transferred shall not be included in the computation of his net wealth."

Now, I want to alter this date to 15th day of May 1957. That is the day on which this Bill was introduced in the Lok Sabha. If in the Bill as it stands today, the date is not altered, what will happen to *bona fide* transfers made by individuals in the name of their wives or minor children between 15th April 1956 and 15th May 1957? They will all be affected, even if such transfers had been made *bona fide*. The Bill as emanated from the Select Committee was all right but I don't know under what circumstances the change was made by the Lok Sabha unless it be that it is the intention of the Government that this Bill was there, it was talked about and that Prof. Kaldor has visited and that he has submitted such a report

in which he had stated that such a tax can be levied. I do not think that human imagination need be stretched to that extent and I feel that this should be altered so that minor children and wives may not be put to undue hardships

SHRI B. R. BHAGAT: Sir, amendment No. 14 raises the interpretation of a legal point. Obviously, I think my hon. friend Kazi Karimuddin wants to refer to the dower system in the Muslim personal law. Dower will certainly come within the meaning of adequate consideration so long as it is not palpably excessive and has been definitely stipulated at the time of the marriage.

KAZI KARIMUDDIN: The reason why I press it is, it is not correct to say. . . .

SHRI B. R. BHAGAT: Well, that is the legal interpretation with which I agree. I may also say that the same provision exists in the Income-Tax Act in section 16(38)(viii) of that Act and the present clause has been taken from it. It does not refer to dower specifically, But that is the interpretation followed by the Department in actual practice. So, it is unnecessary to include dower specifically.

Amendment No. 16 moved by Mr. Kapoor wants that the transfer should be regarded as irrevocable only up to the time the power to revoke arises. But I do not think there is any point in that, because when a transfer is revoked it is revoked when the revocation is actually made.

SHRI JASPAT ROY KAPOOR:
But when the revocation is actually made, what is the . . .

MR. DEPUTY CHAIRMAN: No further discussion, Mr. Kapoor.

SHRI JASPAT ROY KAPOOR:
No discussion, but we mean business here.

MR. DEPUTY CHAIRMAN: Yes, and we have business rules.

SHRI JASPAT ROY KAPOOR: But he has said something that I did not say.

MR. DEPUTY CHAIRMAN: But he is not yielding, and you go on talking.

SHRI JASPAT ROY KAPOOR: I wish you could persuade him to yield.

MR. DEPUTY CHAIRMAN: I cannot do it, unless he yields.

SHRI B. R. BHAGAT: I cannot satisfy his insatiable appetite.

As regards the date, as you know, Sir, this amendment was specially made in the Lok Sabha. The idea was that since for the last few months, before 15th May, 1957, when the Wealth-tax Bill was introduced, both as a result of Prof. Kaldor's report and as a result of other things, even academic or intellectual discussions, the wealth tax was very much in the minds of people and people were anticipating some such thing. In order to avoid possible returns, there might have been some transfers in anticipation of taxes. Therefore, it is necessary that this provision should have some retrospective effect. This has been accepted by the other House and I hope this House also will accept it.

MR. DEPUTY CHAIRMAN: Do you press your amendment?

KAZI KARIMUDDIN: In view of the assurance given by the hon. the Deputy Minister and in view of the interpretation given, I withdraw my amendment.

*Amendment No. 14 was, by leave, withdrawn.

SHRI P. S. RAJAGOPAL NAIDU: I am not very much satisfied with what the hon. Deputy Minister has said. So I would press my amendment.

MR. DEPUTY CHAIRMAN: The question is:

15. "That at page 5, line 8, for the words and figures 'the 1st day of April, 1956' the words and figures 'the 15th day of May, 1957' be substituted."

The motion was negatived.

SHRI JASPAT ROY KAPOOR: I want to be in the company of Mr. Naidu.

MR. DEPUTY CHAIRMAN: The question is:

16. "That at page 5, line 13, for the words 'the power to revoke arises to him' the words 'the transfer has been revoked' be substituted."

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

"That clause 4 stand part of the Bill."

The motion was adopted.

Clause 4 was added to the Bill.

Clause 5—*Exemptions in respect of certain assets.*

MR. DEPUTY CHAIRMAN: Amendments Nos. 3, 4 and 5 are out of order.

SHRI BHUPESH GUPTA: How?

MR. DEPUTY CHAIRMAN: Because they require the sanction of the President.

SHRI J. S. BISHT: Sir, I move:

6. "That at page 5, lines 35 to 37, for the words 'and which is more than five miles distant from any area for which there is a municipality the population whereof exceeds ten thousand' the words 'and which is outside any area for which there is a municipality' be substituted."

*For text of amendment, *vide* col. 3823 *supra*.

MR. DEPUTY CHAIRMAN: Similarly amendments Nos. 7, 8 and 9 are out of order.

SHRI BHUPESH GUPTA: How?

MR. DEPUTY CHAIRMAN: Any amendment which has the effect of increasing the tax will be out of order and this is increasing the burden of taxation.

SHRI BHUPESH GUPTA: I submit that those which will have the effect of increasing the burden require the sanction of the President. But this here involves only a lowering of the financial part of it. So that would not require the sanction of the President. My amendments are not of that type.

MR. DEPUTY CHAIRMAN: Those that are in order will be allowed.

KAZI KARIMUDDIN: Sir, I move:

18. "That at page 5, after line 25, the following be inserted, namely:—

(ia) any property held by him as a trustee in a private trust except to the extent of his interest therein;"

SHRI J. S. BISHT: Sir, I move:

20. "That at page 5, line 36, after the word 'distant' the words 'by a motorable road' be inserted."

SHRI P. S. RAJAGOPAL NAIDU: Sir, I move:

22. "That at page 6, after line 20, the following be inserted, namely:—

Explanation II.—For the purposes of this clause, tools and implements include pumpsets, tractors and other power-driven instruments used for raising of agricultural produce."

23. "That at page 6, lines 22-23, the words 'subject to a maximum of twenty thousand rupees in value' be deleted."

MR. DEPUTY CHAIRMAN: Amendment No. 24 is out of order as the recommendation of the President is necessary.

SHRI JASPAT ROY KAPOOR: Sir, I move:

25. "That at page 7, line 5, for the word 'jewellery' the words 'ornaments, precious stones or jewellery' be substituted."

SHRI C. P. PARIKH: Sir, I move:

26. "That at page 7, at the end of line 6 after the word 'value' the words 'and also jewellery deposited with the Reserve Bank of India for a continuous period of twelve months' be inserted."

27. "That at page 7, lines 29-30, the words 'in a new and separate unit set up' be deleted."

28. "That at page 7, lines 33 and 34, be deleted."

29. "That at page 7, line 36, for the words 'in relation to the establishment of' the word 'by' be substituted."

30. "That at page 8, lines 4-5, for the words 'commences operations for the establishment of such unit' the words 'enters into production' be substituted."

MR. DEPUTY CHAIRMAN: The clause and the amendments are now for discussion. Hon. Members have to be brief because we have to sit through till we finish this Bill.

SHRI P. S. RAJAGOPAL NAIDU: My amendment is a very simple one. By amendment No. 22 I want that implements such as pump-sets, tractors and other power-driven instruments should also be exempted along with "tools and instruments necessary to enable the assessee to carry on his profession or vocation". I do not know whether the framers of this Bill by the words used by them, i.e., "tools and instruments necessary to

[Shri P. S. Rajagopal Naidu.]

enable the assessee to carry on his profession or vocation" intend to include also these small pump-sets and other instruments used by the agriculturists for raising food crops. If that be the intention, I would be prepared to withdraw my amendment.

My amendment No. 23 deals with a point about which several hon. Members have already spoken. A maximum value of Rs. 20,000 has been fixed, for the tools and instruments necessary to carry on one's profession or vocation. Now, a lawyer may have a library worth more than Rs. 20,000 or a doctor may have instruments worth much more than that sum. For his profession. . .

MR. DEPUTY CHAIRMAN: I think that will do, the point has been sufficiently discussed during the general debate.

DR. R. B. GOUR: I would like to speak on this point.

SHRI J. S. BISHT: My amendment No. 6 seeks to reduce the distance. The Select Committee in their Report have said:

"The Committee consider that no exemption should be given in respect of any property used by an assessee solely for the purposes of his own residence."

They add further:

"However, to avoid any hardship in respect of houses situate in rural areas, the Committee feel that one house belonging to the assessee exclusively used by him for residential purposes and situate in the rural area should be exempted."

But actually in drafting this clause, they have extended the distance to 5 miles beyond the municipal area. Now, any area outside the municipal area is a rural area. Probably, they have been carried away merely by places like Delhi, Bombay, Calcutta and Madras and they have forgotten

those small municipalities which are more or less overgrown villages, with populations of not more than 11,000 or 12,000, where a little outside the municipal area you have the rural areas, and you have actual cultivation going on. Take the case of the 40 or more municipalities in the eastern parts of Uttar Pradesh. They have hardly a population of 10,000 to 13,000 and you find cultivation even inside the municipal area. Therefore, if you extend the limit to 5 miles, outside the municipal area, it would not be fair.

You have also forgotten the hill stations completely. Go to Simla and there you need not go 5 miles. Very near the villages are there right on the border of the place. A village may be here down the hill and another up the hill and even half a mile makes a lot of difference, especially when there is no communication. Therefore, I have given notice of my amendment No. 6 and also my amendment No. 20. In order that places like Bombay, Calcutta and Madras may not escape I have said: "by a motorable road". That will exclude small places. You will have only places like Simla, Darjeeling, Nainital, Mussoorie and Kodaikanal which are accessible by motorable roads. Otherwise, the stipulation of 5 miles will bring in all the rural areas and that will be a hardship. The Finance Minister agreed that if there are genuine cases he is prepared to consider them. But nobody pointed out the difficulties of the hill stations and the small places which are really overgrown villages.

DR. R. B. GOUR: Clause 5 which is now under discussion. . .

SHRI JASPAT ROY KAPOOR: Sir, if my hon. friend has no amendment in his name, may I say something about my amendment?

MR. DEPUTY CHAIRMAN: He has no amendments. They have been ruled out of order.

DR. R. B. GOUR: My amendments were moved in order to nullify the amendments accepted by the Select Committee. I, therefore, want to speak on the clause and the changes effected by the Select Committee. I would like to ask the hon. the Finance Minister as to what has happened to those laudable aims that he had put before the House when he came with the proposition of the wealth-tax during the last session? Sir, the wealth-tax was devised to cover the gap left in the revenue due to the reduction of the maximum scales of income-tax and super-tax from 91·6 to 77 per cent. for earned and 84 per cent. for unearned income also to yield about an equal amount of additional revenue to the Exchequer. I would like to ask him as to what has happened to this aim and to what extent Government is going to derive money in order to fulfil its Plan and to bridge the gap that has been created in the revenues of the State. When we are wanting to go in for a socialist pattern—that 'tic' has gone and now we are talking of a socialist society—what has happened to make him accept, to make the Government accept, in the Select Committee, amendments which would exempt investments of an inter-corporate nature? We know, Sir, what this sort of thing is. A company invests money in another company and this way inter-locking arrangements, are made. When we were discussing the Company Bill, we fought for the insertion of certain amendments regarding the managing agency system itself and regarding this sort of inter-locking arrangements of industries and companies, and we wanted a restriction put on them as we thought these would lead to monopolisation which is quite contrary to our aim of socialism, which is quite contrary to our aims of social justice. I would like to know why such inter-corporate investments are being exempted now. This exemption has been accepted in the year 1957 by the Select Committee, three or four years after you have declared yourself to be in favour of socialism.

I would like to ask another question and I would ask this, in all seriousness, of Mr. Parikh also. You say that a losing concern should be exempted; you say that a shipping concern should be exempted and you also say that certain other investments also should be exempted in the interests of rapid industrial development. We are also not for immediate nationalisation of every private enterprise of this country. No political party in this country is for that. Every party wants industrial development but what everybody also wants, and what everybody also stands for—here I stand in very good company for even Congressmen are also of that opinion—is that there should be no monopolisation, that undue advantages should not be given to the capitalists and industrialists. You say that companies which are losing should be exempted. I would ask you whether it is sound business to think in terms of loss when loss can be manipulated in a company. In that case, another company may say that it is running at a loss and that it should be exempted from taxation. Tax-exemption is not intended for improving industry in the country. Exemptions from taxes and such measures are not things that will help the industrial development of the country. The Finance Minister sometimes ago agreed that a certain amount, I should not say persuasion but, of compulsion was required to be used on the industrialists to improve the affairs in the industries, in the factories and in other installations. That is why, Sir, I say that this sort of exemptions are not going to help industries. In fact, that industry will never be a robust business; it will be like a fondled child. It will not be a robust child but will be a corrupt one. Therefore, it is not necessary to give such exemptions to help the industries and industrial development. They will not help in the industrial development. We want healthy industries to develop in this country. If we do not have healthy industries, they will be nothing less than corrupt fondled children.

SHRI BHUPESH GUPTA: Sir, I would like to have some explanation. As I understand it, these measures do not put financial obligations. We want to increase the assets of the Government, not put liabilities. I am not sure that all these were debated there. I am not saying that you should be guided by that House.

I would like to speak on this clause, Sir.

MR. DEPUTY CHAIRMAN: No.

SHRI BHUPESH GUPTA: Why not?

MR. DEPUTY CHAIRMAN: Your Deputy Leader gave us an understanding yesterday that more than ten minutes will not be taken on the amendments. It has been given in writing.

SHRI BHUPESH GUPTA: But since we have time, . . .

MR. DEPUTY CHAIRMAN: We have got to go through 40 more clauses.

SHRI BHUPESH GUPTA: There are not many amendments there.

DR. R. B. GOUR: There are not many amendments to the other clauses.

MR. DEPUTY CHAIRMAN: Yesterday you gave in writing that you will not take more than ten minutes on amendments. You have already taken more than fifteen minutes.

SHRI JASPAT ROY KAPOOR: My amendment suggests that clause 5(1) (xv) which contains reference to jewellery should be made precise for the simple reason that I want to make it very clear and consistent with the phraseology obtaining in the Expenditure-tax Bill which the other House has already passed and which shall be coming before us in a day or so. My object is to clarify the position with regard to jewellery. Mrs Munshi is not here; otherwise, she would have given me help. It has

not been defined anywhere as to what jewellery means and we have, therefore, to go by the ordinary dictionary meaning of it. My attention to this would not have been drawn if the three terms, precious stones, jewellery and gold bullion, etc., were not separately incorporated in the Expenditure-tax Bill. I want to be very clear about it as to what actually the intention of the Government is, whether these would come under the term jewellery, that is, gold and silver ornaments set with any jewel or not. It is so dark and so, if you do not mind, I would ask my colleague to help me by reading the dictionary meaning.

MR. DEPUTY CHAIRMAN: It is self-explanatory. He will say whether he accepts it or not. Is a speech necessary?

SHRI JASPAT ROY KAPOOR: I do not know whether it is self-explanatory or not but we have to see what actually the term jewellery means. According to the dictionary, jewellery means a precious stone or any decorative thing in which a jewel is set.

MR. DEPUTY CHAIRMAN: I do not think he disputes that position. So, it is not necessary. He will reply whether it is necessary or not.

SHRI JASPAT ROY KAPOOR: He will reply, convincing or unconvincing, full of meaning or otherwise but we have to see whether what is contained herein actually connotes what we and the Government mean it to connote because the phraseology of the two Bills are entirely separate. You will, Sir, readily agree with me, as an eminent lawyer, that if the question arises in a court of law as to whether a purely gold bangle is jewellery or not then you will perhaps rely on this expenditure-tax measure also.

MR. DEPUTY CHAIRMAN: You want it to convey the dictionary meaning? What I am saying is that even the Finance Minister agrees and no further speech is necessary on this amendment.

SHRI JASPAT ROY KAPOOR: Well, Sir, if the Finance Minister agrees it is not necessary to say anything. If he does not agree even then it is not necessary to say anything because ultimately everything rests with him.

MR. DEPUTY CHAIRMAN: I mean you are only explaining the word "jewellery". Whether it is necessary or not he will see to it.

SHRI JASPAT ROY KAPOOR: I am wanting to add gold ornaments.

(Kazi Karimuddin stood up.)

MR. DEPUTY CHAIRMAN: Your amendment is ruled out, No. 24.

KAZI KARIMUDDIN: There is one more, Sir. No. 18

MR. DEPUTY CHAIRMAN: Do you want to say something? How long do you want

SHRI BHUPESH GUPTA: Sir, the Chairman said that we could sit, if we wanted, up to 6 o'clock. If you decide on 6 o'clock we shall talk in a particular way. If you think that we should adjourn now, if it is only ten or fifteen minutes more then we have to choose.

MR. DEPUTY CHAIRMAN: We will go on till 5.30. There is still time.

SHRI BHUPESH GUPTA: The Chairman said "six".

KAZI KARIMUDDIN: Sir, clause 5(1) (i) says that "any property held by him under trust or other legal obligation for any public purpose of a charitable or religious nature in India." But in regard to private trust there is no exemption given. Even in private trust if there is a trustee it does not mean that he owns the entire property or that he holds it for himself. So what would be the position in the case of a trustee in a private trust who does not own the property wholly? That is the question which I put.

SHRI C. P. PARIKH: With regard to amendment No. 26, Sir, I have said that the jewellery deposited with the Reserve Bank of India for a continuous period of twelve months should not be liable to wealth-tax. This I have suggested to discourage the use of jewellery in the country. Also Government will be able to see whether any person is going to deposit it.

Then, Sir, regarding amendment No. 27 I say that the words "in a new and separate unit set up" be removed. By so doing industrial development will take place to a greater extent. We are giving guarantees in that regard. The Tata Iron and Steel industries and the Indian Iron and Steel Company are having their expansions. The setting up of a new and separate unit will only increase expenditure.

Then as regards my amendment No. 28. Why should you want them to keep separate accounts for expansion units? Expansions of such industrial undertakings are the core of the Plan as the Finance Minister has said.

Then, Sir, with regard to my amendments Nos. 29 and 30, the words occurring in the clause are "in relation to the establishment of such unit", which means, when it is established or when it is registered. Now it may take many years for a company to go into production. So only when it enters into production, the clause should apply. The Income-tax Act in section 15(c) also says that "when it enters into production." I do not know why here a separate method is adopted.

SHRI B. R. BHAGAT: Sir, let me answer the hon. Mr. Kapoor. I do not know if he will be satisfied. I have lost hope with him but I may point out this that any further definition of 'jewellery' is unnecessary.

MR. DEPUTY CHAIRMAN: By 'jewellery' you mean the dictionary meaning.

SHRI B. R. BHAGAT: It is all jewellery. It includes ornaments. Nobody keeps precious stones in his pocket. It is always embedded in some ornaments. It is quite unnecessary to provide for it.

MR. DEPUTY CHAIRMAN: Suppose I buy some diamonds and keep it with me and I don't convert it into jewellery, I simply buy diamonds and keep them with me, do you charge it or not?

SHRI B. R. BHAGAT: I think any practical tax collector will take that point into account. So it is not. . .

MR. DEPUTY CHAIRMAN: They are not jewellery.

SHRI B. R. BHAGAT: Though the bare stones are not jewellery, in the context of the definition of 'jewellery' as I said, Sir, most of the stones are embedded in some form or other. . . .

MR. DEPUTY CHAIRMAN: I have not embedded them.

SHRI B. R. BHAGAT: If the stone is kept as an investment it will come under there.

SHRI JASPAT ROY KAPOOR: If it is purely gold bangles will it be jewellery?

MR. DEPUTY CHAIRMAN: Suppose Mr. Parikh buys Rs. 5 lakhs or Rs. 10 lakhs worth of diamond stones and keeps them in his safe. He does not convert them into necklaces or any such thing.

SHRI C. P. PARIKH: Not set.

SHRI BHUPESH GUPTA: I would like to ask a question, Sir. You asked what would happen to them if they are kept in a separate place. I ask you; what will happen if at the time of assessment the assessee in question separates the diamonds from the necklace and puts them aside? They can be easily taken out of this thing any of such things.

MR. DEPUTY CHAIRMAN: Mr. Gupta, only jewellery comes in under exemptions. So whatever is not in ornaments will not be exempted. I think that is correct.

SHRI B. R. BHAGAT: That is true.

MR. DEPUTY CHAIRMAN: It is not exempted.

SHRI B. R. BHAGAT: Now coming to Mr. Naidu's point, Sir, I accept what he said, the spirit of it, because it was the intention to exclude all tools and implements used in agricultural operations but I think, Sir, if they are embodied in the Act as to what would be the tools and implements it will make the law rigid. So I think that what are the tools and implements required for agricultural operations should be left to be regulated by executive instructions and rules. With this assurance, Sir I would request him not to press his amendment and we accept all tools and implements for agricultural operations. It was the intention of the Select Committee and the Government also to exclude them.

DR. R. B. GOUR: To what extent the total amount that you are going to realise from this whittled down wealth-tax measure will be there now? Your earlier estimates were...

SHRI B. R. BHAGAT: Total amount? There is no total amount. I think the hon. Mr. Parikh moved a number of amendments. He objected to the maintenance of separate accounts for new expansions or new units. The main idea was to give the concessions for five years as we have it in the income-tax provisions in relation to new investments or new companies coming into being so that private enterprise should go on. The Select Committee took ample care to prevent any evasion by the existing concerns, to get away with these exemptions in the name of new units by mixing the units or by mingling the accounts. The line of demarcation is clear and I think it is a big enough concession

made with a view to helping and providing productive enterprise and I think the hon. Member who knows more about it should be content with it. I know he would not encourage or advise anything which may provide a loop-hole for evasion.

Then I think the hon. Mr. Bisht said about houses in the rural area and he wanted to make it more definite. According to him the idea of having any distance of five miles from a municipal town is not very desirable.

SHRI J. S. BISHT: Especially in the hill stations.

SHRI B. R. BHAGAT: And he said that the limitation of five miles may be there if the place is connected by a motorable road with the municipal town. This matter of giving exemptions to houses in a rural area was very carefully considered and then the exemption was given. As the Finance Minister explained while replying to the debate even big houses in rural areas carry no value. They cannot be sold; They have no marketable value. Secondly, there is difficulty in their valuation. Thirdly, this will lead to a lot of genuine harassment and also loss of money of the people who come from the rural areas. Also they won't come under the purview of the tax. The main idea was to give such houses exemptions and the loss of revenue from this particular exemption was not much. So in order to void any harassment to the people and to avoid more burden on the administrative machinery such exemption was given. To make it more refined by saying that the exemption should apply only to a house "which is more than five distant by a motorable road" etc. would lead to complications and would defeat the purpose of granting the exemption because it will create further uncertainties about the definition of those houses other than those "which are more than five miles distant by a motorable road" etc., and again it will lead to harassment and other things.

5 P.M.

SHRI C. P. PARIKH: What about amendment No. 26?

SHRI B. R. BHAGAT: That also we do not agree. The hon. Member moved in two minutes a large number of amendments and so it is difficult to catch up with him.

SHRI C. P. PARIKH: They were circulated long ago.

KAZI KARIMUDDIN: What about amendment No. 18? That is an important one; it is in regard to private trusts.

SHRI B. R. BHAGAT: We have given exemption only to public trusts.

KAZI KARIMUDDIN: The trustees do not own anything in the property. He is only there to administer.

SHRI B. R. BHAGAT: Once we leave the territory of public trusts and go to private trusts, it will be difficult in the conditions of social life that obtain in this country. This matter also was gone into in the Select Committee and it was decided that including private trusts under this exemption would mean a big loop hole for all sorts of evasion and administrative complications.

*Amendments Nos. 6, 18, 22, 23, 25, 27, 28, 29 and 30 were, by leave, withdrawn.

MR. DEPUTY CHAIRMAN: The question is:

20. "That at page 5, line 36, after the word 'distant' the words 'by a motorable road' be inserted."

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

26. "That at page 7, at the end of line 6, after the word 'value' the words 'and also jewellery deposited with the Reserve Bank of India for a continuous period of twelve months' be inserted."

The motion was negatived.

*For texts of amendments, *vide* cols. 3829-3830 *supra*.

MR. DEPUTY CHAIRMAN: The question is:

"That clause 5 stand part of the Bill."

The motion was adopted.

Clause 5 was added to the Bill.

Clause 6 was added to the Bill.

Clause 7—Value of assets how to be determined

SHRI C. P. PARIKH: Sir, I move:

32. "That at page 9, after line 33, the following be inserted namely:—

'(c) The value of a residential building of an assessee will be determined on the basis of rental value of municipalities wherever existing or on rents that may be realisable.

(d) The value of a jewellery purchased after the year 1942 will be accepted at the acquisition price if ascertainable.'"

47. "That at page 9, line 17, for the word 'may' the word 'shall' be substituted."

48. "That at page 9, lines 21-22, for the words 'the circumstances of the case may require' the words 'prescribed by the rules' be substituted."

49. "That at page 9, line 27, for the word 'may' the word 'shall' be substituted."

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

SHRI C. P. PARIKH: Sir, the residential building cannot be easily valued and therefore the municipal rental value should be taken.

As regards jewellery, I have said that wherever jewellery has been purchased after 1942, the acquisition price should be accepted if it can be ascertained. It is the correct course, otherwise it is difficult to value jewels.

Now, I come to the other amendments. With regard to the companies it is said that the Wealth-tax Officer may accept the balance sheet figures. I say the word should be 'shall'. When you do it, you do it in a way which will be understood by all. You have also said, 'making such adjustments therein as the circumstances of the case may require.' Now, it is very difficult for people to understand this. Therefore, it must be prescribed by rules so that people may understand what the adjustments are.

SHRI B. R. BHAGAT: As regards municipal valuation and the jewellery purchased after such and such date, I think these matters will be taken care of by the rules.

SHRI C. P. PARIKH: But it is not provided here.

SHRI B. R. BHAGAT: As regards officers making adjustments, it must be remembered that the assessments are appealable. People can go in appeal; it costs nothing and I do not think it is necessary to make it more rigid.

MR. DEPUTY CHAIRMAN: You will also frame rules under the Act.

SHRI B. R. BHAGAT: Whether an officer should accept a statement or not, it cannot be provided in the rules. Only the earlier two points, as I said, can be taken care of by the rules.

*Amendments Nos. 32, 47, 48 and 49 were, by leave, withdrawn.

MR. DEPUTY CHAIRMAN: The question is:

"That clause 7 stand part of the Bill."

The motion was adopted.

*For texts of amendments, *vide* cols. 3843-3844 *supra*.

Clause 7 was added to the Bill.

Clauses 8 to 17 were added to the Bill.

Clause 18—Penalty for concealment

SHRI BHUPESH GUPTA: Sir, I move:

33. "That at page 13, line 17, for the word 'one-and-a-half' the word 'five' be substituted."

34. "That at page 13, line 20, for the word 'one-and-a-half' the word 'five' be substituted."

(The amendments also stood in the names of Dr. R. B. Gour, Shri J. V. K. Vallabharao, and Shri M. Basavapunnaiyah).

MR. DEPUTY CHAIRMAN: The clause and the amendments are open for discussion.

SHRI BHUPESH GUPTA: My amendments seek to put in the word 'five' in place of the word 'one-and-a-half'. It says here, 'in addition to the amount of wealthtax payable by him, a sum not exceeding one-and-a-half times the amount of such tax.' The changes that I have suggested are for collecting more money. I need not make any speech and I hope they will be accepted.

SHRI B. R. BHAGAT: This is a new tax and I think the penalties should not be more rigorous.

MR. DEPUTY CHAIRMAN: The question is:

33. "That at page 13, line 17, for the word 'one-and-a-half' the word 'five' be substituted."

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

34. "That at page 13, line 20, for the word 'one-and-a-half' the word 'five' be substituted."

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

"That clause 18 stand part of the Bill."

The motion was adopted.

Clause 18 was added to the Bill.

Clauses 19 to 35 were added to the Bill.

Clause 36—Prosecutions

SHRI BHUPESH GUPTA: Sir, I move:

35. "That at page 24, line 15, for the words 'ten rupees' the words 'twenty rupees' be substituted."

(The amendment also stood in the names of Dr. R. B. Gour, Shri J. V. K. Vallabharao and Shri M. Basavapunnaiyah).

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

SHRI B. R. BHAGAT: The same remarks which I made with regard to punishment apply here also.

MR. DEPUTY CHAIRMAN: The question is:

35. "That at page 24, line 15, for the words 'ten rupees' the words 'twenty rupees' be substituted."

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

"That clause 36 stand part of the Bill.

The motion was adopted

Clause 36 was added to the Bill.

Clauses 37 to 44 were added to the Bill.

Clause 45—Act not to apply in certain cases

MR. DEPUTY CHAIRMAN: There are five amendments on clause 45. Amendments Nos. 36, 38, 39 and 40 are out of order.

SHRI BHUPESH GUPTA: Sir, I move:

37. "That at page 27, lines 14 to 22 be deleted."

(The amendment also stood in the names of Dr. R. B. Gour, Shri J. V. K. Vallabharao and Shri M. Basavapurnaiah)

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

SHRI BHUPESH GUPTA: Sir, now I make some comprehensive observations because half of it is gone. Now, Sir, there the main thing is this. Certain exemptions have been given with regard to certain companies, for instance, insurance and banking companies. Here all that I want to say in this connection is that there is no justification for these exemptions. I realise that they may be necessary at a certain stage in the beginning to encourage certain private sector companies to start. Now, Sir with regard to these banking and other institutions, I am not suggesting that you compute the value of such companies in the same way as you would assess personal property or other properties, because the premium money is there, the deposit money is there. This thing cannot be taken in the same way. But then this is not the only wealth in the possession of such bodies. There are buildings and other assets which remain with the companies, no matter whatever they draw on the funds or whatever may be the premium liabilities. Still there are certain properties which remain with them. I do not see any reason why that component of the property should not be assessed and taxed. Now the hon. Minister almost may look like as if we are suggesting that the deposits, property and other things should be taken into account in the same way as we should take into account the accumulated funds of the individual. That is not at all my suggestion. Because they have got certain deposits or premiums, they should not be given wholesale exception. This is our point. How you should do it is a diffe-

rent matter. I think they have got certain properties which are liable to be assessed and on which this wealth-tax should be paid. Now, Sir, this suggestion does not seem to have found much favour with the Government. I do not know why that is so and what comes in their way. The banking concerns in the country are very profit-making concerns; they have buildings and other properties. I do not see any reason why they should be completely left out. And you know the financial structure of the country. You know that among the propertied institutions these banks rank very high. There are certain other institutions which have also got considerable properties, and I do not see any reason why they should be given exemption. Now probably my friend, Dr. Mudaliar, will say that this is avoidance. For providing for this avoidance I make the Government responsible. Well, you are by law giving these concessions in the Bill itself. I think the Government would be losing a lot of money. If I had thought that our banking institutions are in so desperate a condition that they would not be in a position to pay, then certainly I would not have suggested an amendment of this kind, because I do not like the banking system in our country to be undermined or to be throttled in any manner. Therefore, I would seek some explanation from the hon. Minister as to why he is making this wholesale exception. Mark the words 'wholesale exception'. He is making this wholesale exception in respect of such financial institutions which are in a position to bear a share of the wealth-tax that is going to be imposed in the country.

SHRI B. R. BHAGAT: Mr. Deputy Chairman, Sir, the hon. Member has raised larger issues that the banking companies, the insurance companies and the shipping companies should not be excluded. This point has been very well taken care of by the Finance Minister, both when he moved this motion for consideration and in his

reply. I would only point out that the banking companies and the insurance companies are not like other companies like textile mills or any other mills. They are rather the very backbone of our national economy. One is the credit institution and the other takes care of our savings. So, as I said, a special distinction has been made in the case of these institutions, and which is very natural in a developing economy like ours. We have to take care of our banking institutions and our insurance institutions. One takes care of credit and the other takes care of our savings. Similarly, in the case of shipping companies, the ramifications of these companies is even wider than purely economic or commercial. They are our foreign exchange earners. In many ways they keep our national economy going. So all these considerations weighed with the Select Committee and the other House when they agreed to give exemptions to these institutions.

SHRI BHUPESH GUPTA: Will the hon. Minister tell us what amount the United Commercial Bank would be paying at the rate of $\frac{1}{2}$ per cent? At least give us some idea about these things

MR. DEPUTY CHAIRMAN: The question is:

37 "That at page 27, lines 14 to 22 be deleted."

(After a count) There are 4 for and a big majority against.

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is:

"That clause 45 stand part of the Bill."

The motion was adopted.

Clause 45 was added to the Bill.

Clause 46 was added to the Bill.

The Schedule

MR. DEPUTY CHAIRMAN: I am compelled to rule amendments Nos. 41, 42 and 43 as out of order.

SHRI C. P. PARIKH: Sir, I move:

44. "That at page 30 lines 20-21 for the words 'exceeds the amount calculated at the rate of 1.5 per cent. on the value of the shares included in his net wealth' the words 'exceeds the amount calculated at the rate of $\frac{1}{2}$ per cent. or 1 per cent. or 1.5 per cent, whichever may be applicable, on the value of the shares included in his net wealth' be substituted."

51. "That at page 29, line 18 for the word 'five' the word 'seven' be substituted."

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

SHRI C. P. PARIKH: Sir, I find that in the Bill which is circulated to us there is a misprint.

MR. DEPUTY CHAIRMAN: Misprints can be corrected.

SHRI C. P. PARIKH: No correction has been sent to us.

MR. DEPUTY CHAIRMAN: Probably it has escaped your notice.

SHRI C. P. PARIKH: Then, Sir, as regards amendment No. 44, you have given exemptions to those whose wealth is Rs. 22 lakhs and over. I think the same principle should apply to those whose wealth is between Rs. 2 lakhs and Rs. 22 lakhs. I do not understand why this invidious distinction has been made.

SHRI BHUPESH GUPTA: Sir, in this connection, I would like to say one or two words, now that you have ruled out all our amendments. Sir, I still seek an explanation from the hon. Minister, even at this late hour, as to why in the case of Hindu joint families the amount has been raised from Rs. 3 lakhs to Rs. 4 lakhs. I cannot understand that, because we suggested

[Shri Bhupesh Gupta.]
 in the other House that in the case of individuals it should be from Rs. 2 lakhs to Rs. 1 lakh and in the case of Hindu joint families it should be from Rs. 3 lakhs to Rs. 2 lakhs. We thought that we were making very very reasonable suggestions. They have not only not accepted those suggestions, but on the contrary they have raised the limit. And at the same time, the hon. the Finance Minister was telling us: where is the Hindu joint family? It does not exist after the Hindu Code. But it seems that it exists for this measure. It means that you are keeping the door wide open for at least the Hindus to evade this tax. Now, Sir, where it is convenient, there will be a joint family, but where it is not so convenient, there will be partition or individuals in the family and there will be no joint family. I say that by doing it under the whole scheme of things, it is quite possible for a man, if he takes advantage of the exemptions, to escape the wealth-tax even if he has three lakhs worth of property. In the case of income-tax, in the case of several other taxes it has been found that this joint family becomes a means of evading tax or, if you would like it, avoiding tax. It does not matter very much to me. Here, why are you doing it? That is what I would like to know. For instance, four brothers are earning. They have made a kind of partition; they may belong to one family, but for all practical purposes, they are separate. Now, the moment you do this, they will say that they are a joint family, whereas everyone of them.....

SHRI KISHEN CHAND: They will have to give more.

SHRI P. D. HIMATSINGKA: They will lose money. My friend is a lawyer but he is arguing the other way.

SHRI BHUPESH GUPTA: You are getting at the wrong end of my argument. Frankly, I know nothing of law, but I have got some common-sense. That is all my asset. Fortunately, it is not taxable. So, I say that

all these manipulations will take place, and I think hon. Members know how many manipulations will take place. Why have you given this opening? I do not see why it should have been raised. What happened between the introduction of this measure till you changed it that you have raised it by one lakh? Did all joint families disappear from the country or were they shaking with fear or did you feel that the Hindu joint family system would be blown to smithereens and crumble like a pack of cards, if you did not increase this?

I can only say that pressure has been brought and the Minister has been pliable and given all kinds of exceptions. Take the exemption on jewellery. Take the exemption on houses. Take the exemption on the joint family. They have given with both hands. Why this generosity all round? My friend, Mr. Ramaswami Mudaliar would be quite happy, and I am sure many hon. Members and people outside will at once present themselves as great *kartas* of joint families and avoid taxes, but that would be cheating the public exchequer, and I would accuse the Government of helping it, of being an accomplice of such defalcations and cheating of the public exchequer. It does not speak well of the Government to tax one step and then increase the exemption limit by another step. That is my complaint against the Government. That does not speak well of the mind that works with digits. I leave it to the hon. the Finance Minister to tell us after one year as to how much evasion or avoidance, as the case may be had taken place, how many joint families had suddenly cropped up to make fun of your taxation and cheat the public exchequer.

SHRI B. R. BHAGAT: Sir, It is not for the first time that a Hindu undivided family has been treated lightly. We have done so in the past in the case of income-tax. Many of the hon. Members come from Hindu undivided families and they know that they have

to bear a large burden; the campus is large and the liability is large. In some cases all the members may be earning, but they are only a very few. In a large number of cases, there is only one earner or two, but the liability is large. The House in its wisdom had given such concessions in the past and it is not a new thing that is provided here.

SHRI C. P. PARIKH: I would like to withdraw my amendments.

*Amendments Nos. 44 and 51 were, by leave, withdrawn.

MR. DEPUTY CHAIRMAN: The question is:

"That the Schedule stand part of the Bill."

The motion was adopted

*For texts of amendments *vide* col. 3850 *supra*.

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

SHRI B. R. BHAGAT: Sir, I move: "That the Bill be returned."

MR. DEPUTY CHAIRMAN: Motion moved:

"That the Bill be returned."

SHRI BHUPESH GUPTA: Would you like to have some discussion?

MR. DEPUTY CHAIRMAN: No. The question is:

"That the Bill be returned."

The motion was adopted.

MR. DEPUTY CHAIRMAN: The House stands adjourned till 11 A.M. tomorrow.

The House then adjourned at twenty-seven minutes past five of the clock till eleven of the clock on Friday the 6th September 1957.