

**ESTIMATES COMMITTEE
(1982-83)**

(SEVENTH LOK SABHA)

FORTY-FOURTH REPORT

MINISTRY OF FINANCE

(DEPTT. OF REVENUE)

Action Taken by Government on the recommendations contained in the Nineteenth Report of Estimates Committee (Seventh Lok Sabha) on the Ministry of Finance—Department of Revenue—Direct Taxes, (Wealth Tax, Gift Tax and Estate Duty)

**PART I
EXEMPTION LIMITS**

Presented to Lok Sabha on



सत्यमेव जयते

**LOK SABHA SECRETARIAT
NEW DELHI**

March, 1983/Phalguna, 1904 (Saka)

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ESTIMATES COMMITTEE
(1982-83)

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*Elected w. e. f. 14. 10. 1982 vice Sh. Ram Chandra Rath appointed as Minister of State.

(iv)

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**COMPOSITION OF STUDY GROUP ON ACTION TAKEN
REPORTS OF ESTIMATES COMMITTEE**

1. Shri Bansi Lal—*Chairman*
2. Shri M. Satyanarayana Rao—*Convener*
3. Shrimati Begum Abida Ahmed
4. Shri Tridib Chaudhuri
5. Prof. Madhu Dandavate
6. Shri B. V. Desai
7. Shri Krishan Kumar Goyal
8. Smt. Sanyogita Rane
9. Shri Girdhari Lal Vyas.

INTRODUCTION

I, the Chairman of the Estimates Committee having been authorised by the Committee to submit the Report on their behalf, present this Forty-Fourth Report on Action Taken by Government on the recommendations contained in the Nineteenth Report of Estimates Committee (7th Lok Sabha) on the Ministry of Finance (Deptt. of Revenue) Direct Taxes (Wealth Tax, Gift Tax and Estate Duty)—Part I—Exemption Limits.

2. The Nineteenth Report was presented to Lok Sabha on 19 February, 1982. Government furnished their replies indicating action taken on the recommendations contained in that report by 10 January, 1983. The replies were examined by Study Group on Action Taken Reports of Estimates Committee at their sitting held on 3 March, 1983. The Draft Report was adopted by the Committee on 8 March, 1983.

3. Report has been divided into the following Chapters:—

I. Report

II. Recommendations/Observations which have been accepted by Government.

III. Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies.

IV. Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee.

V. Recommendations/Observations in respect of which final replies of Government are still awaited.

4. An analysis of action taken by Government on the recommendations contained in the 19th Report of Estimates Committee is given in Appendix I. It would be observed therefrom that out of 4 recommendations made in the Report, 1 recommendation i.e. 25 per cent has been accepted by the Government. Final replies in respect of 3 recommendations i.e. 75 per cent are still awaited.

NEW DELHI;

March 11, 1983

Phalguna 20, 1904 (S)

BANSI LAL,

Chairman.

Estimates Committee.

CHAPTER I

REPORT

1.1 This report of the Estimates Committee deals with action taken by Government on the recommendations contained in their 19th Report (7th Lok Sabha) on the Ministry of Finance (Department of Revenue)—Direct Taxes (Wealth-tax, Gift-tax and Estate Duty)—Part I—Exemption Limits, which was presented to Lok Sabha on 19 February, 1982.

1.2 Action Taken notes on the recommendations of the Committee have been categorised as follows:—

- (i) Recommendations/observations which have been accepted by the Government:

Sl. No. 4 (Para 1.22)

(Total 1 Chapter II)

- (ii) Recommendations which the Committee do not desire to pursue in view of Government's replies.

NIL

(Chapter III)

- (ii) Recommendations/observations in respect of which Government's replies have not been accepted by the Committee.

NIL

(Chapter IV)

- (iv) Recommendations/observations in respect of which Government's replies are of interim nature.

Sl. Nos. 1 (Para 1.18, 1.19), 2 (Para 1.20), 3 (Para 1.21)

(Total 3 Chapter V)

1.3 The Committee will now deal with the Action Taken by Government's replies are of interim nature:

Exemption, for the purpose of Wealth-Tax, Gift-Tax and Estate Duty

Recommendation, Sl. Nos. 1, 2, 3 (Para 1.18, 1.19, 1.20 and 1.21)

1.4 The Committee in their 19th Report found that the Exemption Limit in the case of Income Tax had been progressively increased from Rs. 3600/- in 1951-52 to Rs. 15,000/- in 1981-82. In case of

Wealth-Tax and Gift-Tax the Exemption Limits had in fact been reduced after the enactment of relevant Acts in 1957 and 1958. In case of Estate Duty the level of Exemption Limit had remained the same since 1953. In 1981-82 it was proposed by the Finance Minister to increase the Exemption Limit for Estate Duty from Rs. 50,000/- to Rs. 1.5 lakh but the proposal was still awaiting legislative sanction.

1.5 Having given a careful thought to the numerous representations received regarding aforesaid exemption limits and certain other reliefs under these taxes and also the views of the Ministry of Finance in this regard, the Committee had recommended that the exemption limits for the purpose of these taxes should be raised as follows:—

- (a) The exemption limit for the purpose of Wealth-Tax should be raised from Rs. 1.5 lakhs as at present to Rs. 2.5 lakhs.
- (b) The exemption limit for the purpose of Gift-Tax should be raised from Rs. 5000 to Rs. 15,000.
- (c) The exemption limit for the purpose of Excise Duty should be raised from Rs. 50,000/- to Rs. 2.5 lakhs.

1.6 The Committee had further recommended that:—

“At present one house or part of a house upto the value of Rs. 1 lakh is not included in the net wealth of an assessee for the purpose of Wealth Tax. In view of the sharp increase in the land and construction costs, this limit should be raised to Rs. 1.5 lakhs. That is to say, a house upto the value of Rs. 1.5 lakhs should be exempted for the purpose of computation of net wealth of an assessee under the Wealth Tax Act.”

1.7 The Committee had also recommended that taking into consideration the enormous rise in gold prices, the value of gold jewellery for the purpose of Wealth Tax should be pegged down to the value as obtaining on 31 March, 1975.

1.8 In their Action Taken reply (January, 1983) the Ministry have stated:—

“In regard to the recommendation in paragraph 1.19 (C), it may be mentioned that the exemption limit of estate duty has since been raised by the Estate Duty (Amendment) Act,

1982 to Rs. 1,50,000/- with retrospective effect from 1st March, 1981."

1.9 The Ministry have further stated that:—

"In regard to the recommendation by the Estimates Committee that this limit shall be raised to Rs. 2,50,000/-, as also the other recommendations made by the Committee, it is relevant that the Economic Administration Reforms Commission is engaged in the task of simplification and rationalisation of direct tax laws. A copy of the Estimates Committee (1981-82) 7th Lok Sabha's Nineteenth Report has been forwarded to the Economic Administration Reforms Commission so that they might consider keeping the Committee's recommendations in view in the course of their deliberations. A final decision on the recommendations of the Estimates Committee will be taken by Government in the light, *inter-alia* of the recommendations, if any, which might be made by the EARC."

1.10 This Report was presented to the House before the presentation of the Budget for the year 1982-83 with the hope that quick decision would be taken for giving effect to the recommendations to the extent possible through the Financial Bill 1982. The Committee are disappointed that despite two budgets having been presented since then no decision has been taken on the recommendations of the Committee. The Committee have now been informed that their Report has been forwarded to the Economic Administration Reforms Commission so that the Commission might keep in view the recommendations of the Committee and that final decision on the recommendations will be taken by Government in the light *inter alia* of the recommendations, if any, which might be made by the Commission. The Economic Administration Reforms Commission is engaged in the task of simplification and rationalisation of Direct Tax Laws whereas the recommendations of the Committee relate to effective rates of tax, as these deal with exemption limits for the purpose of Wealth Tax, Gift Tax and Estate Duty and computation of wealth. The Committee doubt whether these matters are within the purview of the Commission. However in view of the importance the Committee attach to the recommendations, they would expect Government to expedite the decision thereon.

Implementation of Recommendation

1.11 The Committee would like to emphasise that they attach the greatest importance to the implementing of the recommendation accepted by Government. They would, therefore, urge that Government should ensure expeditious implementation of recommendation

accepted by them. In case where it is not possible to implement the recommendation in letter and spirit for any reason, the matter should be reported to the Committee in time with reasons for non-implementation.

1.12 The Committee also desire that final replies in respect of the recommendations contained in Chapter V of this Report may be furnished to the Committee expeditiously.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation Serial No. 4 (Para No. 1.22)

The Committee are of the view that exemption of gifts made to institution for charitable purposes should not be confined to donations in cash/money only. The exemption should be extended to gifts in kind also. The Committee are glad to note that a clarification has been issued by the Central Board stating that the exemption in this regard is applicable to all types of properties, movable or immovable.

Reply of the Ministry

The observations of the Committee have been noted.

[Ministry of Finance (Deptt. of Revenue) F. No. 155(19)/82-
TPL dated 10-1-83]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES

—NIL—

CHAPTER IV

**RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH
REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED
BY THE COMMITTEE**

—NIL—

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation Serial Nos. 1, 2 & 3, (Para No. 1.19 (a), (b) & (c), 1.20 & 1.21)

The Committee have given a careful thought to the numerous representations received regarding aforesaid exemption limits and certain other reliefs under these taxes and also the views of the Ministry of Finance in this regard. The Committee feel that time has now come to increase the exemption limits for Gift Tax, Wealth Tax and Estate Duty. The Committee recommend that the exemption limits for the purpose of these taxes should be raised as follows:

- (a) The exemption limit for the purpose of Wealth Tax should be raised from Rs. 1.5 lakhs as at present to Rs. 2.5 lakhs.
- (b) The exemption limit for the purpose of Gift Tax should be raised from Rs. 5000 to Rs. 15,000.
- (c) The exemption limit for the purpose of Estate Duty should be raised from Rs. 50,000 to Rs. 2.5 lakhs.

At present one house or part of a house upto the value of Rs. 1 lakh is not included in the net wealth of an assessee for the purpose of wealth Tax. In view of the sharp increase in the land and construction costs, the Committee recommended that this limit should be raised to Rs. 1.5 lakhs. That is to say, a house upto the value of Rs. 1.5 lakhs should be exempted for the purpose of computation of net wealth of an assessee under the Wealth Tax Act.

Taking into consideration the enormous rise in gold prices, the Committee also recommend that the value of gold jewellery for the purpose of Wealth Tax should be pegged down to the value as obtaining on 31st March, 1975.

Reply of Government

In regard to the recommendation in paragraph, it may be mentioned that the exemption limit of estate duty has since been raised by the Estate Duty (Amendment) Act, 1982 to Rs. 1,50,000 with retrospective effect from 1st March, 1981.

In regard to the recommendation by the Estimates Committee that this limit shall be raised to Rs. 2,50,000 as also the other recommendations made by the Committee, it is relevant that the Economic Administration Reforms Commission is engaged in the task of simplification and rationalisation of direct tax laws. A copy of the Estimates Committee (1981-82) Seventh Lok Sabha's Nineteenth Report has been forwarded to the Economic Administration Reforms Commission so that they might consider keeping the Committee's recommendation in view in the course of their deliberations. A final decision on the recommendations of the Estimates Committee will be taken by Government in the light, *inter-alia* of the recommendations, if any which might be made by the EARC (Economic Administration Reforms Commission).

[Ministry of Finance O.M. No. 155(19)/82- TPL dated 10-1-83]

Comments of the Committee

Please see para 1.12 of the Report.

NEW DELHI;
 March 11, 1983
 Phalguna 20, 1904 (Saka)

BANSI LAL,
 Chairman,
 Estimates Committee.

APPENDIX

(Vide Introduction of the Report)

Analysis of Action Taken by Government on the 19th Report of Estimates Committee (7th Lok Sabha)

I. Total number of Recommendations		4
II. Recommendations/Observations that have been accepted by Government.		
	Total	1
	Percentage	25%
III. Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies.		
	Total	Nil
	Percentage	Nil
IV. Recommendations/Observations in respect of which Government's replies have not been accepted by the Committee.		
	Total	Nil
	Percentage	Nil
V. Recommendations/Observations in respect of which final replies of Government are still awaited.		
	Total	3
	Percentage	75%