

the Chairman may direct, one member from among themselves to be a member of the Indian Central Coconut Committee."

MR. CHAIRMAN: The question is:

"That in pursuance of clause (g) of section 4 of the Indian Coconut Committee Act, 1944, this House do proceed to elect, in such manner as the Chairman may direct, one member from among themselves to be a member of the Indian Central Coconut Committee."

The motion was adopted.

THE DEPUTY MINISTER FOR FOOD AND AGRICULTURE (SHRI M. V. KRISHNAPPA): I also beg to move:

"That in pursuance of clause (s) of section 4 of the Indian Oilseeds Committee Act, 1946, this House do proceed to elect, in such manner as the Chairman may direct, one member from among themselves to be a member of the Indian Central Oilseeds Committee."

MR. CHAIRMAN: The question is:

"That in pursuance of clause (s) of section 4 of the Indian Oilseeds Committee Act, 1946, this House do proceed to elect, in such manner as the Chairman may direct, one member from among themselves to be a member of the Indian Central Oilseeds Committee."

The motion was adopted.

MR. CHAIRMAN: I have to inform the Members that the following dates have been fixed for receiving nominations and for holding elections, if necessary, to the Indian Central Coconut Committee and the Indian Central Oilseeds Committee:—

1. Last date for nomination—18th May 1956 (upto 3 P.M.)

2. Date of Election—21st May 1956 (3 P.M. to 5 P.M. in room No. 29).

The elections, if necessary, will be conducted in accordance with the system of proportional representation by means of the single transferable vote.

## THE CONSTITUTION (TENTH AMENDMENT) BILL, 1956.

THE MINISTER FOR REVENUE AND CIVIL EXPENDITURE (SHRI M. C. SHAH): Sir, I beg to move:

"That this House concurs in the recommendation of the Lok Sabha that the Rajya Sabha do join in the Joint Committee of the Houses on the Bill further to amend the Constitution of India, and resolves that the following members of the Rajya Sabha be nominated to serve on the said Joint Committee:—

1. Shri R. M. Deshmukh
2. Shri B. M. Gupte
3. Shri Chandulal P. Parikh
4. Shri P. S. Rajagopal Naidu
5. Shri S. C. Karayalar
6. Shri H. P. Saksena
7. Shri P. N. Sapru
8. Shri P. D. Himatsingka
9. Shri C. L. Varma
10. Shri Ram Bahadur Sinha
11. Shri V. Prasad Rao
12. Shri Jaswant Singh
13. Shri Rajendra Pratap Sinha
14. Shri N. R. Malkani
15. Shri M. C. Shah (*the Mover*).

This House further recommends to the Lok Sabha that the said Joint Committee be instructed to report by the 23rd May 1956."

Sir, this Bill seeks to amend the Seventh Schedule and articles 269 and 286 of the Constitution. This has been necessitated as a consequence of the Taxation Enquiry Commission's Report. The Commission examined in detail the effect of the different systems of sales tax on trade and commerce including the effect of

[Shri M. C. Shah.]

restrictions on sales tax on 'essential goods.' After a very careful and detailed examination and consideration of the whole question, the Commission came to the conclusion that sales tax was and must continue to remain a State tax and the proceeds of sales tax must wholly belong to the States. The Commission was also of the opinion that the sphere of power and responsibility of the States should end, and that of the Central Government should begin, when the sales tax of one State impinges administratively on the dealers and fiscally on the consumers of another State. In other words, inter-State sales tax should be the concern of the Central Government.

It is also reported by the Commission that increase in the cost of raw materials on account of the sales tax is a matter of direct concern to the consumer of another State, and so, intra-State sales in such cases have an inter-State bearing. It is mainly for this reason that the Commission has recommended that intra-State sales also in such cases would be an appropriate item for control by the Central Government, but this control should only be in respect of a small number of commodities, which are of special importance for inter-State trade, and also from the point of view of the consumer, or of the industry, in terms of the country as a whole.

Sir, the Government has broadly accepted these recommendations, and for implementing them, it is necessary to amend articles 269 and 286 and the Seventh Schedule of the Constitution. The States have been consulted in the matter and they have agreed in principle to the amendments proposed.

Now, Sir, under clause 2 of the amending Bill, it is proposed to add to the Union List an additional item, "No. 92A—Taxes on the sale or purchase of goods, other than newspapers, where such sale or purchase

takes place in the course of inter-State trade or commerce.", and also to amend item No. 54 in the State List as indicated in the Bill.

Under clause 3 of this Bill, these taxes will be added as an additional item under clause (1) of article 269 of the Constitution, so that, although they will be levied and collected in accordance with an Act of Parliament, they will accrue to the States themselves in accordance with the principle of distribution as may be formulated by Parliament by law under clause (2).

Sir, a further provision has also been made under this clause to the effect that Parliament may by law formulate principles for determining whether a sale or purchase of goods takes place in the course of inter-State trade or commerce. This will help a good deal in avoiding unnecessary disputes about the location of a sale.

Sir, hon. Members are also aware that the Supreme Court held in March 1953, in the case of United Motors, that in view of the Explanation to article 286(1), the State in which goods are actually delivered for consumption can impose tax on inter-State sales or purchases and can recover the tax from the outside dealers. But, in the case of Bengal Immunity Company, decided on the 6th September 1955, that is, two years and six months afterwards, it has been held that until Parliament, by law made in exercise of the powers vested in it by clause (2) of Article 286, provided otherwise, no State could impose or authorise the imposition of any tax on sales or purchases of goods when such sales or purchases took place in the course of inter-State trade or commerce, and the decision in the case of United Motors, in so far as it decided to the contrary, could not be accepted as well-founded on principle or authority. The result is, Sir, that no sales tax can be levied on inter-State

transactions after the 6th of September 1955. The Explanation under present clause (1) of article 286 has created many complications, administrative and Legal. It is therefore proposed to delete the same.

Under clause 4 of the amending Bill, it is proposed to add a provision which empowers Parliament to formulate principles for determining when a sale or purchase of goods takes place outside a State, or in the course of import of the goods into, or export of the goods out of, the territory of India.

Hon. Members are aware that the present Essential Goods Act, passed in 1952, is not retrospective. The position at present is that several commodities declared by Parliament to be essential for the life of the community continue to be taxed by those States, which were already taxing them before the commencement of the said Act. There was thus no uniformity in the levy of sales tax on these goods in the various States. The present clause 3 is proposed to be substituted by a new clause on the basis of the recommendations of the Taxation Enquiry Commission. This will necessitate the repeal of the Essential Goods Act passed in 1952. And instead, the Parliament will have the power to declare, by law, goods which have special importance in inter-State trade and also power to put restrictions and conditions on the system of levy, rates and other incidence of tax on the sale or purchase of such goods.

All the amendments proposed have been necessitated on account of the fact that great difficulties were experienced in the working of the provisions of the present article 286, particularly with regard to the interpretation of the Explanation to article 286(1). The purpose of the present amendments is to remove all doubts and lacuna in the scheme of legislation of sales tax, as it stands today, and

put at rest all controversies which arose out of the Supreme Court judgments in the cases of United Motors and Bengal Immunity Co. Ltd. to which I have referred just now. The States will now have their legitimate resources from inter-State sales tax, and it has therefore been found necessary to amend the Constitution as proposed, and later on, after both the Houses have approved of the amendment and after it has been assented to by the President, we propose to bring two pieces of legislation in the next session, firstly to formulate the principles for determining when a sale or purchase of goods takes place in the course of inter-State trade or commerce, and secondly with reference to the articles of special importance on which the levy of sales tax will be regulated, and about the levy, rates, incidence and other matters incidental thereto.

Sir, I suppose, this is a very non-controversial Bill and I hope to get the approval of the entire House. Sir, I move.

MR. CHAIRMAN: Motion moved:

"That this House concurs in the recommendation of the Lok Sabha that the Rajya Sabha do join in the Joint Committee of the Houses on the Bill further to amend the Constitution of India, and resolves that the following members of the Rajya Sabha be nominated to serve on the said Joint Committee:

1. Shri R. M. Deshmukh
2. Shri B. M. Gupte
3. Shri Chandulal P. Parikh
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9. Shri C. L. Varma
10. Shri Ram Bahadur Sinha
11. Shri V. Prasad Rao
12. Shri Jaswant Singh

[Mr. Chairman.]

13. Shri Rajendra Pratap Sinha

14. Shri N. R. Malkani

15. Shri M. C. Shah (the Mover).

This House further recommends to the Lok Sabha that the said Joint Committee be instructed to report by the 23rd May 1956."

DR. SHRIMATI SEETA PARMANAND (Madhya Pradesh): Before we proceed, I would now like, though unwillingly, to bring to your notice a fact, that is the growing tendency, which is noticeable, of ignoring women altogether in the appointment of select committees. It would be seen that, during last year especially, while some Members are repeatedly put on select committees, not a single woman is put. Now that women, in view of the Succession Bill that has been passed, have got an equal status with men, I hope, there won't be any repetition of this in future.

SHRI M. C. SHAH: Sir there is no property here to inherit.

DR. SHRIMATI SEETA PARMANAND: There may be property or there may not be property. Our communist friends do not believe in property and they cannot be considered as believing in property. That is not the criterion, and they are taken on these committees. There is no reason why women should be ignored in, shall I say, almost an international manner.

MR. CHAIRMAN: Almost unintentional manner?

DR. SHRIMATI SEETA PARMANAND: I am glad that you have put it that way. I did not mean it, Sir.

SHRI KISHEN CHAND (Hyderabad): Mr. Chairman, the hon. Minister has said that this is a non-controversial Bill, and I entirely agree with him that this is a non-

controversial measure, but we must carefully examine the fundamental question of sales tax and purchase tax. I agree that the Constitution is being changed. I will go a step further and submit to the hon. Minister that not only inter-State sales tax, but the entire sales tax should be collected by the Centre and then distributed among the States. In this connection, the hon. Minister has pointed out that multi-point sales tax is being imposed by the States on raw materials used in the production of articles which are going to be exported from one State to the other. In the process of manufacture, many raw materials have to be purchased inside the State by the manufacturing concern on which sales tax is paid, and the cost will become higher. The Government is adopting an indirect method in determining articles, which are of national importance, on which sales tax should be regulated.

I submit that if all sales tax and purchase tax—or to give it a better name, the turnover tax—is levied and collected by the Centre, and then distributed among the States, it will facilitate matters a very great deal. The present system of levying multi-point sales tax is causing great harassment to the small businessmen and to the small traders. Our object is to collect a substantial amount of tax, because no Government can run without collecting taxes. And secondly, when the States are introducing prohibition, it is very essential that the income from excise duty on liquor be replaced by sales tax. I agree that sales tax must be levied. I agree that a purchase tax or a turnover tax must be levied, and the States must get the proceeds. My only contention is that it should be regulated by the Centre, by this Parliament. The hon. Minister, in this Bill, has only suggested to amend the Seventh Schedule by which after entry 92 another entry 92A is added. It runs: "Taxes on the sale or purchase of goods other than newspapers where such sale or purchase takes place in the course of

inter-State trade or commerce." I suggest that it should read: "Taxes on the sale or purchase of goods other than newspapers." By this amendment the entire sales tax structure would change.

I think, instead of the multi-point sales tax, it is far better, if in the manufacturing concern where the goods are manufactured, you levy sales tax or turnover tax—you cannot call it purchase tax—and collect it at the source itself. Supposing a textile mill is producing cloth worth Rs. 2 crores. That cloth is distributed among hundreds of merchants and from each merchant you will have to collect the sales tax when that cloth is sold. Instead, will it not be much easier if it is collected from the textile mill? It will be one collection and you would save all the botheration of going round to hundreds of merchants and looking into their books and so on. In fact, what I am suggesting is only a procedural thing. It is only a thing which is going to save the trouble and bother of collecting the sales tax if it is done at the very source. The number of manu-

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facturing concerns in our country is fairly small and if sales tax is levied at the source, you can take it from their total production, and charge a certain percentage. But now, there are various ways of avoiding the sales tax.

SHRI C. P. PARIKH (Bombay): May I enquire what will be the difference between excise and such turnover tax at the source?

SHRI KISHEN CHAND: The excise duty has got the name of exice duty; the turnover tax will have the name of turnover tax. In all such cases, the tax is collected from the consumer. We give them various names. The various names are given, in order that the proceeds from the various taxes are distributed among various authorities. There is a tax levied by the district boards; there is a tax levied by the municipalities;

there is the sales tax levied by the States. I would like to know from the hon. Member who questioned it, as to what difference does he find in the octroi duty levied by a municipality or a sales tax. You see, different authorities must get some income. We have given different names so that the proceeds from those different taxes are allocated between them. If the hon. Member's suggestion is accepted, we can call it turnover tax or excise duty; half of it may be distributed among the States in some proportion, and the other half given to the Centre. I do not mind that. What I am suggesting is that, instead of approaching thousands and lakhs of merchants, if we can really restrict it to a few manufacturing concerns, it would be better.

Then, Sir, I come to the next point: that there should be a difference between sales tax and purchase tax. On ordinary consumer articles, on articles of necessity, there may be a sales tax; but the foodgrains and coarse cloth should certainly be exempted from it.....

SHRI ABHIMANYU RATH (Orissa): What about medicines?

SHRI KISHEN CHAND: I submit that in the matter of medicine, if it is an Ayurvedic medicine which is extremely cheap, certainly it should be exempt. But where an allopathic medicine costing several rupees is being purchased and on that a small sales tax is levied, I do not think, it matters very much. I do not think, it matters very much whether an injection is worth Rs. 5 or it is worth Rs. 5/2/6. My submission will be that we should look at things from a practical point of view and really try to benefit the poor man. All articles, which are a necessity and are of common consumption and are of cheap price, they should be exempt from sales tax. On the other hand, I would suggest the levying of a purchase tax. You know in the case of motor cars and other articles of

[Shri Kishen Chand.]

luxury, in the U.K., the purchase tax is as high as 35 percent or even 40 percent on certain articles. In our country, whether it is an article of luxury, or it is an article of common necessity, there is hardly any difference between the rates of sales tax. In certain States, a slightly higher rate of sales tax is being levied on articles of luxury, but the difference between the normal rate of sales tax and the luxury rate of sales tax is so small that it is not going to make any material difference. So, I would suggest, that in the case of luxury articles, there should be a very high rate of purchase tax. We are thinking of financing our Second Five Year Plan and, therefore, we are increasing the taxes. I submit, that if a turnover tax on all manufactured articles is levied at the rate of 6½ per cent. it will give us a big income for the financing of the Second Five Year Plan. When we are passing this Tenth Amendment, let us not make a half-hearted amendment, just include only a small number of essential articles, and then later on, when we find that we cannot finance the Second Five Year Plan, come again before Parliament for a further amendment of the Constitution for including some other items in the Union List and levying the tax. If at this stage, the hon. Minister takes courage in his hands and changes the Constitution to the extent of including all sales tax, purchase tax and turnover tax in the Union List, and later on brings the Bill which he has promised, in which the rates of sales tax and purchase tax will be fixed, and in which the allocation rates between the various States will be stated, then, it will be time for him to consider what part may be given to the Centre for the financing of the Second Five Year Plan. I would submit, that in the case of essential things and articles of common consumption, they should be entirely exempt from any sales tax or any turnover tax.

Lastly, the hon. Minister has referred to clause 4 in this Bill, where article 286 of the Constitution is going

to be amended. Article 286 relates to sales tax. In this, the entire Explanation in clause (1) has been omitted and clauses (2) and (3) have been revised. If the hon. Minister accepts my suggestion, it will not only affect the inter-State sales tax, but it will affect all sales tax and, therefore, the clause 4 of this Bill will have to be further amended so as to cover the entire sales tax. With these suggestions for the consideration of the Joint Select Committee, I support this motion.

SHRI BHUPESH GUPTA (West Bengal): Sir, this Constitution (Tenth Amendment) Bill seeks to empower the Central Government with regard to certain matters of taxation. According to us, two important propositions are involved in this matter. One is the question of powers of the States in regard to certain fiscal matters. As you know, under the Constitution, not many powers have been given to the States in regard to financial matters. Naturally, therefore, whenever a certain authority—in this case the Central Government—seeks to take more powers with regard to any matters which belong to the State, one has to look into it very carefully. I am not for the moment ignoring the complicated situation which has arisen as a result of certain decisions by the Supreme Court and, also, on account of certain developments by way of inter-State trading and all that. The second point involved here is, of course, the question of the administration of this whole business of sales tax. That is also very important from the point of view of the consumers and the public. When the Select Committee discusses this matter, it would be well advised to have this factor in view, so that a decision is so arrived at that there is a sort of golden mean between the powers of the States on the one hand and the powers of the Centre on the other.

This Bill relates to sales tax, and sales tax is something which is of a very recent growth. During the war,

we began to have the first experiences of sales tax. Now, of course, we have got sales tax in almost all the States. We know that in a number of States, sales tax has come in for very severe criticism on the part of the public. Yesterday the Prime Minister presented the Second Five Year Plan to the House and here, we have got in the Plan a provision about sales tax. Dealing with the question of finance and foreign exchange, the Second Five Year Plan tells us that in the States an additional sum of Rs. 225 crores will have to be raised by way of additional taxation in the Plan period, out of which Rs. 112 crores are supposed to come from sales tax. This is a very high figure. That is to say, nearly 50 per cent. of the monies that are to be raised by the States would come from sales tax, according to the proposals of the Second Five Year Plan. As you know, Sir, on the whole, the Plan has suggested that Rs. 800 crores would have to be raised by way of additional taxation in order to meet the financial requirements of the Plan. Sales tax, therefore, is something like one-eighth of the total financial allocations that would be made from the taxes, Central as well as State. Naturally, we would like the Government to keep this factor in view, because, as you know, in the country, there is a very strong opposition to sales tax. The hon. speaker has told us just now that he would not like to have any tax on the commodities which go in for consumption by the common man, or which are otherwise essential to him. But the tendency in a number of States has been to impose tax on commodities which people need for their daily life.

As you know, in the Central Budget this year, certain taxes were imposed. There were excise duties. But these excise duties were imposed on such essential commodities as are required by the people. The Central Budget was followed by State Budgets. The States also followed the Central lead by imposing sales tax on a number of commodities. New sales

taxes were imposed on a number of commodities which gave rise to very wide-spread public discontent. In this matter, I think that we should not follow the lead of Uttar Pradesh, because the Uttar Pradesh Government went a little too far and imposed a number of taxes—heavy taxes—on a number of commodities. There was public agitation and we are glad to know that that Government has yielded, though only partially, to public pressure and feeling, and has withdrawn some of its taxation proposals.

Now, when they are having this measure, we would like to know from the Centre as to what ideas they have in their minds with regard to the administration of sales tax.

[MR. DEPUTY CHAIRMAN in the Chair.]

Are we in for a period when the money would have to be found by way of sales tax from the States—sales tax that hits the poor; sales tax that affects the present living standards of the people; sales tax that contracts the internal market and sales tax that creates uncertainty in our economy? This is something which we would like the Government to tell us about. We know that the Government is in need of funds. But at the same time, we know that the Government would not try to take money from the quarters where the money lies, that is to say, from the rich. They would like the States to step up their taxes. The States always go in for sales tax because, with all their connections with the rich people, this is one of the easiest way of footing the bill of the Government of India in the Second Five Year Plan.

Naturally, we would like to ask the Government to explain the position a little. If it were a mere constitutional proposition, we would not have been so worried. After all, certain constitutional and legal difficulties which arise from time to time have got to be obviated by legislative enactments. We have no quarrel over that. But here, the Government is proposing this measure with certain ideas

[Shri Bhupesh Gupta.]

in their minds, and we would like to be apprised of this a little more than what we have already been told by the hon. Finance Minister. Usually, he speaks at length, but this time he has chosen to be brief, and I do not know, if brevity is for the sake of concealing certain things, or it is just meant for giving us a little more time to develop our theme, so that he gets instructions from this House. It is for him to explain.

As far as the multi-point sales tax is concerned, this has been the subject-matter of very strong criticism in the country. Not only does it lead to all kinds of complications from the point of view of administration, but it also hits the common man at every stage. Common people suffer, whereas the big people get away by passing the burden on the common man.

Now what is called sales tax, by and large, is really purchase tax, because the sellers of these things on which sales tax is imposed generally pass on the burden of taxation to the consumers by charging some extras from them. When I enter a shop, the tax that I pay is not a sales tax; actually, it is a tax that I pay on my purchases. If I had not made that purchase, there would not be any such tax. That is to say, it is a purchase tax which is related to the consumption, to the buying power of the people. It is the people who are mulcted, and not those who sell. This is the position today.

I am not sure whether we can call sales tax as turnover tax; because that is entirely a different thing. There is some feeling about this matter, because turnover tax is something which does not hit the consumer at all, which is calculated entirely on a different basis. Here of course we find that, after production, the Government imposes certain taxes on the sale of certain commodities which are in turn passed on to the consu-

mers by the sellers. That is what is happening in this country. The sufferer, of course, is the common man.

Now, as far as the distribution of the taxes is concerned, Government, of course, has said that the monies collected from the various States would be distributed among the States concerned. I do not know in what proportion the distribution would be made and here again, I suspect that certain complications might arise.

Suppose sales tax is imposed on a certain raw material which is produced in a particular State and that raw material is required by a number of States for industrial production and sales tax is imposed at the source, that is to say, where the raw material is produced. Now, does it mean that the entire funds will be given to that particular State? Or does it mean that the funds will be distributed among the various States where this commodity goes? I am asking this question with a view to seeking a clarification, because I know that objections will be raised by those States whose commodities will be taxed, and also by those States where the commodities will be sent, if no share is given to them. This is bound to create a little complication and I think that the Government should have this point in mind while enunciating the principle.

It may well be argued by the States producing certain raw materials that since the raw materials are produced in their States, it is they who are entitled to the full share of the sales tax imposed on such commodities. And it may well be argued by the other States which consume certain raw materials that since actually the tax depends on the distribution of such materials in their States, it is they who should be given a share from that tax. Such questions have arisen and such questions will arise in future also, and this Bill does not



say how this problem would be tackled. As far as I am concerned, Sir, I would be interested in protecting the fiscal powers of the States. In fact, I would like to enlarge the powers of the States in fiscal and financial matters, because it is important from the point of view of the States' autonomy, and from the point of view of our Federal Constitution, that the States should be given more and more power in financial matters. Unless they are given enough powers in financial matters, their autonomy in the political sphere becomes ineffective. They have to rely on the Centre for their financial assistance, and there may be all types of political pressure on the part of certain agencies outside the States.

At the same time, I do not discount the difficulties, when we are dealing with matters like inter-State trading and all that. The Government should clarify its position as to how it wants to tackle this problem. It is not merely a question of passing an enactment. It should tell us very clearly as to how this whole thing is going to be administered. The hon. Minister has told us that he would bring forward some other Bills after this Constitution (Tenth Amendment) Bill has been passed. But I think, when we are amending the Constitution, we will have some clear view of what is coming by way of enactment in regard to the sales tax administration, I mean the sales tax which affects more than one State, or the inter-State sales tax. This is something which the Government should explain.

Now, Sir, I would request the Government to think over the question, whether it is the right way of encouraging the States for raising finances by way of additional taxation, and especially by imposing sales tax. I am not opposed to taxation as such. I would like taxes to be raised from other sources, by increasing the rate of income-tax for the higher income groups, by imposing capital gains tax, and by imposing other kinds of levies on the richer classes. I am not opposed to taxation as such. I am not

even opposed to sales tax, if it is done with a view to raising funds, but not by hitting the common man. It is possible to raise money by way of taxes on luxury articles that are used by the millionaires of this country, by the Maharajas and by the Princes. The Government should impose taxes on things which are consumed not by the common man, but which add to the luxury of the richer classes. I am prepared to go in for such taxation. In fact, the Government should devise effective measures for tapping the resources that are there, and for taxing the rich. But I am opposed to taxing the poor, taxing the common man, taxing the consumers in this country. Whether you call it inter-State sales tax, or something else, I am opposed to all such taxations that hit the poor today.

Sir, here I would like to read out to the House what the *Amrita Bazar Patrika* of May 7, 1956, wrote with regard to this matter. As you know, this is a newspaper which strongly supports the Congress Party. The son of the owner of this paper happens to be a Deputy Minister in my State. This paper writes as follows:

"Of course, there would have been some justification for indirect taxation, had the lower income groups been really in a position to pay. No better testimony to this can be given than what came from the Taxation Enquiry Commission itself. In the rural sector, says the Commission, the comparatively large landholders have improved their position; on the other hand, the position of an important section of the agricultural population comprising landless agricultural labour, artisans and non-occupancy tenants, which has always been particularly vulnerable appears to have suffered further deterioration. In the urban areas, the Commission adds, the middle classes and those with fixed income have lost in real terms, while business classes, especially in the higher income groups, have gained. Yet these very people

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are being subjected to further and heavy taxation."

This is what the *Amrita Bazar Patrika* which is a Congress paper, and which supports the Government strongly, writes about taxation. The editorial actually relates to the taxes that were imposed by the U.P. Government very recently. Now, this is the observation that has been made. Nobody will say that this paper is advocating a very radical or a revolutionary idea or proposition. Nobody will say that. This is a very mild suggestion that this paper is making.

Sir, almost all the newspapers in the country have spoken rather strongly against the reckless imposition of sales tax. But we find that the Government have not paid any heed to the criticism made against the sales tax. On the contrary, the Government have been issuing circular after circular calling upon the State Governments to raise additional money by taxation, especially by imposing the sales tax. Now, as you know, even in the meeting of the Development Council, which was held sometimes back the State Chief Ministers pointed out that they were not in a position to raise more than Rs. 166 crores by way of taxation, while Central Government demanded that they should raise Rs. 225 crores by way of additional taxation in their respective States, leaving aside the Central taxes. Almost all the Ministers objected to this proposal, and they said that their capacity, as far as taxation was concerned in their States, had reached the saturating point, and that it would not be possible for them at all to go beyond the limit of Rs. 166 crores. We thought that these opinions of the State Chief Ministers would be seriously taken into account by the Government, but they have not done so. And we are extremely disappointed to find in the Second Five-Year Plan, to which I shall come later, that out of the amount of Rs. 400 crores representing the uncovered gap, they

want to raise Rs. 350 crores by way of taxation, and I have not the slightest doubt in my mind that there will be a greater pressure on the States to impose taxes on various things.

Now, as you know, the States are not in a position to impose any income-tax. That is beyond their jurisdiction. They can only impose certain other types of taxes, for example, the sales tax and so on. In fact, sales tax is the real thing, as far as the States are concerned. Therefore, if the Central Government makes more and more demands on the States to find additional finances by way of taxation, it inevitably means, in the circumstances, that the States will be going in more and more for imposing the sales tax. Now the Central Government is likely to come into the picture. If the States hesitate in imposing a tax in regard to certain commodities, and if those commodities enter into inter-State trading, probably, the Central Government will assume powers and will impose the tax on those commodities, and the Central Government will not bother about what the State Governments feel about it. Sir, you might feel that since one Party is in power, probably they will not be at cross purposes. But that is not going to be so, because the State Governments are confronted with their own problems. They are nearer, as far as the people are concerned. We live in this secluded chamber, away from the people, away from the masses, and well-guarded and well-protected by all the powers of the Government. But it is difficult for the States to avoid mass demonstrations in and around the Assembly House. Such things happen, and the State Ministers, since they live nearer the people, are more bothered about the demands and the developments in their respective areas than the Central Government. And naturally, they will hesitate to impose such taxes as cause discontent among the people, and such taxes which make it difficult for the M.L.As. to go about in the villages or in the towns. They hesitate.

We have seen how during the last two or three years, the State Governments have not been very enthusiastic about imposing sales taxes despite pressure from the Central Government. Not that they are at all opposed to it. They do impose taxes, but they find it difficult to do it because of very strong, healthy and vehement opposition on the part of the public in their respective States. I understand that, when Government takes this power, they will take advantage of it, in order to initiate sales tax on such commodities as enter inter-State trade and thus obviate the difficulty which might very legitimately stand in the way of the State Governments. I would like to know something about it. I hope the hon. Minister has got my point. We would like to know from him whether they will impose any sales tax, after they have got these powers, even when the Governments and the people of the States oppose the imposition of such taxes. This is something we would like to know from the Government.

The Central Government has the prime responsibility for executing the Plan. From this Planning Commission's report, we know that, apart from the expenditure which will be met by the States, the responsibility rests chiefly with the Central Government. All the financial powers are concentrated in the hands of the Central Government, and it is, therefore, the duty of the Central Government to find money, not in this manner by encroaching on the powers of the States, by curtailing their powers, by imposing taxes like the sales tax, but from other sources such as income-tax, corporation tax, and so on. They can impose all kinds of taxes that are within their powers to impose. We would like the Government to clarify this position.

Now about the administration, I have already said that the Government should tell us exactly how they are viewing this matter, what is likely to be the provisions of the Bill. At

least they should give us an idea as to how their mind is working in this matter. I am not asking them to give me a full account of the provisions of the Bill that is to be brought before this or the other House. All that I am asking is that they should give us some idea as to how their mind is working in this matter, and how much money they expect to raise by way of these taxes. I do not think that the Government should just take these powers to overcome a constitutional difficulty. I fear that Government is doing this also for taking the initiative in the matter of imposing sales taxes and getting more money out of them, and this is there in the Planning Commission's Report which was issued to us yesterday. It is stated here that Rs. 112 crores will have to be found by the States by way of sales taxes. At a time when the Government should give an assurance that the sales tax which has hit the common man would be eliminated, if not eliminated at least reduced, they are, in their Plan, making fresh proposals for taxation, giving sales tax an important place in the whole scheme of taxation that they have placed before the country.

Therefore, we are apprehensive about their motives. I am not saying whether those motives are good or bad; that is beside the point. It seems to me that they are after the common man; they are after pickpocketing the common man; they are trying to thrust their hands deep into the pockets of the common man, in order to find money for their Second Five Year Plan. I think, this fear is legitimate after what has been said in the Second Five Year Plan. After all, we have been pressing in this House and the other House, and also in the States Legislatures, that the time has come when the Government should think of a reduction of the taxes on the common man, and it is most unfortunate that, when we are embarking on the Second Five Year Plan, the Government is making fresh proposals for taxation.

[Shri Bhupesh Gupta.]

I do not have any faith that money will be collected from the rich, because I find, day in and day out, the hon. Ministers and leaders of the Congress Party, from their official and unofficial platforms, haranguing the people to make sacrifices for the success of the Plan. We had an article published by the Punjab Government, of the Planning Minister, Mr. Nanda, who has said there that the people must sacrifice now and observe austerity, so that the Plan may be successful. We are all interested in making the planned development of our economy a grand and resounding success. Let there be no mistake about it. We want our country to be rapidly industrialised. We want our fields and factories to prosper. We want to see smiles on the faces of our people. We want to eliminate starvation and poverty of our masses. We want to see prosperity writ large on the face of our people. But at the same time, we would not like any measure to be adopted that would hit the common man.

Has it occurred to the hon. Minister that, apart from these things that enter into inter-State trading there are commodities which are sold in the market, commodities that are brought by the rich people and none but the rich? It is those commodities that should be taxed heavily, and out of that, you can find a lot of money. We would like to have a list of the luxury commodities which have been taxed, either by the State Governments or by the Central Government. It is necessary for us to have an idea as to how the Government is taxing the rich, at least curtailing their luxury consumption. This is something which the Government never does. We do not know exactly how the Government mind is working in this matter, at least now, when we have been given a Second Five Year Plan. It is very important that the Government should tell us this. We find to our eternal shame that even today big limousine cars costing Rs. 30,000 and Rs. 40,000 are running about in the streets, with these multi-millionaires rolling in them.

I would like to know why, in the first place, monies are being squandered away like this, when our foreign exchange position is none too sound. Why should we not heavily tax the purchase of such cars and luxury articles? It is the duty of the Government to tax such articles like big motor cars and diamonds and so on. Why are we not doing that? That is the question that I put to the Government. What are the luxury commodities, the Minister might ask. I am afraid I cannot give them, because I do not know exactly how many kinds of luxury goods are there, apart from the few things that I see demonstrated in the streets. But there are many luxury articles, and these should be heavily taxed. Therefore, Government should clarify the position in regard to this matter. I think that, when we make an amendment to the Constitution, it is not enough to tell us that a certain High Court has taken a decision with regard to a certain case. Government should also tell us as to why such measures have become necessary, from the point of view of Central intervention. Government has not thrown any light on this.

Finally, I would only like to caution the Government by saying that, if this measure is used for imposing sales tax of the wrong type, i.e., sales tax on the articles that the people consume, there will be great confusion in the country. Not only will there be confusion, but the Government will be faced with strong opposition from all sections of the people. I know that people will unite in their opposition to the sales tax. We saw it in Saurashtra, how the sales tax there was fought by Congressmen, Communists, Socialists and everybody else, uniting together. We saw it in U.P., how the entire people, regardless of their political affiliations, fought against this unjust and unconscionable taxation.

It is no good, when you are embarking on the Second Five Year Plan, to force the people to develop such struggles against such measures, which are not at all necessary. When

you are raising resources for the Second Five Year Plan, you should raise them not by hitting the people, not by making inroads into their already poor standards of living, but by hitting the interests of the rich, who can well afford to pay. It is possible for you to demonstrate such things in practice. Therefore, I should like to know from the Government what is working in its mind. At the same time, I would like to tell the Government that when the Central budget imposed a number of taxes on essential articles, it was felt that it would not disturb the market, that it would not hit the people very much that it would be readily accepted by the people. But what have you seen in practice? Is it not a fact that, after the imposition of those excise duties on articles of necessities, speculation has gone up in the country? Is it not a fact that the prices of essential commodities all over the land have gone up in the last two or three months? Is it not a fact that due to these taxes and also for other reasons, the common people had to bear crushing economic loads? These are hard facts. Therefore, the Government should learn from the facts of life. I know they would not easily listen to our arguments or submissions, or listen to the reasoning that we put forward in this House, but I would request them to look round the country and see how these taxes are really causing agonies among the people, adding to the miseries of the people, adding to the poverty of the people, making it difficult for the people to really become enthusiastic about even the good features of the Plan. Even a good feature of the Plan stands to lose, if that feature is to be implemented by taxing the poor.

These are vital questions of policy, and these questions of policy should be discussed on the floor of this House. It is not enough to tell us that we should pass this simple measure etc. We know all this. We are here to cooperate with the Government in solving any difficulty

that may have arisen in regard to the administration of certain things; but we are opposed to investing the Central Government with power, unless we know that such powers will never be used against the interests of the common man, unless we know that such powers will not be used for curtailing the powers of the States, or for taking away what should belong to them. These things we would like to know.

The Central Government has got ample powers and they can have more powers if they like, and of course, they are needed in the interests of our economic progress, or of the development of the country. But when they come for assuming such powers and for amending the Constitution, it is necessary for them to tell us exactly how the Central Government, invested with the new powers would function, whether they would function in the interests of the people and of the common man. That is something which they should clarify, before they assume the power. Otherwise, we would not be interested in investing the Central Government with these powers, and we would not take any interest in such measures, because we know that these measures may well hit the people, and would not be in the interest of the country, and of the States.

I would ask the Government to clarify all these points when the Finance Minister makes his speech. I read the speeches in the other House; I read the speeches made by Congress Members in the other House. Very many good points had been raised in the course of the speeches. Many propositions had been brought to the notice of the House in the course of the discussion, but the Government just satisfied itself by giving a general reply. I think, it is necessary for us to get the hon. Minister here to concretise a little on this subject, and give us a real picture of how his mind is working. I hope, the Select Committee will view this matter from the larger interests of the coun-

[Shri Bhupesh Gupta.]

try, from the interests of the State, and above all, from the interests of the common man, the consumers, and others who are hit by the tyranny of sales tax in our country. I would like to see the day when we are out of the wood, as far as sales tax is concerned. We would like to lift the burden of sales tax from our people, and not promise new taxes to them which spell disaster to their lives and I hope, the Select Committee, when they are trying, or when they are discussing this matter, will always keep in view the urges of the people, the troubles of the people, the sufferings of the people, the aspirations of the people, the rights and liberties and the living conditions etc.

It is from that angle that they should view the matter. I am confident that the Members of the Select Committee will not fail by the people, when they discuss the question of the Tenth Amendment to the Constitution. Let us change the Constitution for their benefit. The time has come when the Constitution ought to be changed for the well-being of the people, for ensuring better life to them, for curtailing the powers of bureaucracy, and administrative powers of those who do not mean well for the people. Therefore, I stand for going into this question but I would leave it to the Select Committee to view it from the larger interests of the people, and not from mere administrative or legal considerations. It is the duty of all of us when we make changes in the Constitution, to convince the country that we are changing the Constitution for the better and not for the worse.

**SHRI R. C. GUPTA** (Uttar Pradesh): Sir, I rise to support the motion before the House. I know that sales tax is a State subject, and is a prolific source of income to the States. Any inroad or encroachment on their part is sure to be resented by the States. The Bill makes it quite clear that there is no intention of the Central Government to

encroach in any manner on the income of the States. The amendment seems to be necessitated on account of the interpretation which the Supreme Court put on the power of the States to impose sales tax with regard to inter-State trade or commerce. Therefore, it is necessary to legislate and put an end to that controversy. So far, it is good and would receive the support. I have no doubt, of the entire House, but there are certain other matters which we have to consider in this connection.

As I submitted, the sales tax is a prolific source of income. Some of the States sometimes do impose sales tax which are resented by the consumers and the public. For restricting the powers of the States in certain matters, the interference by the Parliament seems to be necessary, and this fact also seems to have been recognised by the present Amending Bill, while trying to amend clause (3) of article 286. I feel that, for proper working of the sales tax and proper realisation of income from sales tax to various States, it is desirable that a uniform sales tax should be imposed throughout the country.

It is true that in certain States some more articles or commodities would have to be taxed. There is a very wide variety of commodities and articles which are sold all over the country, and on which sales tax is being charged. It is desirable that in respect of these commodities, the rates charged should be uniform.

I will just give an instance to illustrate my point, and to bring home the relevancy and the urgency of it. Recently, the Government of the U. P. imposed sales tax on certain commodities which were not liable to sales tax in the neighbouring States. I speak of the sales tax on salt and foodgrains specifically. There was wide resentment all over the State. The result of it is noticeable. The Government had to yield, and it had to reduce the incidence of the tax to a certain extent, and the Finance Minister of Uttar Pradesh has also

promised to consider this question further. Of course, I am not concerned with that aspect of the question. What I am concerned is the trade and commerce of the particular State. Large cities situated on the borders of the States suffer considerably in their business activities. I take the case of Agra, which is situated on the border of Rajasthan, Madhya Bharat and Delhi. Sales tax has been imposed on foodgrains. Agra is probably the biggest centre for pulse and oils and also for other kinds of grains, so far as North India is concerned. It exports very large quantities of oils and *dal* all over the country. But the result of this imposition of sales tax has been that, in all the larger towns situated on the borderline of Uttar Pradesh, the imports of foodgrains, oilseeds etc., are completely stopped, and new markets are being created on the borderlines of the States. The result is that the trade and commerce of Uttar Pradesh is suffering to a very great extent. This probably is the result of the injudicious imposition of the tax, and for that purpose. I would submit that the Central Government should take adequate steps to see or rather to compel all the States to have a uniform system of sales tax throughout the country. It is not difficult of achievement. Either a conference of all the Finance Ministers and Chief Ministers may be called, and some workable solution may be found, or restrictions might be imposed under article 286, clause (3), as it is going to be amended.

Previously, the important words in this article were:

“as have been declared by Parliament by law to be essential for the life of the community”.

These words are now proposed to be changed, and the new words that are going to be inserted are:

“declared by Parliament by law to be of special importance in inter-State trade or commerce”.

I think these words, “of special importance”, can cover not only com-

modities essential for the life of the community, but other commodities also. So, this seems to be a desirable and a good change. Therefore, I submit that, under this clause, the Central Government may take effective steps to see that the States, in order to augment the income from this source, may not really add unduly to the weight, and increase the price of the commodities which may fall heavily on the consumers. Therefore, my submission is that the Central Government should take this power into its hands and exercise it judiciously and see that uniform rates of sales tax are imposed on important commodities all over the country.

Another point that I would like to suggest for the consideration of the Select Committee is this. It is desirable to have not only single-point sales tax, but also multi-point sales tax levied uniformly throughout country. At present, there are wide ranges of differences with regard to this matter. There are various commodities in which some States charge single-point sales tax, and others charge multi-point sales tax on them, and the burden on the consumer is not thus evenly distributed. Therefore, it is necessary, in the interest of the community as a whole, that this point should be considered by the Select Committee and some way should be found out so that the burden may be distributed equally on all concerned.

Sir, there is one more point which I would like to bring to the notice of the Government. The entire income that may be realised under the head sales tax by the Central Government is to be distributed to the various States concerned. But nothing has been said specifically in what manner this distribution would take place. This should be definitely stated, so that there may be no doubt whatsoever as to the manner and the way in which this distribution will take place.

SHRI H. C. DASAPPA (Mysore):  
That will come under clause (3).

SHRI R. C. GUPTA: It would come under clause (3), but I think, it should be specifically provided for, so that there may be no doubt about it.

SHRI H. C. DASAPPA: It will come before Parliament, and the principles will be decided by Parliament.

SHRI R. C. GUPTA: But I submit that some indication of the manner of distribution should be given. That is what I want to say. I know the powers are there. I know that the power to place restriction has been recognised under article 286, clause (3). That I know, and I hope, that the Central Government would exercise this power judiciously, and see that the people in any State do not suffer unduly on account of the action of the particular States concerned.

These Sir, are the few points on which I felt I must say something, so that the Central Government might take some suitable action in respect of these matters, because as I said, there are certain articles that are essential for the life of the community, and if the States are allowed to impose any amount of taxes, the life of the community is likely to be affected. I think, the powers in this respect should be curtailed.

#### ALLOCATION OF TIME FOR GOVERNMENT LEGISLATIVE AND OTHER BUSINESS

MR. DEPUTY CHAIRMAN: I have to inform Members that the Business Advisory Committee, at its meeting held today, has allocated time as follows for Government legislative and other business during the remaining part of the current session of the Rajya Sabha:—

1. The Constitution (Tenth Amendment) Bill, 1956—2 hours.

(Reference to Joint Committee of the Houses).

2. The Constitution (Tenth Amendment) Bill, 1956—2 hours.

(Consideration and passing).

3. The Agricultural Produce (Development and Warehousing) Corporation Bill, 1956—5 hours.

(Consideration and passing).

4. The Representation of the People (Second Amendment) Bill, 1956—7 hours.

(Consideration and passing).

5. The Life Insurance Corporation Bill, 1956—7 hours.

(Consideration and passing).

6. The Budget for 1956-57 of the Travancore-Cochin State including the Appropriation Bill—3 hours.

7. Discussion on the working of the Preventive Detention Act.—6 hours.

8. Discussion on the Second Five Year Plan—8 hours.

(General Principles).

9. Bill to confer on the President the power of the Travancore-Cochin Legislature to make laws—2 hours.

10. The Income-tax (Amendment) Bill, 1956—1 hour.

The Constitution (Tenth Amendment) Bill, 1956, will be taken up for consideration and passing on 31st May 1956.

The Committee has also recommended that, in order to be able to complete the above programme by May 31, 1956, a sitting should be held also on Saturday, the 26th May 1956, and the lunch recess should be dispensed with, as and when necessary.

The House now stands adjourned till 2-30 P.M.

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