

that this House recommends to Rajya Sabha that Rajya Sabha do join the said Joint Committee and communicate to this House the names of members to be appointed by Rajya Sabha to the Joint Committee."

## III

"In accordance with the provisions of Rules 120 of the Rules of Procedure and Conduct of Business in Lok Sabha, I am directed to inform you that Lok Sabha, at its sitting held on the 9th September, 1957 agreed without any amendment to the Minimum Wages (Amendment) Bill, 1957 which was passed by Rajya Sabha at its sitting held on the 13th August, 1957."

MR. DEPUTY CHAIRMAN: So, shall we meet at 2-00 P.M.?

SOME HON. MEMBERS: 2.30 P.M. Sir.

SHRI KISHEN CHAND: It is already five minutes late, Sir.

MR. DEPUTY CHAIRMAN: Then you must be prepared to sit till 5.30.

The House stands adjourned till 2.30 P.M.

The House then adjourned for lunch at five minutes past one of the clock till half past two of the clock.

The House reassemble'd after lunch at half past two of the clock, MR. DEPUTY CHAIRMAN in the Chair.

THE EXPENDITURE TAX BILL, 1957

THE DEPUTY MINISTER OF FINANCE (SHRI B. R. BHAGAT): Mr. Deputy Chairman, I beg to move:

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

This Bill forms the last part of the budget proposals which the Finance Minister introduced on the 15th May this year, the other parts of which such as the Finance Bill, the Wealth Tax Bill and the Railway Passenger Fares Bill, have already been passed by this House. During the general discussions in May last, as well as during the discussions last week in this House on the Finance and wealth Tax Bills, the Finance Minister explained at length the objective of our taxation policy and the features of the integrated tax structure we are trying to evolve through these measures. I need not traverse the same ground again except to stress that the Bill now before the House forms an essential component of this integrated scheme of taxation. The purpose of this measure is, as I have already stressed, three-fold. Firstly, it is undoubtedly the augmentation of public revenues to the extent this measure is capable of doing so. Secondly, which in my opinion, is even more important, it is to reduce the excessive consumer spending and divert the surplus funds towards savings. And lastly together with the Wealth Tax and Income-tax Acts, it would provide an effective weapon to counter tax evasion and avoidance.

Before I take the House through the provisions of this Bill, as passed by Lok Sabha, I may say that the scheme of expenditure tax has not been without adequate support not only in the other House, but also among the public at large. Undoubtedly we had to face some opposition and criticism, but the criticism was not one-sided. There were those who argued that the measure did not go far enough and that it gave far too many concessions and exemptions. There were others who wanted these concessions and exemptions to be enlarged; and yet others, though they

[Shri B. R. Bhagat.]

were comparatively few, who objected to this measure in principle on the ground that this measure has not been tried elsewhere, that it would lead to an inquisitorial probe of a person's private life and that it would cause undue harassment. About this question of harassment, the Finance Minister talked at length the other day in the other House. I am mentioning it here only to say that the Select Committee of the Other House had this question of possible harassment very much in their mind and it was with a view to ensure that as far as possible no harassment was caused that they decided to recommend several modifications to this Bill as originally introduced. Almost all the changes suggested by them were directed towards giving more exemptions and allowances than provided for in the original Bill. The Lok Sabha has given its approval to all the changes proposed by the Select Committee and, in addition, made certain further modifications, though of a comparatively minor character. In this way, the Bill as passed by the Lok Sabha has emerged as a somewhat lighter measure than the original Bill and I do hope that it has thereby become more acceptable to those who would come within its purview. I shall now proceed to describe briefly the important differences between the Bill as originally introduced and the Bill as passed by the Lok Sabha. One of the most important changes made in the Bill is to the proviso to clause 3. As hon. Members are aware, the original Bill had provided that no expenditure tax would be payable if the total income under the Income-tax Act for the relevant previous year did not exceed Rs. 60,000. A good deal of thought was given to this provision in the Bill and the Lok Sabha also debated at some length on the pros and cons of such a provision. As in the case of so many other provisions of this Bill, extremely divergent views were expressed. Some wanted that the proviso should be omitted altogether. Others wanted

that it should stand as originally proposed; while some others wanted to lower the limits of income proposed. There were also a few who suggested that the limit should be higher. Finally, we came to the conclusion that at least in the initial stages of the working of a new measure like this a provision of this nature was necessary, because on the one hand it would make the administration of the Act somewhat easier; and on the other hand it would ensure that the assessee who would not normally come within its scope is not unnecessarily troubled. It was felt, however, that no distinction was necessary between income liable to income-tax and that which was not so liable, because the proper criterion was not income as defined in the Income-tax Act but income or receipts from all sources, including casual and non-recurring receipts that would remain with a person after meeting all his tax liabilities. Accordingly the proviso as passed by the Lok Sabha restricts the 'evy of expenditure tax to such persons whose net income, that is, the income remaining after paying the tax, from all sources during any year exceeds Rs. 36,000/-. I may add that this limit was fixed with due regard to the basic allowance of Rs. 30,000 and the other exemptions given which make it unlikely that any person with a net income of less than Rs. 36,000 would have to pay expenditure tax, even if this particular proviso was not there.

Clause 3(2) provides that the same expenditure is not taxed twice, once when the liability is incurred and again when this liability is discharged.

Then, Sir, clause 4 was also re-cast and passed in the altered form by the other House. The first sub-clause is almost the same as the original clause except that it has further provided that only such expenditure incurred by others for the benefit of the assessee as is in excess of Rs. 5,000 shall be

included in computing the taxable expenditure of the assessee.

An Explanation, however, has been added to the clause with a view to clarifying that any expenditure of a trivial or inconsequential nature or by way of customary hospitality by any other person is not included in the taxable expenditure of the assessee. The other day during the discussions on the Wealth Tax Bill, one hon. Member referred to this question of giving and accepting a cup of tea. It is just to ensure that no assessee is required to keep a note of such customary hospitality as he receives, that this Explanation has been added. The *new* sub-clause (ii) provides that expenditure incurred by one's wife or children from out of the gifts or trusts made by the assessee for their benefit is included in the taxable expenditure of the assessee. This is designed to check the tax avoidance that might ensure otherwise,' because of the exemptions given under clause 5 to gifts, donations, etc.

Then, Sir, clause 5 provides for exemption from tax of certain kinds of expenditure. The list of items detailed in the original clause was considered to be inadequate. It was, therefore, enlarged to cover expenditure of various kinds which are either of a somewhat impersonal nature or partake the character of investment and which should not, therefore, be subjected to a tax of this nature. The new exemptions given include expenditure on the purchase of products of cottage industries, works of art and books, payment of premia on educational and marriage insurance policies, expenditure on repairs and maintenance of buildings, purchase and maintenance of livestock, expenditure for any public purpose of a religious or charitable nature, certain types of entertainment allowances, expenditure out of privy purses in certain cases, election expenses to the extent they are allowed in law. Some concessions have also been given in respect of expenditure incurred outside India

by non-Indian nationals as well as those Indian citizens who are not resident or 'not ordinarily resident\*' in this country. Most of these changes were effected on the suggestion made by the hon. Members of this House or the other House during the earlier discussion. Clause 6 provides for deductions which are to be made in the computation of the taxable expenditure on which only the expenditure-tax is to be levied. As there seems to be some kind of misconception about these two clauses, that is, clauses 5 and 6, dealing with exemptions and deductions, I may as well clarify the position here. The scheme of the Bill is that the items given in clause 5 are exempt altogether and are not taken into account at all, in computing the taxable expenditure. The expenditure on all the others, that is, the unexempted items, will be added together and from the total thereof, expenses allowable under clause 6 will be deducted upto the limits prescribed, for instance, marriage expenses up to Rs. 5,000-0-0 for each marriage; medical expenses limited to the prescribed figure; basic allowances at the rates in clause 6(1) (h) or alternatively, the allowances under clause 6(2) etc. etc. It is only the balance of the expenditure thus arrived at which is called taxable expenditure under the Act and it is to this expenditure that the rates in the Schedule will apply. The scheme of the original clause was altered by the Select Committee, although sub-clauses (a), (b) and (c) of the original clause have been retained with certain minor modifications. The main change in clause 6(1) (h) which prescribes the basic allowance. The original Bill provided a basic allowance of Rs. 24,000-0-0 only to every assessee with a further allowance, if claimed, of Rs. 5,000-0-0 in respect of each dependant, there being no ceiling on the total basic allowance admissible to an assessee.

Under the scheme of the new clause as passed by the other House, an individual is to be allowed now a basic

[Shri B. R. Bhagat.] allowance of Rs. 30,000-0-0 and in the case of a Hindu Undivided Family, the basic allowance will be Rs. 30,000 for the karta, his wife and children plus Rs. 3,000-0-0 for every additional coparcener, limited to a ceiling of Rs. 60,000-0-0 for the family as a whole. Consistently with the recommendation for limiting the basic allowance, the Committee considered it necessary to allow deductions in respect of certain types of obligatory or quasi-obligatory expenditure incurred by the assessee, such as, expenditure lawfully incurred in respect of the civil or criminal proceedings to which the assessee is a party, expenditure on the maintenance of one's parents limited to Rs. 4,000-0-0 per year, medical expenses up to a limit of Rs. 5,000-0-0 for an individual and this family and Rs. 10,000-0-0 for a Hindu Undivided Family which has other members besides the karta, his wife and his children, expenditure on the foreign education of the assessee himself or his dependants limited in all to Rs. 8,000-0-0 in a year.

It was also felt that in as much as the expenditure-tax is a new levy, some time should be given to persons accustomed to a higher scale of personal expenditure in the past, to adjust themselves to the changed conditions. In the Bill, as passed by the Lok Sabha, provision has, therefore, been made for giving an option to such persons to claim, in lieu of other allowances provided in sub-clauses (b) to (i) of clause 6(1), a consolidated allowance equal to 75 per cent, of the average annual expenditure of the last three years or Rs. 75,000-0-0 whichever is less. The Bill, however, provides for this figures of Rs. 75,000-0-0 being gradually brought down, in stages of Rs. 5,000-0-0, to the normal allowances admissible for other persons.

The amendments made to the other clauses are mostly of a procedural character and they follow closely the pattern of the Wealth Tax Bill passed last week by this House. I would,

however, invite the attention of the House to clause 20 of the Bill which provides for the settlement of expenditure-tax liability by the Central Government in the cases of the rulers of the former Indian States. This special provision was necessary in view of the concessions allowed under clause 5(q) in respect of the expenditure incurred from the privy purse on the maintenance of retinue, conveyances for official purposes, performance of official ceremonies, etc., etc. and I believe it will be in the interests of revenue as well as of the assessee concerned to arrive at a settlement in such cases. Since it is the Central Government which is vested with this power, there need be no anxiety about the administration of this particular provision.

Regarding an estimate of the probable revenue from this measure, Sir, for reasons which I have explained earlier, it is not possible to make even a guess. We do not have sufficient data about the actual scales of personal expenditure in the high income groups nor do we know what effect this measure itself will have in cutting down taxable expenditure. However, as doubts have been expressed in some quarters, I would like to assure the House that the revenue from this measure will be several times the cost of collection which, as indicated in the original Bill, is estimated at Rs. 8 lakhs only.

Sir, I do hope that this House will give its valuable support to this measure" as it has to the other Bills introduced by the Finance Minister earlier.

With these words, I move.

SHRI KISHEN CHAND (Andhra Pradesh): What is the expected revenue from this source?

MR. DEPUTY CHAIRMAN: How much do you expect to collect?

SHRI B. R. BHAGAT: I said, Sir, it is very difficult to make a guess for two reasons. Firstly, we do not know

what would be the effect and how much reduction it will amount to in the usual expenditure and secondly, we do not have other data about personal expenditure. We said that it "will be much more—or several times more—than the cost of collection.

SHRI KISHEN CHAND: What several times? Is it about four or five times or Rs. 30 lakhs or Rs. 40 lakhs?

SHRI B. R. BHAGAT: Sir, it is anybody's guess. I cannot say anything more than that.

MR. DEPUTY CHAIRMAN: Motion moved:

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

MR. DEPUTY CHAIRMAN: Motion Mr. Deputy Chairman, I thought that the hon. Deputy Finance Minister would commend this Bill to the House with a little sorrow, with a little heavy heart and with a little self-criticism also. This Bill as it was originally proposed to this House during the last Session has been very seriously watered down by the Government themselves. The Government, to my mind, are taking shelter behind certain technicalities when they say that the Select Committee and the Lok Sabha have amended the Bill. If the Government—the Congress Party—had thought it fit, they could have seen to it that the Select Committee or the Lok Sabha did not water down the Bill, did not accept the amendment that it accepted to the original Bill as it was proposed here.

Sir, it is said again and again—and is repeated *ad nauseam*—that the assessee will be harassed. I would like to know this. After all, are these questions of harassment really very serious as is put forward by these various assessees or their apologists when they speak of harassment? Is harassment to be counter-

[ poised to the very source of revenue? Is harassment to be counterpoised to the very measure that needs all the resources badly needed by the country, which the requirements of social justice make it very imperative on the part of the Government to come up with? Is harassment something that cannot be done away with? After all, harassment and things like that go with administration, with the question of administrative reforms. You can ask for certain administrative reforms in the tax collecting machinery. In fact, we want some reforms because, in that, there is much of harassment. I think the gentlemen who are to be harassed can jolly well have that luxury of so much harassment because they harass people of this country very much.

AN HON. MEMBER: No, No.

DR. R. B. GOUR: And I think, the question is not of harassment. The question is that our machinery is not yet competent enough to fight the evasion. In fact, the machinery is to be improved from that angle. A tempo of harassment is created and so much is spoken about this harassment. We are bamboozled with that idea, and with that question of harassment they come to us and ask us to water down the very measure that the Government had originally proposed to this Parliament. Sir, I thought that the hon. Deputy Minister would tell us that certain vested interests in this country, for reasons either real or\* psychological, have prevailed upon the Government to see that the very aims with which they came to this House with their original proposals in the Expenditure-Tax Bill are sabotaged. Sir, the whole object of this Bill was firstly, to reduce the expenditure and secondly, to encourage savings. I do not think that the Government has got very serious illusions that we are going to get a substantial revenue for our commitments in the Second-Five-Year Plan? The whole question was to avoid wasteful expenditure and to save money for being utilised in production.

[Dr. R. B. Gour.] works or for social or economic development. Sir, whether it is money or manpower, the country cannot have the luxury of incurring wasteful expenditure, the country cannot have the luxury of allowing it to lie idle. That is a most important question. When this Expenditure-Tax Bill was welcomed by us, we did not have the illusion that it is a socialistic measure. No; nothing like that. The Expenditure-Tax Bill is not going to do away with capitalism in this country. What it really aims at is to see that the wasteful expenditure is avoided and to see that all the money is put to a proper use. Sir, with due respect to my friend Mr. Jaswant Singh and also Mr. Akbar Ali Khan, I may say something. I know they speak with a heavy heart whenever they say that these old Princes have been harassed rather too much and that a certain amount of expenditure on their part is a justified expenditure because they are maintaining GO many people. Otherwise so many people will have to be rendered unemployed. I can understand the sympathy for the employees of the ex-princes or the ex-rulers. But I would like them to bear with me a little. I would like to ask them, is it not necessary that we should change the pattern of living of this class of our people in this country? The question is: Shall we continue allowing these old princes, landlords and zamindars to live in the old feudal way of wasting money and not putting it into productive use? That is my point. Therefore, we must encourage them, we must persuade them, and if necessary, even coerce them to see that this money is usefully spent for our country. That is our contention. And that is why we have been supporting this measure. To some it may be an encouragement, to some others it may be a little persuasion, and to some others it may amount to a little coercion. But, Sir, this very purpose has been sabotaged by the amendments that have been proposed by the Select Committee and accepted by the Lok

Sabha. Sir, I am sorry to say that this House will not be able to accept the amendments that we have proposed. In the ordinary course, they will be rejected because the President's assent is required for these amendments. But nevertheless, I would like to impress upon this House one thing. I would request the hon. Minister to let me know whether he is really serious about these things. The amendments that have been introduced have watered down the entire thing. And then I would like to know whether he likes to take this House into confidence and see that the amendments that have been introduced in the Bill are taken away in a subsequent amending Bill.

Sir, clause 2 says that 'dependant' means 'wholly or mainly dependent\*'. Why do you introduce the word 'mainly'? That means that they have got their own sources also. Now this is another exemption. Similarly, Sir, there is an amendment to clause 3. The hon. Deputy Minister has said that that amendment was a very important amendment. But he forgets to tell us that it is a very sorry-amendment also. Why don't you take the total of it? In fact, he has told us that all these exemptions will be calculated separately. That means the total taxable expenditure will never be there with all these exemptions there.

Now, Sir, I would like to come to clause 5 immediately, which is the most controversial clause. Sir, to clause 5 they have added amendments of a very serious nature. Almost the entire expenditure of the ex-princes is exempted from this tax, and nothing remains after that. Their privy purse is not subject to income-tax. Probably the Constitution and the covenants or the agreements that were entered into have laid down that their privy purse is not subject to income-tax, and there is this list of expenditure in clause 5 which is exempted. Well, I do not think that there is any expenditure at all which can be taxed. I would like to know from Shri Bhagat what is the ex-

peniture of the princes that will be taxed after this clause 5. I would like to know what will remain there after this clause 5. (*Interruption*) I am sorry, you are probably sneaking into the Treasury Benches.

SHRI JASWANT SINGH (Rajasthan): No, no. That I can never aspire.

DR. R. B. GOUR: Sir, then much was said about this medical expenditure. I would like to tell this House something about it, and I hope the House would bear with me when I say that. Sir, it is being said "Oh, what happens to life, if medical expenditure is taxed?" I say this not only as a doctor but even as a patient. That is being said as if the medical expenditure in this country is being taxed to such an extent that the people will not be able to get any medicines for their various ailments. I am sorry that in the Wealth Tax Bill also, my friends belonging to a noble profession, the healing art, had taken up that stand in their evidence before the Select Committee. But I do not agree with that. Let us take, for example, the expenditure incurred on an X-ray plant. Who purchases an X-ray plant? An ordinary practitioner? A person who uses that X-ray plant for business purposes. Therefore, Sir, could it not be included in the expenditure? Could it not be included in the wealth? Why should it not? I am sorry I have to say all that, because in the other Bill I did not get any chance. I would like to appeal to all the medical men in this country: Are you or are you not increasing the medical expenditure only for a small section of the people when others are going in this country without any medical aid? Who is responsible? What is it that you really want? You want to exempt this medical expenditure. A gentleman who can afford to spend Rs. 5,000 for a certain treatment, can as well spare about Rs. 100 to the State by way of a donation for his life. There is nothing very difficult

about this. Therefore, Sir, why should this expenditure be exempted? And then, our sentiments are sought to be roused when you are going to pay a tax on the medical expenditure. But this is not a very serious thing. After all, this kind of expenditure is not indulged in by very many people in this country. We cannot have the luxury of spending so much. Well, if you can have that much amount to spend, you can as well find some amount for the State or for the expenditure-tax. So, a very serious argument is trotted out about this medical expenditure.

Sir, they say that the expenditure incurred by the employer when his employee is on some work is also exempted. Now, for example, a certain managing director—my friend. Mr. Parikh, will excuse me—or a certain gentleman from the Board of Directors, well, he goes out for sightseeing, the whole expenditure is debited to the company's account. And it is not to be taxed. We know that cars are purchased in the name of the company. I think that our ex-Finance Minister, Mr. C. D. Deshmukh, once told us that—in fact he took us a little into his confidence and told us something which was really known to everybody—these gentlemen of big money would like to pose as if they do not own anything. Yet they live a luxurious life. Their cars are in the name of the company. Servants are in company's name. Air-conditioning is in the name of the company. And now all this is not to be taxed. I would like to know, why do you want to bring in an expenditure tax then? You are only creating grounds for tax evasion. You say that if an employer spends anything on his employee, that will not be taxed. An employee may be a Managing Director, Manager or a member of the Board of Directors. I know that some Member might get up and say, "If a peon is sent to the railway station for booking, why do you want that expenditure to be taxed?" I hope that no-

[Dr. R. B. Gour.] body will come and trot out an argument like that, as somebody once said, "Why do you want to ruin a widow who owns an acre of land and has let it out to a tenant?" in connection with land reforms. Surely this kind of expenditure is not going to come under the expenditure tax because there is a minimum to become taxable.

Then, I would come to the purchase of immovable property, and also its maintenance and repairs. Now, the gentlemen of big money are very serious about capital formation. I would like to submit that the disease of capital in our country is that it wants to earn easy profits. It does not want to take any risks, and money is invested in lands or buildings, because rents are easily obtained. You may say that it will come under wealth tax, but I say that money should not be diverted to such purposes and to such channels. We want that money should not be invested in lands or buildings. We want that it should be invested in industries, for production. When you exempt the expenditure on the purchase of immovable property, you are allowing money to go into directions in which it is not advisable that it should go in the interests of this country. You are exempting expenditure on improvements. Now, what are these improvements? My friends may like air-conditioning, to have a marble flooring and all that sort of thing. Well, all this will not be taxed. This is not productive expenditure. Is it the purpose of the Government that money should be invested in marble floorings and all that sort of thing? Is it the purpose of the Bill? Is it the purpose of the Bill that money should be directed into such channels? If you give exemption to such things, why do you want that such wasteful expenditure should be legalised? what happens to your savings campaign? What happens to your campaign of discouraging wasteful expenditure and

prevent the expenditure of money on unproductive purposes?

Then, the expenditure of the purchase of things of art is exempted. You may say that otherwise, the poor artist will suffer in India, because nobody would purchase his paintings. I think the time has come when we determine how these artists are to be maintained. If you are purchasing a painting for Rs. 1,000, you will be paying probably Rs. 10 to the Government. There is nothing very much about it. Do not bring in this point that artists will suffer otherwise. Surely this country does not want to think in terms of private expropriation of art.

Then, you have exempted expenditure on the purchase of livestock. The question of race horses comes in. You want to exempt this also from the purview of this expenditure tax. I understand that the Finance Minister at one time was very much interested in racing, but that now he is not. So, why he introduces this race horse business into this Bill? Let us chase race horses out of this Bill.

SHRI J. S. BISHT: (Uttar Pradesh): Horse-breeding is very important from the point of view of the army.

DR. R. B. GOUR: I do not think that these race horses come in anywhere there. The Government will be looking after its own horses.

Then I come to the other provisions of the Bill. On the one side you have given these exemptions, enough of them, and thus you create more loopholes for tax evasion. Then, when you come to the penal clauses of the Bill, you come to the other side of it. The penal clauses are there in order to see that the tax is not evaded. Whether it is evading or avoiding, I am not going into that controversy. When we say that more stringent measures should be adopted, you say that after all the tax is new. The tax may be new, but the gentlemen who evade taxes are not



new. They are very old in this game of tax evasion and tax avoidance. Therefore, more stringent measures are necessary, and I do not think you are going to rule out our amendments out of order because they do not cost anything and do not need the assent of the President. You have given them sufficient opportunity for appeals against any assessment, and so, why should you under subsection (1) of section 23 say that the Expenditure Tax Commissioner may, on his own motion or on application made by the assessee, reopen any case and reduce the assessment. The only people who could be harassed by this will be the expenditure tax officers.

SHRI J. S. BISHT: It is a regular thing in all the laws.

DR. R. B. GOUR: My point is that the original Bill did not contain this clause 23.

SHRI P. D. HIMATSINGKA (West Bengal): The original Bill was wrong.

DR. R. B. GOUR: My lawyer friends are happy because they have got sufficient material in the Bill to help their clients. I am not holding any brief for them; I am not going to.

SHRI P. S. RAJAGOPAL NAIDU (Madras): You will never understand them.

DR. R. B. GOUR: They want that the law should be so framed that it can be interpreted as they like. They want that the law should be so framed that there will be a clientage for them. The law must give them clients. Otherwise, what is the use of the law? Anyway, for the purpose of the State, for the purpose of the country, for the purpose of this Bill, I think we should do away with clause 23, sub-clause (1) because after all the assessee has the normal course of an appeal to the Assistant Expenditure Tax Commissioner open to him. That is important. I do understand that sub clause (3) should re-

main, because in the interest of the State, if the Expenditure Tax Commissioner feels that the assessment is lower than what it ought to be, then he can take action and say that the assessment should be revised upwards. Therefore, I say this subclause (3) should be converted into sub-clause (1). In fact that should be the only clause 23. Why have this sub-clause which creates all this question of downward revision and others, I do not know. For dealing with a case requiring a downward revision they have got other channels. Ordinarily they can go on appeal. On the one hand you have given the maximum exemption. There will not be any expenditure tax. On the other hand you have given too much power for the assessee to go to the Commissioner direct and to see that the poor Income-tax Officer who is going to be the Expenditure Tax Officer under this law, is put to a lot of harassment. This Bill, therefore, as it has now come to our House has become very ridiculous. The purpose for which it was meant has been sabotaged thoroughly and with a thoroughness that is unimaginable.

AN HON. MEMBER: What was the purpose?

DR. R. B. GOUR: The purpose was to encourage savings, to discourage, wasteful expenditure and to see that money flows into productive channels and is not wasted in this country. That was the purpose. Socialism was not the purpose. Sir, when this is the position of the Bill, I do not see what the hon. Deputy Minister of Finance has to gloat over this Bill. There is nothing in it. Firstly as I told you this was not going to get us socialism. This Bill was never intended to get that. It is a first class capitalistic measure because the money is to be invested in the industries. But even that has been sabotaged.

Sir, today, in the year 1957, when we are thinking in terms of socialism here when we are thinking only *in* terms of productive investment and

[Dr. R. B. Gour.] the development of this country, when you come with a Wealth Tax Bill, wealth is exempted. When you come with an Expenditure Tax Bill, expenditure is exempted. Then, I would like to ask—what remains of socialism? Well, that is the fate of our aim, that is the fate of our declarations, and that is the path we are following. Let us not talk of ideologies. If democracy is to be equated with private enterprise and wasteful expenditure, then the poor masses are not going to have anything out of that democracy.

*(Time bell rings)*

Let them not come to the ridiculous conclusion that in this country wasteful expenditure and private enterprise mean democracy.

With these words, Sir, I conclude my remarks at this stage on this Bill. Thank you.

SHRI P. D. HIMATSINGKA: Mr. Deputy Chairman, my hon. friend Dr. Gour has criticised the provisions of this Bill and he has, in fact, said that the Expenditure Tax Bill as-it stands; now has, more or less, become ineffective. But I have not been able to follow his arguments. As a matter of fact, there is no doubt that there have been some improvements, and some objectionable features that were there in the Bill, have now been removed. Some of the exemptions that have been allowed in clause 5 are absolutely necessary. In fact, even now you will find that there are some defects which need to be rectified. For instance, in clause 5, you will find that only the dependant children of the assessee have been exempted and not his grand-children. So if a son has a son or daughter, then there will be "no separate allowance for that child.

Dr. Gour was also critical of some of the provisions in clause 23. But he forgets that this is exactly what appears in the Income-Tax Act. This is exactly what you find in other Acts

also. As a matter of fact, if an appeal is the remedy, then that remedy exists even to the revenue authority. If the Appellate Assistant Commissioner reduces the expenditure tax, there is the right to ask the Expenditure Tax Officer to file an appeal. Therefore, this is really reciprocal. The same right has been given to the assessee as exists to the revenue authority. Therefore, no favour has been shown to the assessee as has been attempted to be made out by my hon. friend Dr. Gour.

Merely because an expenditure tax has been introduced, that cannot force or induce money to go into productive investment. There should be some other incentive also. As a matter of fact, when we were discussing the Wealth Tax Bill, you will remember that the hon. Finance Minister had hinted that he wanted that unearned income should be taxed at a higher rate that people with a lot of unearned income should divert their money into productive channels and put money in equity shares and other such like investments. But unfortunately, as you know, Sir, even, dividends are also unearned income. Therefore, if a person diverts money from immovable property to other sources and puts them in equity shares or preference shares, even then the income that will accrue from those investments will be treated as unearned income. So the same difficulty will face such an investor even when he has diverted the money into equity shares or preference shares. Therefore, unless there is something else, it makes no difference to him whether he invests his money in immovable\* property or in shares. As a matter of fact, if a number of persons form companies and they are directors and they work for the improvement of the company and for earning income, even then the income that is derived from dividends will be unearned income and will be liable to the tax on the basis of the higher rates. Therefore, as I suggested on the other occasion also, some more incentive

will be required to enable money to go into productive channels and in order to enable people to put in their money in productive industries.

So far as the criticism about this harassment is concerned, certainly if the administrative machinery is improved and steps taken to see that the officers work properly, then harassment will not exist. As a matter of fact, a lot depends on the officers and how they behave. Actually it depends on the person who is in charge of administering a particular tax measure.

Therefore, whether the provision in the Bill is of a particular nature or not, so far as its effect on the assessee is concerned, a lot depends upon how it is administered. If the administrative machinery is improved and if proper instructions are issued as to how they should behave in particular circumstances, I think a lot of the objections that are put forward against taxation measures will go.

So far as this Bill as it stands is concerned, the change from Rs. 60,000 to Rs. 36,000 has not brought about any improvement. This sum of Rs. 60,000 was the gross income before taxes were levied and this sum of Rs. 38,000 is the nett, after levying of the taxes and so on. As a matter of fact, if the income be about Rs. 60,000, the savings, after payment of taxes and so on, will not be more than about Rs. 36,000. Therefore, there has not been any advantage to the assessee and the number of assesseees will not be reduced. On the contrary, if the amount was fixed at Rs. 60,000, perhaps persons would have saved about Rs. 42,000. Therefore, to the extent that the amount has been fixed at Rs. 36,000 nett, a number of more persons will be roped in within the scope of the Expenditure Tax Bill and no one, who would otherwise have come within the scope of the Bill, will escape from the operation of this Bill. As you know, Sir, this expenditure tax does not exist anywhere in the

world. Ours is the only country where this experiment is being made and I wish that the experiment becomes a success and that it may not have to be withdrawn after sometime. As a matter of fact, the hon. Deputy Finance Minister has not been able to point out as to what he expects from this Bill. He has merely guessed and has said that it will be about eight or ten times the expenditure. Eight or ten times the expenditure is a poor amount. This would be about a crore of rupees if the additional amount to be incurred for working out this measure will be about eight lakhs of rupees as he said. Therefore, for such a paltry sum, it is not good to bring in such a Bill which is opposed by a very large section of the people who will be affected thereby.

SHRI H. P. SAKSENA (Uttar Pradesh) : It is being welcomed.

SHRI P. D. HIMATSINGKA: Certainly, it is being welcomed by persons who will not be affected by the Bill. As a matter of fact, persons who will not be affected by the Bill will certainly welcome such a Bill.

SHRI N. C. SEKHAR (Kerala): Who is going to be affected by it?

SHRI P. D. HIMATSINGKA: If no one is going to be affected by such a Bill, why bring it at all? If it is not going to affect anybody, why bring a Bill of this nature at all? It is for the authorities to consider whether such a measure which is not going to bring in much revenue and which may cause a lot of harassment and may alienate the co-operation and sympathies of a large section of the people should at all be put on the statute book.

SHRI MAHESH SARAN (Bihar): Mr. Deputy Chairman, ordinarily I should have opposed this Bill because what I feel is that everyone should be at liberty to spend the money that he earns in the way that he likes.

[Shri Mahesh Saran] Freedom of spending what one earns, is the birthright of the man who earns the money but, it is said that money must be found for the implementation of the Second Five Year Plan. Therefore, one has to change one's ordinary attitude and accept this Bill as it is going to help in the implementation of the Second Five Year Plan. The object of the Bill, Sir, is the curtailment of expenditure and the inducement to savings. We have to see whether we can achieve these two objectives by going through the provisions of the Bill.

So far as checks on personal expenditure is concerned, we have given facilities for unnecessary expenses instead of curtailing them. I refer to clause 5 (e) "any expenditure incurred by the assessee in connection with the acquisition of any immovable property or in the construction, repair, maintenance or improvement of any immovable property belonging to him;". This is a period of austerity and to allow improvements is rather risky. Improvement is rather a vague term. You can have an air-conditioned house; you can have all marble floors and you can have the best of things that a house could have but, Sir, I think, having in view the fact that we have to curtail expenses, the improvement portion of this clause should go. Then I come to clause 5(1) "any expenditure incurred by the assessee in the purchase or maintenance of livestock;". As has been pointed out already by my hon. friend, Dr. Gour, race horses and such things should not be allowed. I say that this is only a temporary measure because, as soon as we get firmly on our feet, all this has to go because we should have the liberty to spend as we like but, in view of the fact that we want curtailment of expenses in order that something can be saved for investment, I think, this item should not be there.

So far as encouragement to saving is concerned, we have to see whether this Bill helps it or in some way hin-

ders it. I will refer to clause 5 (f), "any expenditure incurred by the assessee by way of investment in deposits, loans, shares and securities, or in bullion, precious stones or jewellery;". My submission, Sir, is that if we look at the words "bullion, precious stones or jewellery", we will find that this money is not going to be invested but is to be kept idle so that the real object is also defeated by allowing this sub-clause to remain.

I will deal with clause 6 which deals with exemptions from the expenditure tax. I refer to clause 6(1) (e) which says: "any expenditure incurred by the assessee on the maintenance of his parents subject to a maximum of Rs. 4,000;". That is all right. I come to clause 6 (1) (f) which says: "any expenditure incurred by the assessee—(i) if an individual, in respect of his own medical treatment or the medical treatment of any of his dependants or parents, and (ii) if a Hindu undivided family, in respect of the medical treatment of the *karta* or any other member of the family, subject to a maximum of Rs. 5,000 in the case of an individual or a Hindu undivided family which consists only of the *karta*, his wife and children, and Rs. 10,000 in the case of any other Hindu undivided family."

My submission is, Sir, that we should have the liberty to spend any amount that we like on medicines because those persons who earn this amount earn it for their own benefit and the first thing to safeguard that one will go on earning is to allow him to live happily and live in health. Therefore, he should have the liberty of getting the best medical advice he likes if he has the money. When we are only dealing with the upper middle class, to say that you can only spend Rs. 5,000 and over that there will be a tax, is, I think, rather unfair, and this should not have been there. But now, as the provision is there, I suppose in order to help the Second Five Year Plan we will have to support it.

Then we come to clause 6(1) (g) which says: "any expenditure incurred by the assessee in respect of the education of himself or any of his dependants and where the assessee is a Hindu undivided family, of any member of the family, in any country outside India, subject to a maximum of Rs. 8,000 per year;"

I think, Sir, that this Rs. 8,000 is not enough and it is very inadequate. Therefore we should not put such a small sum as that. Otherwise the efficiency of the people who want to take to higher education abroad in future will suffer. If they want to get themselves educated they should have the facility to go in for their education abroad, and I think this limitation is not very proper.

Then, Sir, I have to submit that, so far as the definition of the word 'dependant' as given in clause 2(g) is concerned, I think that it is a very narrow definition. It only includes 'child or spouse. Now this particular class of people have a lot of relations, widows of their brothers, then sister's relations and so on, and they maintain all those people and therefore this word 'dependant' should include all those people.

Now, Sir, something on the subject of harassment of the assesseees. I know that it will be very very hard for people who have never kept any accounts to maintain such accounts. They have never been used to it and there will always be some flaw in the accounts and there are all sorts of penalties attaching thereto. I think, Sir, that this would really be a harassment to people who are used to live in a different way. Moreover at least some of them are illiterate and they cannot keep proper accounts. They will have to engage *munshis* to write the accounts and all that sort of \*hing. Therefore we have to carefully consider whether all this trouble is worth taking and whether we are going to have really a substantial amount from this source for the implementation of the Second Five Year Plan. If we are having full realisation from the

wealth tax and the income-tax I do not think, Sir, that the Government should push this clause through, unless of course Government thinks that this is also necessary and will fetch a good amount. Subject to these observations. I wholeheartedly support the Bill.

SHRI C. P. PARIKH (Bombay): Mr. Deputy Chairman, as I have said previously this is the third dose of taxation in eight months .....

SHRI P. S. RAJAGOPAL NAIDU: And the last.

SHRI C. P. PARIKH: My hon. friend says it is the last. I suppose one more tax is coming in and that L the gift tax.

DR. R. B. GOUR: It is not last; it is lost.

SHRI C. P. PARIKH: Nothing is lost.

Now, Sir, the Wealth Tax Bill which has been passed has thrown open the individual's assets and liabilities. I think wealth was not hitherto made known to the income-tax officers or to anyone. Now whatever wealth one possesses, I mean his assets and liabilities, are to be thrown open before the income-tax officers. Similarly, Sir, under this expenditure-tax measure what *one* spends and what one does not spend is also to be placed before the taxing authorities. I consider that this measure coming as it does along with other measures of direct taxation on individuals is not going to help us in our progress of industrial development of the country which we so much require. Although in principle I consider it is good, it is something laudable but, Sir, it will have repercussions on our economy. It will not fetch us that amount that we wish to get. Therefore I consider that it is ill-timed and premature in my opinion. The Finance Minister has already said that no substantial revenue can be realised on that account and I agree. There are many other

[Shri C. P. Parikh.] ways of realising revenue which will not tell upon individual enterprise and initiative. But I say, Sir, that taxations of this nature should come in dribblets and not in one dose. The Finance Minister believes in one dose. Sir, if he believes in one dose of taxation there is bound to be a temporary lull in the industrial development of our country. Whatever may be our desire for austere habits and whatever may be our patriotism there is bound to be a lull in the industrial development of the country which cannot be avoided. So we are taking risks with the psychology of investment in the country.

Now, Sir, the hon. Member who preceded me and those who had spoken earlier have said that this Bill has become a little ridiculous. I say, Sir, that the first Bill which was introduced in the Lower House was ridiculous because it was touching every item of expenditure and I think, Sir, nothing was left out to make the Bill less ridiculous. I think, Sir, the present form of the BUI which has come with so many changes which have taken place, is really an improved measure. I say, it is an improved measure because of the code of conduct it lays down for the rich persons, and whatever may be the revenues that may be realised, many rich families will derive some indirect benefit from this expenditure tax. It is a revelation and under this expenditure tax measure one will have to give his expenses on food, clothing, his luxurious articles, his motor-cars and his residence and over and above them, he would have to give his expenses if he incurs them on wine, women, gambling, and from this view point.....

DR. R. B. GOUR: Marriage expense is exempted.

AN HON. MEMBER: It is only Rs. 5,000.

SHRI C. P. PARIKH: From this viewpoint I think, Sir, it is a code of conduct which will indirectly help

many rich persons and many rich families. At the time I must say that this measure is ill-timed and premature because our tax machinery, our income-tax machinery or our whole administrative machinery is not capable of shouldering this burden. We are not able to administer the present income-tax and super-tax in a way in which we should administer them. The additional burden of having to administer the wealth tax and this expenditure tax will be very heavy on the administration, and I make bold to say that there will be harassment and consequently corruption, which cannot be avoided. If you are piling harassment upon harassment on individuals the consequence is only corruption because honest men do not exist in the world to the degree desired. There is some amount .....

SHRI AKHTAR HUSAIN (Uttar Pradesh<sup>1</sup>): I do not accept that generalisation. There are a large number of honest people in the world, but all are not honest.

DR. R. B. GOUR: He means the business world.

SHRI C. P. PARIKH: In the political world dishonesty is greater and I say many political leaders have abused their position and power.

Now, Sir one good feature of this measure is its restriction of the expenditure on weddings, because it is subject to a maximum of Rs. 5,000. That is a very happy feature of this Bill because the expenditure on a marriage at present is very large. In some cases it is as high as Rs. 2 lakhs or even more on a single marriage, and huge expenses are incurred from year to year in the country. I think the Cabinet Ministers and the Congress Party have endorsed that Rs. 5,000 on a wedding is a legitimate expenditure. I have only to request the Cabinet Ministers and the State Ministers and those who are at the helm of political affairs that they should not attend weddings where the expenditure incurred on a

wedding is over Rs. 5,000. They must practise what they preach. Sir, if they only avoid attending such weddings, the expenditure on weddings will become less and not by this measure. The correct way to deal with wasteful expenditure is not to encourage such weddings by not attending them. And those who preach this idea much practise it themselves.

Now, there is another thing about checks and counterchecks. This expenditure tax is very useful in this way that it will act as a check and countercheck on the amounts that are spent in the country by one person or the other. And the wealth tax also has the same advantage, so much so that the whole balance sheet of an individual in the matter of assets and liabilities and in the matter of revenue and expenditure is an open book and I think, if we have an administration capable of administering the country in the way in which we desire then a lot can be learnt from both these measures. Now, wealth is of two kinds, productive and unproductive and similarly in the matter of expenditure also, there is the expenditure which is incurred on legitimate items and there is the expenditure which is incurred on luxurious and semi-luxurious items. The whole structure of taxation can be on beneficial lines; the whole country can have improvement if we study the forms and returns that would be received in the matter of wealth and expenditure.

Sir, the Finance Minister at one place said that he did not believe in unearned incomes but that he believed in earned incomes. Let me tell the Finance Minister that if he would refer to the records of the Central Board of Revenue he will find that in the higher income groups 90 per cent of the income is unearned. He has suggested that he would increase the tax on unearned incomes and reduce it on earned incomes. I think that will again discourage the industrial

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development of the country. Most of the unearned income of big income groups is derived from dividends. Although this dividend income is termed as unearned, in the case of those who are in the higher income brackets it is practically an earned income. I know a number of persons who are in the top brackets. I know what they are doing; they are working nearly eight to ten hours to earn this dividend income. Unless they work so hard, they won't be able to get this dividend income. The salary which one gets, Rs. 500, or Rs. 1,000 or Rs. 2,000 is really small and such persons do not draw salaries. They are the clever brains of the country, and are at the helm of industrial affairs, but they are not drawing salaries. They are foregoing their salaries; they are only getting these dividends. And when they are working for eight to ten hours to earn such dividends, then such dividend income should be termed as earned income. It is no use calling it unearned income because they have to work really hard and put in eight to ten hours a day to earn that dividend income.

Now, about the concessions, some hon. Members said that we have given many concessions, especially concession to the princes. They have been given concession in regard to the maintenance of the members of their retinue and the relatives and dependants that they have to support and this concession was quite justified in my opinion. Then as regards the concession mentioned in clause 6, that is, the deduction of Rs. 75,000 progressively, is a great concession and it is also quite justified because you cannot ask people to reduce their expenditure overnight and therefore the proposal of giving 75 per cent deduction of the average annual expenditure for three years is justified also. But in this respect I have to make one suggestion. It is said here that it will be reduced by Rs. 5,000 every year. Now, the amount of expenditure may vary from Rs. 40,000

[Shri C. P. Parikh.]

to Rs. 75,000 and I would request the hon. Minister to examine the point that it should be reduced by ten per cent every year. So if the amount is Rs. 75,000 it should be reduced by Rs. 7,500 every year and if it is Rs. 50,000 then it should be reduced by Rs. 5,000 every year or if it is Rs. 40,000 the annual reduction should be Rs. 4,000. This matter of putting a uniform amount of Rs. 5,000 is not scientific.

As regards jewellery, it is exempted because it is an investment. I consider that jewellery should be exempted as an investment but up to a particular point, I say if jewellery is purchased to the extent of Rs. 15,000 a year, it should be exempted, in the case of Hindu undivided families the limit should, however, be Rs. 25,000 per year, Rs. 15,000 per year should be considered a legitimate investment in jewellery by individuals. I am not in favour of wholesale exemption of jewellery but.....

DR. R. B. GOUR: Is it a productive investment?

SHRI C. P. PARIKH: No; it is unproductive and therefore I say the limit should be Rs. 15,000 in the case of individuals and Rs. 25,000 in the case of Hindu undivided families. And whatever additional jewellery is purchased, that should be distributed, not over a period of five years as in the case of furniture and motor cars, but it should be spread over a period of eight years. The whole additional expenditure on jewellery should be spread over eight years. So jewellery can very well be taxed when the purchase is of a big amount. We want to discourage in the first instance the use of jewellery and for that I think a bolder measure is necessary.

Now, I do not like this Expenditure Tax Bill on account of the rates and slabs that have been introduced in the Schedule. It goes up to 100 per cent. It has been pointed out that this

expenditure tax is the first of its kind in the world. We are so advanced that we are venturing on every new measure of taxation and at least we do not see the reaction. Therefore I say that this tax should be on a sliding scale and the highest rate should stop at 60 per cent. We must understand that if we had a ceiling of rate for the tax at 60 per cent, we will realise more by way of revenue than if we had it at a hundred per cent, because there are so many ways of avoidance and evasion which the hon. Minister must not forget.

Now, there is another thing. Prof. Kaldor has said that we can have this expenditure tax and the wealth tax if the income-tax and the super-tax levy is 45 per cent. It should therefore be brought down to 45 per cent and unless and until you do that, in my opinion this levy of expenditure tax is not scientific and it is not suited to this country. So it is ill-timed and premature.

Now, the Finance Minister thinks that by this tax he is arresting wasteful and ostentatious consumption. I refuse to admit that this will have that effect except in the case of weddings. Ostentatious and wasteful expenditure can only be controlled by taxing the luxuries and semi-luxuries through excise duties and sales tax. If you know how to levy your sales tax and excise duties, you can realise more revenue and you can also control more effectively ostentatious and wasteful consumption.

Now, 'dependant' has been defined to include husband or wife and child. I say that this is something foreign to Hindu culture and Hindu civilisation. I think brothers' children, sisters' children and daughters' children are equally entitled to support from those who are in affluent circumstances. I think we have not lost our traditions although we may have been trained in Western civili-



sation. And I know a number of .....

DR. R. B. GOUR: Sometimes husbands also are dependant.

SHRI C. P. PARIKH: No; servants do not come in. Only those on whom you will spend a fair amount, almost the same amount as you are spending on your children, will come in. We generally spend a substantial sum on our sisters' children, on our brothers' children, on our daughters' children, because they are all our kith and kin and as long as that sentiment remains this Bill is not worth accepting on that account because we are going against the very traditions of our Hindu culture and civilisation.

SHRI AKBAR ALI KHAN (Andhra Pradesh): Say, Indian culture because .....

SHRI C. P. PARIKH: I will only say this that if India has been able to sustain her culture and traditions it was on account of this joint family system and the support which some elderly persons in the family have given to their dependants. And I think we can rise high only if this system of supporting our kith and kin, our nearest dependants and our nearest relatives remains intact. Therefore I suggest that where you put a limit of Rs. 30,000 for husband, wife and children, that limit of Rs. 30,000 should be only for husband and wife and for every additional dependant of the category to which I referred, you must allow extra Rs. 1,500 per person. It is not a large amount.

Now, why is our country backward. Because we have only 10 or 11 per cent, literacy in the country and that literacy is also only of the standard of primary education, not even of the secondary education standard and in the matter of University education I think it is very insignificant.

In the matter of education of a scientific and technical nature, it is

still worse. Now, Sir, the Finance Minister, by putting this curb on expenditure, I think, is putting a curb on the promotion of intelligence in our country, on educating our own people. I think for expenses on education there should be no limit at all. Why is England great? Why is France great? Why is Canada great? They are smaller countries, much smaller than ours. Why is the U.S.A. great? It is because there are a number of technicians and scientists in those countries. A country's wealth is measured by the number of scientists and technicians in the country. I think we are very poor in that respect and as long as we have not sufficient number of technicians and scientists in our country we are bound to remain poor and our poverty will grow instead of diminishing, if we adopt measures of this nature. Therefore, I say when education is to be imparted in foreign countries, let there be no limit of Rs. 8,000. We have placed a total limit of Rs. 8,000 on education abroad. I know of persons whose three children are being educated in foreign countries. The expense incurred is Rs. 8,000 on each. Shall we deny that amount? Have we sufficient facilities in the country to impart scientific and technical training of that nature? The less said about it the better. The education which is available in foreign countries is not at all available in our country in matters of science and technology. Science and technology have advanced very fast. We are denying this education. We are cutting at the very root of our progress. I think, therefore, that there should be no limit as regards expenses on education abroad. It should be Rs. 8,000 per dependant; it must be Rs. 8,000 for the education of oneself and each dependant.

Now, another thing is about education within the country. If a man gives scholarships, prizes through an institution—scholars whom he considers best or whom he wants to support, there may be students of poor or scheduled castes also—our education will not advance if we put this check

[Shri C. P. Parikh.] and consider such help as an item of expenditure. As regards education, prizes and scholarships—if they are given by a man through an institute principal or the head of the institute—then naturally that should be exempted, because we must promote education in our country. Those who are willing to help education, we must support them. The Finance Minister has said that he may pay a little tax if he wants to be charitable. Instead of paying such tax, he can very well educate two persons instead of one person. He conveniently forgets that. The argument is not appealing at all.

Now, Sir, with regard to expenses which are incurred on payment of taxes and fines, he is not exempting them. He says that only taxes and fines will be covered. But when you pay the tax, when you incur the fines, when you incur penalties, then naturally you have to incur the expense and the legal expenses may be amounting to a very large amount. They are not exempted; they should be exempted.

Then, Sir, verified returns are to be given for expenses. How many charcoal bags are bought in your house; how much ghee is purchased in your house, how much cloth, what salaries you pay to the servants; all these you have to verify. I think this word 'verified' is something which cannot be understood by those who have not to pay the tax. It may be understood by those who receive the tax. Vouchers for the charcoal purchased, or paying school fees or buying children's school books, all these have to be kept. And who is going to keep that account, as one hon. Member has said?

Now, another thing is with regard to its application to individuals and Hindu joint families. The Act certainly applies to them. It does not however, apply to firms. But I want the Finance Minister to make it very clear whether it applies to individuals who are carrying business, in the matter of

business activities, in the matter of their purchases and sale; in the

matter of sale, I think it is confounding and it must be made very clear that with regard to individual expenses they do not include expenses of business or purchase and sale of articles in business.

Now, Sir, it is a welcome feature that he has brought in the cottage industries products. If one buys cottage industries products, they will be exempted. This is the first time that Government is paying attention to cottage industries development. But let me see what rules they prescribe and how they can control the purchase of cottage industries products. That is very difficult. It is put in this Bill in order to show one channel of expenditure or the other, but I think it is very difficult to put it into practice, because vouchers can be transferred and passed.

Now, the last point is this about the Appellate Tribunal. We have the system of Appellate Tribunal in this country. This is something which I do not like. The Appellate Tribunal is appointed by the Finance Minister himself or the Central Board of Revenue. They are all his own nominees. I think one cannot sit in judgment over what one has done. That is the principle of taxation. If the Appellate Tribunal is composed only of persons who are nominated by him, I think justice will not be done. In England the system of Board of Referees is there where non-officials are put like jury to administer justice. The non-officials should constitute the Board of Referees, as it was at the time of the excess profits tax. There were representations from the industrial and business communities that they liked the Appellate Tribunal and they did not like this Board of Referees. I ask my hon. friends whether non-officials would be able to do better or the officials would be able to do better? I know those who are advocating the institution of Appellate

Tribunal. They do it because some of them are well placed in life because they can influence them and they have influenced them. I know it as a matter of fact.

SHRI B. R. BHAGAT: May I correct the hon. Member. The members of the Appellate Tribunal are not appointed by the Ministry of Finance, but by the Ministry of Law.

SHRI C. P. PARIKH: Ministry of Law and Ministry of Finance, I do not find great difference, because the whole governing point is that they oftentimes look to the Central Board of Revenue. The clause is there.

SHRI KISHEN CHAND: It will be the Assistant Commissioner, not the Appellate Tribunal.

SHRI C. P. PARIKH: Whatever it be, I only want to point out—whether it is appointed by the Finance Ministry or the Law Ministry—that non-officials should be there. And if the Law Ministry appoints non-officials, I will be much pleased on that account and there will be great satisfaction in the country. With these suggestions, I support the Bill.

DR. R. B. GOUR: The non-officials should be business men.

SHRI C. P. PARIKH: Men of experience.

MR. DEPUTY CHAIRMAN: Mr. Jaswant Singh.

SHRI JASWANT SINGH: Mr. Deputy Chairman, the hon. Deputy Finance Minister has given us a good news that in the present series of taxation proposals, this is the last instalment. He has been saying that at least for the last year or so. In the past the taxation proposals used to be once a year. But since the present Finance Minister has taken charge of his portfolio, we have been seeing that his taxation proposals are brought forward before the two Houses time and again, whenever it suits him. Though

it is a good tiding, still it remains to be seen whether it is going to be the last taxation proposal as far as this year's budget is concerned. As in the case of the Wealth Tax Bill, the inspiration for the Expenditure Tax Bill has been taken from Prof. Kaldor. The same mistake was made by the Finance Ministry in regard to the wealth tax because in an integrated picture of taxation structure, Prof. Kaldor had envisaged certain positions—that they will substitute super tax and income-tax. But to suit his own convenience, the Finance Minister has applied these two taxations—the wealth tax and the expenditure tax—to India without taking into consideration the basis on which Prof.

Kaldor has proposed these taxations. Again, as in the case of the wealth tax, the tax burden, in certain cases, in regard to this tax also will be much more than the income of some of the categories of people. They will have to pay out of their capital in order to give taxes to the Government.

Now, I come to the Bill itself. First of all, I would submit that there is a very big discrimination in regard to one matter. The people who are liable for the expenditure tax are those who will have to pay tax if they spend beyond Rs. 30,000. But those who are not liable to pay tax, can spend out of their capital even a lakh of rupees or two lakhs or five lakhs. They will not be liable for any taxation and they can spend according to their wish and pleasure. And the main aim as it was understood from the Finance Minister was to encourage savings and austere expenditure. Sir, I would submit in regard to the group of people who will not fall within this expenditure tax that they would be able to spend out of their capital, any amount of money and in this way, there will be a big discrimination between those who will incur ostentatious expenditure and those who will be bound down not to spend

[Shri Jaswant Singh.] money unless they pay an equal amount to the Government.

The question, again, of the princes has been referred to. Well, we cannot blame our friend, Dr. Raj Bahadur Gour, because it appears that he has not properly read the provisions made in the Bill as far as the princes are concerned.

Sir, there are two references to "the princes in this Bill. One is subclause 5(q) and the second is clause 20. In regard to sub-clause 5(q), you will see that very little relief has been given to the princes themselves. The very first thing is: "The maintenance of any member of his retinue and the payment of salaries, allowances and pensions to members of his staff or to persons who have retired from his service." Sir, to this nobody can take any exception. Secondly, "the maintenance of any one building declared by the Central Government as his official residence". Last time, I had tried to show—and I would again submit—that the princes have got many residences. Each has got a modern residence which has been declared, in the case of practically every ruler, as his official residence. But the remaining residences are 'white elephants', so to say. They are old forts and fortresses. People go there on sentimental grounds. There are temples situated there. There are other family buildings available for ceremonial purposes. They all have to be maintained because people still pay very great respect and regard to them in their own States. They are more of a liability. They have to keep a retinue to look after those forts and fortresses and they have to incur large amounts of money on them. All that expenditure is still, there and they have to pay expenditure tax in regard to these expenses.

DR. R. B. GOUR: Will not subclause 5(e) help, Sir?

SHRI JASWANT SINGH: No, it will not. I will come one by one. They will have to pay expenditure tax on all these except one residence on which also, the Expenditure Tax Officer will have to see whether only legitimate charges are being incurred by the princes concerned.

DR. R. B. GOUR: What about maintenance of immovable property?

SHRI JASWANT SINGH: "The maintenance of any conveyances or animals for official purposes." Sir, the princes have inherited fleets of cars. They have inherited them from the time of integration of their States with the Union. They took whatever they liked. There are also Rolls Royces; there are Buicks and other cars. Their maintenance itself is a very big thing. But they are not going to have any allowance in this except in the case of 2 or 3 cars which are intended for use in their official position. Big dignitaries from the Centre or from the States or foreign visitors visit the princes. Take the case of my State, Bikaner. It is one of the best places to go for shooting even now. Bikaner proper and round about are famous for Imperial Sand Grouse shoot and for other small game. We request foreigners to visit these places. They have seen them in the past. From the Government of India, we get recommendations to entertain them and that will help the Indian Government also in regard to the entertainment of their guests. We do not charge a single pie either to the Central Government or to others.

DR. R. B. GOUR: What about cars?

SHRI JASWANT SINGH: One or two cars the rulers can have for this purpose. But for other cars or even for every small car, they will have to pay tax.

Similar is the case with regard to maintenance of animals and of any relatives dependant on him for main-

tenance. Mr. Parikh has dealt with this. Only two years ago, the President honoured us by visiting Bikaner. Naturally, the Maharajah of Bikaner, my master, had to put him up in his house and entertain him according to the position which the President occupies in the country. These are official functions. Not that ordinarily he would have liked to incur this expenditure, but it was an honour. Therefore, only such matters have been exempted and everything else will be subject to the expenditure tax. So, I would submit that this sub-clause 5(q) will go a long way, as much as my friend considers. It will give very little relief and whatever may be the relief that may be given, the expenditure will be incurred by them.

DR. R. B. GOUR: Read it along with other clauses.

SHRI JASWANT SINGH: They will have to pay for other things.

DR. R. B. GOUR: Expenditure for maintaining, improving and acquiring. ....

SHRI JASWANT SINGH: Well, in regard to that, that will be added on to the Wealth tax. Whatever expenditure they incur in regard to the improvement or maintenance of buildings goes towards wealth. Government will realise the tax on wealth as well as the Estate Duty. When a particular ruler dies, on whatever assets he will leave behind, his successor will have to pay tax. You cannot have both ways. They will not go scot-free. They will have to pay Estate Duty.

The next point is in regard to clause 20. Here, this has to be read in continuation of Article 291 of our Constitution.

Sir, Article 291 lays down as -follows:

"Where under any covenant or agreement entered into by the Ruler of any Indian State before the commencement of this Constitution, the

payment of any sums, free of tax, has been guaranteed or assured by the Government of the Dominion of India to any Ruler of such State as privy purse—

(a) such sums shall be charged on, and paid out of, the Consolidated Fund of India; and

(b) the sums so paid to any Ruler shall be exempt from all taxes on income."

Sir, if we read clause 20(1) along with Article 291 of the Constitution where rightly or wrongly the Rulers have been exempted.....

SHRI M. B. JOSHI (Bombay): Is it a tax on income?

SHRI JASWANT SINGH: I consider it in this way. In the Constitution they have been exempted from the payment of all taxes on income. But I am not pursuing my point from that point of view. But I do feel that some time ago an appeal—not exactly an appeal, but a sort of suggestion— was made to the Princes by the Prime Minister that they must devote some money out of their privy purse for public welfare purposes, and I dare say that 90 per cent, of them do so. Otherwise the position in their former States would not have been what it is today. They have spent their money on public welfare activities. That may not be through the Government of India. But the Government of India has succeeded to this extent that from the privy purse choice has been given to them under clause 20 that either they pay the expenditure tax on all their expenditure excepting some small items which I have already narrated, or they approach the Government of India and tell them that "We do not want to be subject to the expenditure-tax, but please deduct yearly a certain amount of privy purse." That is what clause 20 says. It says that a certain sum will be deducted out of their privy purse in lieu of the expenditure-tax. And I am absolutely certain that

[Shri Jaswant Singh J the Finance Ministry will have their way in deducting as much amount out of their privy purse as possible by way of a compromise, if they do not want to be subject to the expenditure tax. So, for the first time these Princes have been brought within the orbit of direct taxation. So many of our friends will be glad that something new has happened. But all that I want to submit in this connection is that the Finance Minister has not been able to say what will be the income from this tax. And I can also see **that** a large number of people will be exempt, because it is a very high income. The income should be something like Rs. 60,000 annually before it can be subject to this taxation. So many people will not come within the orbit of this form of taxation. As far as big business men are concerned, they are very clever. They can either evade or avoid the tax. The only people who would be subjected to this expenditure tax, who can neither evade nor avoid, would be the Princes, and any income that is going to come out of this expenditure tax will come solely and only from the Princes and nobody else. As far as the Princes are concerned, I know that they are always prepared to contribute their mite towards the welfare of the country, if they can help it. But this tax will be a discriminatory tax in the sense that only they and they alone will be subjected to this tax and nobody else.

Then, Sir, I come to the other provisions of this Bill. As far as these medical expenses are concerned, of course, only the rich people will be subject to this taxation, not the ordinary people. Now the limit of Rs. 5,000 has been provided, and the Finance Minister while introducing the Bill told us that expenditure during the previous few years will be taken into account. Sir, it is a very curious argument to say that the previous three or four years' expenditure will be taken into account. **After** all there

might be somebody who is ill in one year and it may be that in the next year nobody may be ill in the family. So this argument is fallacious. At any time the assessee himself or a member of his family may fall ill, and whether a man is poor or rich, Rs. 5,000 is a very small sum. I have myself been a victim of illness in my family, and with my meagre means I can say that in Delhi this month I have spent something like Rs. 6,000 on the medical attendance of my wife who was unfortunately ill. For everything you have to pay through your nose, if you want to receive the best possible treatment. But if you think that let the patient die, what does it matter if she dies, if you take that attitude, then it is a different matter. But if you want to give best treatment to your near ones, this sum of Rs. 5,000 is nothing. Further we know that our State is a welfare State and what are the medical facilities given in our welfare State? Take the case of Bikaner. Before integration people used to come there for treatment—from far and wide, from Calcutta, Bombay and other places—because we used to have the best possible doctors. But now, after integration, the hospitals have practically been ruined, because all those specialists that we used to have have gone. The Government does not pay them the salaries they want. We used to pay them adequate salaries, say, about Rs. 3,000 or Rs. 4,000. But now the salaries are reduced. If high salaries are paid, the people begin to cry 'Why such big salaries?' Therefore, Sir, we cannot get first class-people unless we pay them adequately. **The** result is that I had, with my meagre means, to leave my home place to get my family member treated here in Delhi, and I had to pay through my nose. But this has got to be done, if you have to save somebody's life. So I personally think that the argument that it will affect only rich people is no argument. But for genuine medical purposes there should be no limit, and they should be exempted.

Then, Sir, I come to the expenditure on education. Well, as far as education abroad is concerned, my friend, Mr. Parikh, has dealt with it at length, and I need not augment what he has already said. Sir, it is a matter of surprise that no importance is attached to internal education in our country. If you send your children to an ordinary school, of what worth they will be to the country at large? You have to give them specialised education through public schools and other institutions for higher education. But no exemption has been provided in the Bill for this purpose. It is defective as far it goes there also. Then, Sir, I was again surprised to see that there was no reference at all to death expenses, particularly of Hindus, in this Bill. Well, we want to bring about social reforms. That is true. But still in this country there is an overwhelming majority of orthodox Hindus who believe in the next birth, and for their, parents and other near and dear ones, at the time of death, they spend on obsequies a lot of money, and for this purpose no exemption whatsoever has been made. I consider that in a matter like this it is an encroachment on the religious sentiments and feelings of Hindus. And it is a very serious matter that in the name of social reforms Hindus are being hit right and left, and therefore as a staunch Hindu I have the serious possible objection to this kind of expenditure not being given exemption in this Bill, and I do hope.

SHRI H. P. SAKSENA: Is there any clause in this Bill which prohibits any assessee to spend any amount of money that is at his disposal towards those matters which you are mentioning?

SHRI JASWANT SINGH: Yes. They are not included in the exemption list. Therefore anything that is not included in the exemption list is liable to taxation, and therefore it is liable to taxation—expenditure on obsequies, expenditure on deaths and births, and some of us have to spend at the time

of birth of a child a lot of money on various ceremonies.

DR. R. B. GOUR: He wants exemption for expenditure on such things.

SHRI JASWANT SINGH: On the feeding of Brahmins and doing so many things which my friends may consider to be bad things but as orthodox people, it is very necessary for some of us to do such things.

DR. R. B. GOUR: Better feed the communists.

SHRI JASWANT SINGH: That will be very good, because they will feed at your cost.

These are the objectionable things from the point of view of many of us. Otherwise, personally we have no objection to this. This is a novel idea, and is for the first time being introduced in any country, but there is a good deal to be improved upon in it. I personally feel along with my other friends that there was hardly any-necessity for this kind of measure, because hardly any money is likely to become available, except from a very few people, but that will not go a long way.

PANDIT S. S. N. TANKHA (Uttar Pradesh): Mr. Deputy Chairman, while I support the Bill generally, I find that there are certain matters which have to be considered carefully, while we are at the Bill. We are told by the Finance Minister that the objectives of this Bill are two-fold, firstly to place an effective check on the personal expenditure of persons and secondly to divert the surplus towards savings and productive investments. We have therefore to see whether the objectives of the Bill will be achieved by the proposed measure. This measure has been greatly opposed by a section of the people on the ground that it will not achieve the purposes which it has in view. Sir, I have no doubt that it will go a long way in achieving the object for which it is being enacted. I have no-doubt that the wealthy

[Pandit S. S. N. Tankha] classes and those persons whom this Bill will affect will do their utmost now after the passing of this measure, to curtail their expenditure so far as it is possible for them to do so. Nobody would like to pay taxes on expenditure besides having to incur the expenditure itself, and therefore the incentive for every moneyed person will be in future to save and curtail his expenditure as much as he can. There can be little doubt that the cutting down of expenditure will cause some discomfort and hardship to many a person, but in the long run I believe that it is not only they who will benefit by it but the country also. Now, the only thing is whether by this Bill we have made it possible that the amounts saved by these persons from their expenses over luxuries or other unnecessary articles can be diverted for the good of the country and the community. My own feeling is that some of the exemptions which we have granted in the Bill may not make it possible for the Finance Minister to achieve his object of diverting that surplus money towards the betterment of the country or in order to help us to go forward with our Second Five Year Plan. In this connection I would refer you to the exemption provided for in clause 5(f) which says:

"any expenditure incurred by the assessee by way of investment in deposits, loans, shares and securities, or in bullion, precious stones or jewellery."

I cannot see any reason why the investments on bullion, precious stones and jewellery should be exempted from being taken into account in calculating the total expenditure of the assessee. My own view is that any money which is invested by the assessee in bullion, precious stones or jewellery is dead money, and which confers no benefit to the country. Our primary objective in bringing forward this Bill is to raise money for our country's needs. Therefore, if a moneyed man out of his earnings,

purchases gold and hoards it or collects precious stones and jewellery, he does not place it at the disposal of the nation, which is our primary objective and which we want him to do. I realise that by investing any portion of his money on precious stones or jewellery or bullion, he will be placing these articles at the disposal of the authorities for the purpose of payment of wealth tax, but that is quite a separate tax by itself, and this measure has primarily been brought forward in order to divert money from all useless purposes into useful channels, and therefore I submit that this purpose will not be served by granting the said exemptions.

While discussing this question of taxation, there is one aspect of the matter which I would like the authorities to consider, and that is that the taxation system which we have lately introduced should not be such as will work undue hardship on certain classes of persons or act in such a manner as to become a disincentive for them to work for the prosperity of the country.

In certain papers which have been circulated to us by Free forum of Enterprise and certain other organisations in the country, they have tried to point out that if the wealth tax and the expenditure tax and the income-tax and the super tax, are all calculated and put together as a whole, then their effect on the moneyed classes, above a certain limit will be, that not only will they be deprived of their entire gross annual income, but they will also be deprived of a certain part of their capital. I have not studied those figures carefully and I am unable to say whether the calculations given by them are correct or not. All the same, I do feel that if these figures are correct, then it is certainly a wrong policy on the part of the Government to tax them in such a way. I certainly agree that Parliament has the right and the power to tax the people to a very great degree and even to the last pie.



[THE VICE-CHAIRMAN (SHRI M. GOVINDA REDDY) in the Chair.]

But all the same if we take away the entire earnings of a person, then I feel we are doing him a very great injustice. Moreover if we not only take away hundred per cent, of his earnings, but we take away something even out of his capital, the result I am afraid, will be that after a certain length of time we shall be seeing those classes which are called the moneyed classes today, with a beggar's bowl in their hands on the streets. Question therefore arises is, if it is right on our part to do so. A certain amount of -wealth should certainly be left with them, because they are as much entitled to live comfortably as any other man in our country. They stand in the same position as I or any other person in the Union. If it is not the policy and the intention of the Government, or of this Parliament, to deprive any man of his entire income, and if it is its policy to leave a certain amount with every class of persons for their living, and for the education and maintenance of their children, then those classes, I mean, these so-called moneyed classes are also certainly entitled to claim the same right and privilege and they should also be allowed to enjoy a certain amount of their wealth as any other man is entitled to. If Sir, we take away a man's entire income, that will certainly act on him as a disincentive to work. If today I find that by doing my profession I am earning Rs. 100(- and all that sum of Rs. 100|- is to be taken away from me then what is the incentive for me to work? Why should I work? Moreover, when I feel that it is not only this sum of Rs. 100 which I have earned, which will be taken away, but also Rs. 20|- or more further out of my pocket, then what is the incentive for work left to me. And this, I submit, is not just. Therefore, I would beg of the Government to take into account the whole structure of the I present taxation which we are now imposing on these people, I mean, on the moneyed classes, and then to see

how far we are acting justly and fairly towards them. If it is found that the measures which we are enacting or which we will enact will work hardship on them, then I would ask the Government to modify the rates of taxation in such a way as not to cause that hardship and injustice. It must be remembered, Sir, that Prof. Kaldor when he recommended a wealth tax and an expenditure tax in his report, he also mentioned that with the present scales of income-tax and super tax in our country it will not be possible for the wealth tax or the expenditure tax to be imposed, and that the rates on the higher incomes and the super-tax should be lowered down before these taxes should be imposed. But we have not done anything of that sort. We have gone ahead with the wealth tax and the expenditure tax even with our high rates of income and super taxes. Of course, I welcome both these measures and I do not disagree with their imposition but all I say is that the entire burden of these taxes must be studied and scrutinised carefully in order to see how they work on the moneyed people.

Regarding some of the exemptions which have been allowed in the Bill, many of the hon. Members have spoken on them, but all the same, I would also like to lend my support to some of those proposals. The first of these relates to marriage expenses for members of the family the limit of which has been fixed at a maximum of Rs. 5,000/- for each marriage. I think it will be clear to every one who knows of the social conditions in the country and the life of the people, that a sum of Rs. 5,000/- for the marriage of a daughter certainly, if not of a son, is too meagre an amount even in a middle-class family. I presume, Sir, that this sum of Rs. 5,000 does not represent only the expenses incurred over the feasting or the other ceremonials, but it also covers the cost of clothes, jewellery and other presents which have to be given to the daughter at the time of her marriage or to the

[Pandit S. S. N. Tankha.] daughter-in-law at the time of son's marriage. And if that is so, then Sir, this amount of Rs. 5,000 is too paltry a sum.

SHRI J. S. BISHT: But the other things can be covered by the provision for gifts.

PANDIT S. S. N. TANKHA: The hon. Finance Minister said elsewhere that he does not stop people from incurring an expenditure of Rs. 20,000 or Rs. 30,000 or Rs. 53,000 over a marriage if a person so desires, but that all that he does, is that Rs. 5,000 out of the total amount will be exempted from the tax and the rest will be taxed. But I submit Sir, that it is not fair to tax that amount even. And I would ask the Finance Minister to give an exemption for such an amount as well be a reasonable figure for marriage expenses. If you think that in an upper class family the expenses come to, say, Rs. 50,000 over a marriage, and if you desire to make a social reform in them also, then you may reduce that figure to a half and say that a sum of Rs. 25,000 will be exempted. But to exempt Rs. 5,000 only seems to me ludicrous. You might as well not exempt it and do not allow exemption at all.

Next I come to the exemption in connection with medical treatment. There too a figure of Rs. 5,000 and in the case of a joint family a sum of Rs. 10,000 have been allowed for medical expenses. You know Sir, that nobody desires to spend more than is absolutely necessary. But often cases arise where it becomes essential for saving the life of a person, to incur much more expenditure. It is also possible that certain ailments cannot be properly attended to in India. For that the patient has got to be taken outside the country.

If that has to be done, then the figure of Rs. 5,000 for expenses is most inadequate. This is not a case where you can say that it is mere ostentatiousness on the part of the

person incurring that expenditure to incur it and that, therefore, you will dissuade him from it by prescribing this limit of tax. As I have just said, there may be some ailments or certain operations which cannot be cured or performed in India, or cannot be so successfully performed or not so efficiently performed as in other parts of the world and, therefore, it often becomes necessary, provided one has the money for it, for the patient to be taken elsewhere. Therefore, Sir, I would submit that all genuine expenses incurred over the medical treatment should be exempted entirely. Next, Sir, my hon. friend, who preceded me just now, Mr. Jaswant Singh, said that no provision had been made for the funeral expenses. I agree with him that this is also one of those instances in which exemption is necessary for Hindus at least in this country, who are compelled by religion to incur this expenditure having regard to the family or the status of the person.

SHRI AKBAR ALI KHAN: Muslims-also.

PANDIT S. S. N. TANKHA: Possibly. Therefore, some amount should have been fixed for exemption for the funeral expenses. You will agree with me that it is not the expenses of the day of death alone which comprise the funeral expenses but expenses connected therewith for the whole of the year have to be included in certain, cases. Among the Hindus, "Gaya" has to be performed for the welfare of the soul of the deceased. Therefore, all those expenses should be included in the funeral expenses and should be allowed for. Any reasonable limit may be placed on them which may be considered proper. Then Sir, I find in clause 5 (&) exemption given in respect of the purchase of books or any work of art but, Sir, there are certain articles of hobby in which people sometimes spend large sums and I would like to know what will happen to the expenses incurred on them. What will be the position of these

things such as curios which may not be works of art. So many people nowadays indulge in collecting them and in buying them. What will be the position of expenditure on these curios which may not be works of art.

SHRI AKBAH ALI KHAN: In these days, such persons will be considered as curios.

PANDIT S. S. N. TANKHA: Take any instance. For instance, people collect stamps, old and rare ones. They are not works of art but, all the same, that is a hobby some people indulge in and these people often pay several lakhs for an old stamp, an odd one brought out at any time. It is not a work of art, but a rare thing all the same.

SHRI J. S. BISHT: They will not do it in future.

PANDIT S. S. N. TANKHA: That is another matter.

DR. RADHA KUMUD MOOKERJI: (Nominated): I know of several persons who have spent much money on the *collection* of birds.

PANDIT S. S. N. TANKHA: What then will be the position of these expenses? Therefore, Sir, I would like these matters to be carefully considered by the hon. Finance Minister and, with these few remarks, I wholeheartedly support the measure before us.

SHRI H. P. SAKSENA: Mr. Vice-Chairman, I thought that this was the last leg of the taxation proposals for the year 1957-58 but I am reminded by my very esteemed friend, Mr. Parikh, that there is one more taxation proposal to come before this House and that is known as the gift tax. So far as I am concerned, I give this measure my unqualified support for the very good reason that I have nothing very much to spend and, therefore, I will never be taxed under this measure. I am also glad and I testify to the wisdom of the members of the Select Committee of the other House who have introduced necessary concessions in the Bill in order to i

make it less unwelcome and, as my hon. friend, Mr. Parikh, was suggesting in his speech, the Finance Minister should not have come to this House with this Bill which is complete in every respect. He should have introduced this tax on expenditure in dribbles. It should have been done piecemeal. So, that purpose is also served by the concessions that have been introduced by the members of the Select Committee and yet I find, Sir, that this Bill has been assailed both by those who are in favour of its not being whittled down and even by those who would have preferred it to have been made more stiff. This is after all an instance of the bent of mind of the persons who have studied the measure.

Now, Sir, ostentatious display of wealth is any day a bad thing and if this Bill succeeds in preventing that ostentatious display of wealth, it is welcome. Another welcome feature with which this Bill can be associated is this that it will bring in some money for improving our economic resources which we very badly and urgently need, the foreign assistance we banked upon having failed us.

My hon. friends who belong to the profession of law have studied it from that legalistic point of view which you, Sir, would have very much appreciated, but I find that there was nothing mere and nothing less in those observations than what is termed as quibbling in legal language.

Mr. Himatsingka and Mr. Mahesh Saran are still, it would appear, living in the nineteenth century; they are still thinking of a great calamity which would befall this nation if our young persons, young men and women are not sent abroad for receiving higher education and special studies in matters of science, technique and all that. If we can afford to do it, let us collect as much money as we can and invest it in establishing these specialised institutions in our own country so that our young people may be educated here at home

[Shri H. P. Saksena.] rather than send them abroad, and there they are subjected to all sorts of temptations and fall victims to many things which the easterners, the orientals, do not like, and which are very rampant in the west, and the west, Sir, as you know, is the only part of the world which can give us training and education in science and technique.

Sir, I do not agree at all with the suggestion made by my very learned friend, Mr. Parikh, that this measure, the Expenditure-Tax Bill, is ill-timed and premature and should have waited for sometime more. I am afraid if it should have waited now it would have waited for ever because taxations, unwelcome as they are always, can never be accepted by the people with open arms. Whenever they will be introduced there will be a hue and cry; there will be an agitation, there will be loud lamentations that people are being unnecessarily harassed and taxed. But then the plain fact is that those who have got enough money should be made to invest that money, to part with that money to some extent and devote it to nation-building activities. That should be accepted; that should have been accepted by now by those fortunate persons. Fortunately or unfortunately their number is very small. This should have been accepted by now and they should have diverted their resources to this channel. But they have not done it and that is the one justification for the introduction of such measures -as the Expenditure tax and the Wealth Tax and all that. If there were no wealth there will be no wealth tax; if there were no lavishness and unnecessary expenditure there will be no Expenditure tax. So this is obvious.

Sir, I may remind the House that our people who belong to the 'haves' class are exerting their level best and exercising their entire brain in finding out ways of evasion and avoidance. I am sure they are more clever than the entire army of the tax collectors

put together, and it will be very difficult for the tax collectors to succeed in their sacred work of collecting all the money that should be paid to the coffers of the Government.

Sir, there seems to be a paradox so far as this Expenditure Tax Bill is concerned. It aims at teaching the habits of thrift to the people for whom it is intended but, so far as we Indians are concerned, on the one hand we have no money to waste, and I think as we are temperamentally and instinctively disposed to thrift we find it very difficult to spend our hard earned money, much less to waste it. That being so it is, as I said, a paradox that this Expenditure Tax Bill had to be introduced and the only reason, the ostensible reason that I can see for it is to save wealth from being unnecessarily and ostentatiously spent, and I hope that, so far as that purpose and that object is concerned, the Bill will succeed and the resources so badly needed will be diverted in the right direction.

SHRI KISHEN CHAND: Mr. Vice-Chairman, when we are considering this Expenditure Tax Bill.....

THE VICE-CHAIRMAN (SHRI M. GOVINDA REDDY) : Just a moment. There is a long list of speakers here. Is the House disposed to sit for half an hour or so more? I would like to take the sense of the House.

SHRI J. S. BISHT: Sir, we have to attend many parties this evening.

THE VICE-CHAIRMAN (SHRI M. GOVINDA REDDY): Then we will stop at 5.

SHRI KISHEN CHAND: I was saying, Sir, that when we are considering this Expenditure Tax Bill, we have got to carefully examine whether this measure is a revenue measure and whether it is going to bring in a large amount of money which is going to be spent on nation-building activities, or it is a measure which is aiming at achieving something else.

The hon. Deputy Finance Minister in introducing this Bill said that there was no possibility of making an accurate estimate of the income that may be derived from this Expenditure Tax Bill. He said that the expenses will be about eight lakhs of rupees and the income may be five or six times that amount, that is, about fifty lakhs of rupees. You know, Sir, we have the income-tax and the super-tax, from which the income is 180 crores of rupees. We must keep this in view that the income-tax and the super-tax brings in 180 crores of rupees.

When the Wealth Tax Bill was introduced earlier it was announced that 15 crores of rupees would be the income from that tax. And now, owing to the concessions made, it may bring in about Rs. 12J crores of rupees as revenue. It can be considered as some addition to our revenues, which may be utilised in the implementation of the Second Five Year Plan. But this Expenditure Tax Bill is going to bring in only about 50 lakhs of rupees, of which nearly 8 lakhs or 10 lakhs of rupees will be spent on collection charges. So the total net income from this Expenditure-Tax Bill will be only about 40 lakhs of rupees a year.

You remember, Sir, that when the Finance Minister was replying to the

debate on the Wealth-Tax Bill he spent a lot of time in telling us that the whole structure of the tax was an integrated whole, and in that integrated whole he said that the Wealth-Tax Bill might not bring in so much money but because it was going to help in the detection of those persons who were avoiding tax or evading tax, the Wealth-Tax Bill was essential. There was some sort of justification for that measure, that the Bill will be serving a purpose; it will be bringing in 12J crores which may, in subsequent years, slightly increase, may reach the figure of 15 crores of rupees or more. And it was serving this other purpose of detection, of tracing all people who were avoiding tax.

But this measure does not perform any one of those two functions; it does not bring us a large amount of revenue.

THE VICE-CHAIRMAN (SHRI M. GOVINDA REDDY) : You may continue tomorrow, Mr. Kishen Chand.

The House stands adjourned till 11 tomorrow morning.

The House then adjourned at five of the clock till eleven of the clock on Wednesday, the 11th September, 1957.

*Editor of Debates,  
Rajya Sabha Secretariat.*