

14.13 hrs.

[SHRI SHARAD DIGHE *in the Chair*]

ESTATE DUTY (AMENDMENT)
BILL

[*English*]

THE MINISTER OF FINANCE AND COMMERCE (SHRI VISHWANATH PRATAP SINGH): Sir, I beg to move:

“That the Bill further to amend the Estate Duty Act, 1953, be taken into consideration.”

Sir, this short and simple Bill has been introduced in pursuance of the announcement made in the speech this year that the Government propose to abolish the levy of estate duty in respect of estates passing on deaths occurring on or after 16th March, 1985.

Clause 2 of the Bill seeks to insert in the Estate Duty Act a new section 5C which provides that the Estate Duty Act shall cease to apply to the levy of estate duty in respect of any property, other than agricultural land, which passes on the death of any person on or after the 16th March, 1985.

As regards levy of estate duty on agricultural lands, the hon. Members are no doubt aware that the Estate Duty (Amendment) Act, 1984 sought to discontinue levy of estate duty in respect of agricultural lands. As a result of the said Amendment Act, the Estate Duty Act, has ceased to apply to the levy of estate duty in respect of agricultural lands situated in all the Union Territories and all the States except the States of Andhra Pradesh, Karnataka, Manipur, Nagaland, Punjab and Tripura. The Legislatures of these six States are yet to pass enabling resolutions under Article 252 of the Constitution adopting the proposal relating to discontinuance of levy of estate duty in respect of agricultural lands. It is proposed in due course to introduce another Bill to provide for the abolition, with effect from the 16th March, 1985, of the levy of estate duty in respect of agricultural lands situated in these States after

the Legislatures of at least two of these States pass resolutions under Article 252 of the Constitution adopting the proposal to discontinue the levy of estate duty in respect of agricultural land situated in the respective States. As stated in Para 88 of the Budget Speech, operation of the Estate Duty Act has led to procedural harassment to the heirs of the deceased. While the yield from the estate duty has been low, its cost of administration has been relatively high. In our view, estate duty has not achieved the twin objectives with which it was introduced. It is for these reasons that we have now come up with this Bill.

Sir, I trust that this short and simple Bill will receive the unanimous support of the House.

MR. CHAIRMAN: Motion moved:

“That the Bill further to amend the Estate Duty Act, 1953, be taken into consideration.”

[*Translation*]

*SHRI P. APPALANARASIMHAM (Anakpalli): Mr. Chairman, Sir, the Estate Duty was introduced years ago by the Congress Party with a view to ushering in socialism. It was a wise decision on their part. They were really interested in socialistic values. With the introduction of this Bill to abolish Estate Duty the present Congress has abandoned their goal of establishing the socialistic pattern of the society in the country. No, by introducing this Bill the present day Congress Party wants to help the rich people who have earned crores of rupees and are living a luxurious life. When this Bill is passed, the Government will have no more and have any share in the wealth on the death of Estate holders. The idea of imposing the duty on Estate was to get something out of the property upon their death, so that the money thus collected can be spent by the State for the welfare of the poor people. No this noble cause has been abandoned with the introduction of this Bill and hence vehemently oppose this Bill. I want to say a few things in

*The speech was originally delivered in Telugu.

this connection. The Congress Govt. time and again declare that they are wedded to socialism and are working in that direction. On the one hand they preach socialism and on the other they act contrary to it. The earst while Congress wanted that in order to help the poor, certain portion of the property should go to the State along with the heir when rich people die. This is the reason why Estate Duty was introduced. But this Government is dispensing away with it. Disclosing the intention of abolishing the Estate Duty, the hon. Finance Minister gave reason for doing so in this budget speech during the last session. He said that the administrative expenditure has become more than collection of Estate Duty. High expenditure and low income was the reason he gave. But, Sir, I do not agree with his view. Now there are many Govt. departments which are not doing well. But these departments have not been wound up. On the other hand, these establishments are being clubbed with other related establishments. For example, there used to be a conductor in each bogey in our Railways earlier. Now there is only one conductor who looks after 4 bogies. That is how money is being saved there. Similarly instead of abolishing the Estate Duty cell, just because the cost of administration has gone up, it is better to club it with Income Tax Department. It can work successfully. By passing this Bill we will only be working against the socialism. So it is better to retain the Estate Duty. It is not good for the country to abolish it. What is that we are doing for the poor? Whether the poor are going to benefit in any way with the abolition of this duty? Whether there is any thing useful for the poor in this Bill? Only rich people pay Estate Duty not the ordinary people like rickshaw pullers labourers etc. So where was the necessity to abolish this duty. Therefore it is ridiculous to do away with Estate Duty. The very aim with which Estate duty was imposed once by the Congress party has been forgotten totally. There is no other argument except to say that the cost of administration has gone up. It is no reason at all. Hence I request the Government to

continue with the Estate duty instead of abolishing it.

Sir, I conclude thanking you for giving me the opportunity to speak.

[English]

SHRI AJAY MUSHRAN (Jabalpur) : Sir, I whole heartedly support the Estate Duty (Amendment) Bill, 1985. I not only support it, but I wholeheartedly congratulate the hon. Finance Minister for keeping his promise. And as per the desire of the Government under the beloved Prime Minister, Shri Rajiv Gandhi, the promises made in the Budget speech are being made a reality one by one as per the importance, and keeping in view the harassment of the people involved in getting a very insignificant revenue through this Estate Duty, the abolition of this Estate Duty has been brought in the shape of a Bill by the hon. Finance Minister.

Now, the date from which this abolition has been made effective is 16th March, 1985. About that I wanted to give a suggestion. As we all know, and as the hon. Finance Minister has also said, administrative set up developed to realise this duty or the revenue from the public was costing more to the Government than the revenue which was actually being realised. That is one of the reasons why this has been abolished. My submission is that if the date of abolition is made effective six months before the date of 16th March 1985, then the real benefit will accrue to those people who are going to get this abolition advantage because if we are going to abolish it with effect from 16th March 1985, there are certain special circumstances under which a large number of middle class people are affected, and also large number of people with small incomes, small properties, houses and provident funds, who have been killed because of the riots after the assassination of our dear Prime Minister, late Mrs. Gandhi, and the gas leakage tragedy which occurred in Bhopal, are affected. As I said yesterday, the impression was that only the people died during this gas tragedy. But it is not so.

[Shri Ajay Mushran]

An appreciably large number of middle class people who were just on the verge of exempted limit of Estate Duty lost their lives and their next of kin will suffer. I am very sure that you, being benevolent as you are, will realise that the benefits given to the people who have died on or after 16th March 1985 should also be given to the next of the kin of the people who have died before this duty is abolished, but whose returns are due up to 16th March 1985. That date comes to 16.9.1984. This is the only submission which I wanted to make and the reasons are valid. After all, even six months are not going to get an appreciable income. On the other hand we will be helping a large number of middle class people who have lost their lives and for the next of kin, I am sure you would like to save the harassment of the tax people. This date will be brought back and pre-poned to 16th September 1984 so that they can get advantage, I mean those who had to file their returns on the estate by 16th March 1985. I am sure the hon. Finance Minister will be kind enough to make this amendment in the date of its effect.

[Translation]

SYED MASUDAL HUSSAIN (Murshidabad) : Mr. Chairman, Sir, since yesterday the House has been discussing various implications of black money and today at 1 P.M. the hon. Finance Minister said that he would use all means to unearth black money, and now at 2 P.M. this Estate Duty (Amendment) Bill has been brought forward. Sir, it is not an amendment Bill but to my mind it is an abolition Bill.

What used to happen prior to this? If anyone had property worth more than Rs. 1.5 lakhs, his heirs approached the court and before obtaining a succession certificate they had to get an Estate Duty clearance certificate. Now this will not be required.

A few days back you apprehended a vegetable merchant in *Sabzi Mandi* in Delhi but now they cannot be apprehend-

ed. They will deposit the black money in the safe custody of nationalised banks and their branches throughout the country instead of keeping it in their own safes. You will not be in a position to take any action against them. You are openly encouraging people to amass black money.

(Interruptions)

The amount of estate duty being collected up till now will not be there. The hon. Minister said that we shall unearth black money with the help of the existing provisions in law. In this connection I would like to say that we are ill-equipped. We do not have fire-arms. What we had was only bow and arrow and now we have kept only the bow and thrown away the arrow. At least you could have done this much that you could have raised the ceiling of the estate duty from Rs. 1.5 lakhs to Rs. 3 lakhs or 5 lakhs.

A small fraction of the total amount collected as estate duty used to go to the States but now after its abolition, the States will not get this amount. Similarly the scope of the Estate Duty Distribution Act is limited. Now the States will not get any revenue from this source.

(Interruptions)

It is a small measure but a dangerous one. I would again urge you to raise the ceiling of estate duty instead of completely abolishing it as it would give an opportunity to blackmarketeers to amass black money freely. They will now deposit this money in the banks and you cannot take any action against them. With these words, I oppose this Bill.

SHRI RAMASHRAY PRASAD SINGH (Jahannabad) : Mr. Chairman, Sir, I rise to oppose the Estate Duty (Amendment) Bill. I oppose it not because I am in opposition but because this Government repeatedly says that we are marching towards socialism. Will this Bill take us on the path of socialism? You can yourself see it.

(Interruptions)...

Your way of interpreting socialism is different from ours. Now, big persons will keep their money in banks without any fear and they will take full benefit of it. Then you will not be able to arrest those people. You know better how persons having black money utilise it. You are very well aware of what tremendous harm black money has caused to the country and the Government exchequer. I would like to say that by bringing this Bill you have given concessions to big businessmen. Such thing should not happen. Had the path of socialism been followed, then you would have brought a socialistic Bill in order to provide relief to poor people. Today many poor people say that everybody, particularly the common man is experiencing many hardships due to price rise. Had Government taken some measures to minimise their hardships, these measures, naturally, would have been hailed as socialistic measures and they would also have been conducive to Government for making further progress.

With these words, I oppose this Bill and urge that it should not be passed.

[English]

SHRI GEORGE JOSEPH MUNDACKAL (Muvattupuzha) : Mr Chairman, Sir, I am supporting the Bill. I am congratulating the Minister.

In a State like Kerala, after the land reforms, they have divided into one acre, two acres like that. The price is very high at the same time. If one man dies his sons and daughters have to sell his land to give the estates duty to the Government. Anyway it is a good scheme and I congratulate the Minister for introducing such a Bill.

If you are giving exemption in respect of agricultural land the rural poor people will benefit by that. So, I am supporting this Bill and am congratulating the Minister for introducing this Bill.

THE MINISTER OF FINANCE AND COMMERCE (SHRI VISHWANATH PRATAP SINGH) : Sir, I think, the sense of the House is already expressed.

One point was made that this is for the support of the rich. The Economic Administration Reforms Commission have gone into detail on this subject and I just want to read a passage :

“The revenue from estate duty has stagnated around Rs 10 to Rs. 15 crores and has not kept pace with the general rate of rise in the realisations from income tax. The overall contribution of estate duty to the general revenue has, in fact, decreased from an already small 0.22% in 1972-73 to a mere 0.11% in 1980-81. The C & AG's Report for 1979-80 brings out that the 12000 and odd estate duty assessments completed during that year included only 6 cases where the value of the estate exceeded Rs 20 lakhs, and only 47 cases where it exceeded 0.10 lakhs and the levy has been borne largely by middle income and less affluent sections of the community. The revenues are not only small in quantum but its incremental increase is also sluggish. The number of big estates brought within the duty net is negligible. These facts would lend support to a view that the estate duty law as now in force has not been fully subserving the purpose of the enactment. Yet the complexity of the law the involved procedures and the scope for harassment seem to be disproportionately large. They seem to act more harshly on the smaller men while persons having large wealth with professional advice to back them seem to be eluding the net”.

14.34 hrs.

[MR. SPEAKER *in the Chair*]

This was the assessment by the Economic Administration Reforms Commission. In regard to realisation, the money spent on the cost of collection, as a percentage, is 1/2% in the case of Income Tax, from 3 to 4% in the case of wealth tax, from 6% to 6.2% and 6.9% around 7%.

[Shri Vishwanath Pratap Singh]

the highest, in the case of Estate Duty. So the cost of collection was also higher. So, in view of all these considerations we have come with this proposal to abolish this. As for as the point that we are helping the rich is concerned, I want to say there is no question about it. You know the strong action we are taking with regard to tax evasion.

Sir, I want to repeat one point which I have also made in my first statement that in 1984 there was a Bill for abolition of estate duty from agriculture land. Several States have passed the legislation and only a few States like Andhra Pradesh, Karnataka, Manipur, Nagaland, Punjab and Tripura have not yet passed it. When two of these States pass it we will be coming with a Bill. No where else on agriculture land there is estate duty.

As regards the point raised by Shri Mushran to having retrospective effect of six months, I think, I cannot agree to that because still there may be cases where one day earlier somebody might have died. (*Interruptions*) I have applied my mind but I cannot agree.

Again, Sir, a point had been made that people will put their money now in the bank and, therefore, they will become safe from the operation of law tax. I do not know how one who puts it in the bank becomes safer. It is unaccounted money whether it is in the bank or in the house. Once it is unaccounted, by putting it in the bank nobody becomes safer.

PROF. MADHU DANDAVATE (Rajapur) : If you put in the Swiss bank,

SHRI VISHWANATH PRATAP SINGH : Perhaps we will take advice from you how to deposit it. As regards State's share it is very meagre. Abolition of estate duty does not affect the Finance Commission's recommendations. Some States have got surplus budget due to Finance Commission recommendations.

Sir, I am thankful to the Members for their support. With these words I recommend the House for passing of this Bill.

MR. SPEAKER : The question is :

"That the Bill further to amend the Estate Duty Act, 1953, be taken into consideration."

The motion was adopted

MR. SPEAKER : The House will now take up clause by clause consideration of the Bill.

The question is :

"This Clause 2 stand part of the Bill."

The motion was adopted.

Clause 2 was added to the Bill.

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

SHRI VISHWANATH PRATAP SINGH : Sir, I move :

"That the Bill be passed."

MR. SPEAKER : The question is :

"That the Bill be passed."

The motion was adopted.

14.40 hrs.

STATEMENT RE: ELECTIONS IN PUNJAB

[*English*]

THE PRIME MINISTER (SHRI RAJIV GANDHI) : Sir, Hon'ble members are aware that the schedule for elections in Punjab has been announced by the Election Commission.

The primacy of the electoral process in our country is obvious ; it needs no special emphasis.