

Action should be taken to have Super Thermal Power Stations with 500 MW units.

17.21 hrs.

**ESTATE DUTY (AMENDMENT)  
BILL, 1986**

[English]

THE MINISTER OF STATE IN THE DEPARTMENT OF EXPENDITURE IN THE MINISTRY OF FINANCE (SHRI B.K. GADHVI) : On behalf of Shri Vishwanath Pratap Singh, I beg to move :

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

Hon. Members may recall that the Estate Duty Act was amended last year so as to discontinue the levy of estate duty in respect of property other than agricultural lands with effect from 16th March, 1985. As a result of the amendment made in the Estate Duty Act in 1984 and the Resolutions passed by various State Legislatures under article 252 of the Constitution, the Estate Duty Act has ceased to apply to the agricultural lands situated in all the Union Territories and all the States except the States of Nagaland, Punjab and Tripura.

The State Legislatures of Punjab and Tripura have passed Resolutions under article 252 of the Constitution to the effect that the Estate Duty Act may be amended by Parliament so as to discontinue the levy of estate duty in respect of agricultural lands which are situated in these States and which pass on deaths occurring on or after 16th March, 1985. This Bill seeks to make an amendment in the Estate Duty Act pursuant to the Resolutions passed by the Legislatures of these two States. The effect of this Bill being enacted into law will be that the Estate Duty Act will cease to apply to the agricultural lands which are situated in the States of Punjab and Tripura and which pass on the deaths occurring on or after 16th March, 1985.

This is a very short and simple Bill which seeks to abolish the estate duty on agricultural lands in the States of Punjab and Tripura. Therefore, I am sure that the Bill will receive the unanimous support of the House.

With these words, I move.

MR. DEPUTY SPEAKER : Motion moved :

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

Shri B.B. Ramaiah.

SHRI B.B. RAMAIAH (Eluru) : Sir, this is a Bill which seeks to amend the Estate Duty Act, 1953. Already we have so many taxes like the income-tax, the wealth tax, the capital gains tax and so many other taxes. The estate duty should have been abolished long back. Anyway, now it is being taken up in respect of Punjab and Tripura. The other States have already agreed for the abolition of this tax on agricultural land. I always feel that any tax on agriculture is very dangerous and the farmers and innocent people are put into a lot of inconvenience. The Punjab and Tripura have recently done this.

I know that earlier the country tobacco tax was used to be put on the farmers. It was one of the greatest harassments to the farmers. Once it was abolished, the Government did not lose much; but I should say, the tax collectors and the indirect people have lost heavily, whereas farmers got great relief. The land tax also is a harassment to the farmers and the innocent people who do not know how to prepare the accounts. They are put to a lot of inconvenience and the people try to mis-use these provisions.

Now I would strongly support not only this, but any other aspect which gives relief to the farmers. After the agricultural land ceilings have been introduced, the holdings have been reduced. Putting any tax on the small holdings is not desirable.

- [Shri B.B. Ramaiah]

I thank you very much for the time that you have given to me. I thank the Finance Minister for introducing the Bill. I support it.

[*Translation*]

DR. G.S. RAJHANS (Jhanjharpur) : Mr. Deputy Speaker, Sir, the truth is that there is nothing to say on this Bill, except to support it. One of praise-worthy work done by the Rajiv Gandhi Government, after it took over, has been the abolition of the Estate Duty. Estate Duty was like cancer in the tax system. The people who have been victims of this tax know very well as to how it has adversely affected them. The middle class people with the entire earnings of their life purchase two bighas of land or a small flat. I can give you many such examples and if you want, I can give you the names also. I have seen this thing happening to my five or six friends. Suddenly due to some accident or some disease the man died, leaving the family without any bread earner. Their tears had not dried up when the Estate Duty officials started knocking at their door for recovery of the Estate Duty. I know that man had purchased the flat by taking loan but for paying the Estate Duty, the members of the family had to resort to distress sale selling the flat for Rs. 50 to Rs. 60 thousand as they were to pay heavy Estate Duty. Unfortunately, many people are not aware of this, they have not undergone the pangs of payment of the Estate Duty. Therefore, last year when direct taxes were rationalised, the Estate Duty was abolished. In certain States the Estate Duty on agricultural land still exists. Punjab and Tripura have abolished it. The truth is that this Bill should have come quite early. This type of system is a slur on the society. If you recover Estate Duty from big persons that would mean some thing but if a middle class family after the death of the head of the family has to pay it, that is very unfortunate.

I would like to say that this Bill is quite good. Earlier an amending Bill had come and that was a very good Bill. Subsequently another amending Bill was presented which was even better. Wherever it has remained, for that the States should

be persuaded to abolish it on agricultural land because it is a slur on the society. With this I conclude.

[*English*]

SHRI AMAL DATTA (Diamond Harbour) : Sir, last year the Government abolished estate duty after an experiment of 32 years. The estate duty was introduced in 1953 and after 32 years in 1985 they said that the experiment has failed. What was the experiment ? Was it only for the purpose of revenue collection or was there some other objective in imposing estate duty ? One of the purpose of every revenue Act is to raise revenue. The other purpose for which the estate duty was introduced—this is practically so in all developed countries—was to bring about some kind of equality through this particular Act so that property when it passes from one generation to the other some of it goes to the State and thereby some inequality gets eliminated. That part was not at all taken notice of when the reason was given for abolition of estate duty. The only reason given at that time and subsequently was that the collection of estate duty was so little that even the cost of collection of estate duty was more than the actual collection. The collection figures, we know, varied from Rs. 20 crores to Rs. 26 crores. We also know that so far as Income Tax is concerned the Government always claims that the collection charge of income-tax is not more than 3 per cent but how they claim that estate duty collection exceeded the actual collection. That particular statistics has never been made clear to us in the House or outside. The same Department collects both income tax and estate duty. It may be possible through some financial jugglery some of the cost incurred by the Department on income tax collection has been passed on to estate duty but no figures were made available to show that this proposition was correct so far as the economics of the tax is concerned.

So far as the equality aspect is concerned nobody from the Treasury Benches—either the Finance Minister or the Minister of State for Finance—made any statement in the House or outside. This is very peculiar,

I would like to say that this is one of the factors which falls in line with the Government policy of so-called liberalisation, viz., giving more benefits to the rich people that the estate duty has also been abolished. It is in the same category of things that the Government has been trying to do, that is, do not give benefit to the poor. You only say you will give but actually do not give. You give benefits to the rich by more imports and less industrialisation here. As Dr. Rajhans has said this abolition of estate duty has meant less harassment for some people. It is not the Act itself which causes harassment. It is the way in which the Act is implemented. If the Government wanted to implement it properly it would have been properly implemented but, I think, intentionally and deliberately they created such an apparatus for collection that it is the poorer people who are just above the limit who were most harassed and those whose estate amounted to crores of rupees were not harassed because they could employ proper legal people so that the estate is arranged in such a way that they could escape the estate duty tax net. This is a very peculiar thing that the Government itself tries to make the law practically inoperable. You are not only harassing the people, but you have also left all kinds of loopholes, all avenues open for the richer section of people. After that you say that you are not able to collect enough. This is because you have kept the net open in such a way that you have allowed all the big fish escape through that and only the little ones are caught. Therefore, your cost of collection is high and the revenue collection is low. After that you say that you have done a very good thing and prevented harassment. Actually, the revenue which could have been collected by having this tax would have been much more; it is not only Rs. 20 or 25 crores, but it would have been hundreds of crores. You have given it a go-by in fact. What has been happening is that since 1985 the budget passed not for the purpose of raising revenue, but for the purpose of seeing that more and more tax exemptions are granted. I know what the answer of the Government will be. They will say that they are collecting more taxes by reducing the tax rate. In fact, what they are doing is they are mortgaging

the future by giving indemnity to people who have not paid tax for years. That is one way. Then, they are letting people give returns and say that this is the tax they have not paid and in future also, they will do that. Today, they will pay tax on money which they have not earned, and in future they will earn money and say that they have already paid tax. This is not collection of tax arrears, but only mortgaging the future. The collection of tax that they have raised is not merely by decreasing the tax rate. That has to be clearly understood.

This is a Bill which is a consequential one. There is nothing much to say. They say that in all States agricultural tax has been abolished, only it remains in Punjab and Tripura, it is discriminatory, so they cannot do anything about it, it has to go.

But the main thing is, what have you done? This is not one of the ways of creating socialism. You have destroyed it. You have been denigrating certain things which is not good for creating socialism. You have been telling that the workers in India are the most inefficient. This is your pattern and this also falls in your pattern. This is a heinous crime. On the other hand, the Government should have a second look at what they have done and to what extent they have gone in liquidating the idea of socialism and whether they should not take corrective steps and reintroduce the Estate Duty again.

SHRI SHANTARAM NAIK (Panaji) : Mr. Deputy Speaker, Sir, the Bill which has come before us, in fact, will go a long way in the simplification of procedure with respect to taxes. It is said that our country is the highest tax levied country, as also the country where there is no rationalised system of taxation. By bringing this legislation and the legislations which were brought earlier, we are doing away with certain taxes which by no means we can consider as rational taxes.

One more thing. Our Prime Minister, Shri Rajiv Gandhi announced 20-Point programme very recently. The last point which has been mentioned is with respect to simplifications of procedures. I would

[Shri Shantaram Naik]

categorize the present Bill under that point, whereby we will not only simplify the procedure, but do away with things which are absolutely irrational.

Fortunately, we have got a very good Finance Minister assisted by other able Ministers. He has for rationalization of taxes sought dialogue with the business community. He sits for hours together in his chamber even late at night, does his home work and studies the matters himself. The country is very fortunate in having such a Finance Minister.

The aspects of rationalisation are taken in such a manner that in the Income Tax Act, I have seen a proposal last year. When the scientists of our country get some lumpsum amount for their work, that amount is spread over three years, so that there is some sort of a concession given in recognition of the work done by our scientists. These are the things which go a long way in rationalisation of the system.

As far as the estate duty is concerned, it is absolutely not fitting in our days. It is irrational. You tax a person with some income and the moment a person dies, immediately your Estate Duty comes into force. In a way, we do not even allow him to die in peace because the Act comes into force with respect to that person, the moment he dies. Such a system of taxation is absolutely not in tune with our times. We not only punish the dead person, but also the family of the person who inherits the small property. There may be some persons who may inherit very big properties but the same law applies even to the small inheritors. We punish those persons who inherit small properties from their father, mother or somebody else.

We should also avoid the theory of double taxation. We have five year plans for bid us, roads, schools, etc. But at the same time, when we construct a bridge on the national highway, we take another toll for that bridge. I am just giving a simple example of this double taxation system. These are certain things which the country or the Finance Minister has to avoid.

I would like to remind you that with respect to income tax proposals which are

on the anvil, some good proposals have been put forth for rationalisation of tax procedures in general. As far as the Income Tax Act is concerned, there have been certain proposals. I will give just one simple example. In Goa, a man and a woman are treated on equal footing and her state and his state are considered separately, even for income tax. They are assessed separately and their assets are not joined together even for estate duty or wealth tax purposes. Now, I have learnt that a new proposal is coming to do away with the concession that the people of Goa are enjoying on account of their progressive nature of the legislation. If you are bringing such a legislation, which would do away with the progressive system existing in one part of the country, I think that that will not be a proper legislation or a progressive legislation. Similarly, in the Income Tax Act, I would like to point out about Section 230 A, to the hon. Minister. When you register a deed for some immovable property, if you are taking Rs. 50,000 worth of property by virtue of that deed, or if you are giving Rs. 50,000 worth of property, then you have to take a 'No Objection Certificate', under Section 230-A of the Income Tax Act. This puts people in hardship. A person may not have any property today, and if he gets Rs. 50,000 worth of property from his father or mother or somebody else, for that he has to go to the Income Tax Department. Today he is worth nothing. He does not have even Rs. 5 and tomorrow because of some good thing, he has to go to the Income Tax office, which he has never seen earlier. I am just giving this example so that some rationalisation in all the tax procedures and tax structures may be made. This is my humble plea that all the laws may be taken in a consolidated form and study may be made and wherever simplification is required with regard to the procedures under Wealth Tax, Income Tax, Estate Duty, etc., the necessary reforms may be brought about, so that we need not bring about any new legislation next year. Since you are already bringing this Bill on tax proposals, I would like you to consider this point on the income tax also.

[Translation]

SHRI VIJOY KUMAR YADAV  
(Nalanda): Mr. Deputy Speaker, Sir, the continuous exemption in and abolition of



direct taxes is a very dangerous trend and it makes the intention of the Government clear. In fact, through these steps the present Government wants to serve the cause of the rich and the big people. Just now some of the hon. Members of the ruling party supported these steps and cited an example that even people holding 2 or 4 bighas of land used to face difficulties because of this Duty. If it is going to serve the poor then it is a welcome step. It also conforms to the values enshrined in the Constitution. But even the big landlords who did not deserve exemption have been granted the same through this legislation. Presently, the major part of our agricultural land is owned by only a few people. If we pursue the all India figures then it comes out that only a few people own the maximum land. The progressive land reforms have not been implemented. Instead, there is decline in such activities and the Government is showing indifference towards this aspect. I oppose the exemption granted to big landlords. I think that the provision should have been made to the effect that there will be exemption for small landholders but the Duty will remain in vogue for the big people.

With these words I conclude.

[English]

SHRI VIJAY N. PATIL (Erandol) : Mr. Deputy Speaker, Sir, I stand to support the Amendment. The Estate Duty Act as passed in 1953, had so many amendments before it, some States have the powers to levy Estate Duty and remain behind in the abolition of the Estate Duty.

Sir, this Act was good at the time of the independence, when the Britishers left and there were large estates even in agricultural lands. After the Ceiling Acts enacted by the various States, majority of the land has come under land ceiling and I do not agree with my friend that still there are very big landlords. At least, I see in my state of Maharashtra, very small holdings.

Sir, the Estate Duty was as high as 40 per cent on the property of 50 lakhs and above and it was a heavy burden. That burden was on the spouse or heirs of the

deadman. It was just like a punishment. What was the earning from it? The earning was quite less compared to the cost of collection. It was around 20 to 26 crores. On the contrary, the women have to take insurance for Estate Duty. It was called Estate Duty Insurance cover and large chunk of the money had to be placed for giving premium on insurance. Many of the developing and developed countries also do not have estate duties and the countries which had Estate Duties had abolished it. Australia had abolished the Estate Duty in 1979. Canada had abolished the Estate Duty in 1971. Even the Jha Commission had recommended the concessions in Estate Duty and it was towards the direction of the abolition of the Estate Duty on agricultural land and house property. The characteristics of property have now changed—their place value, time value and demand value. Taxation also has taken different forms : wealth tax, capital gains tax and other forms. Even the wealth tax in our country is higher as compared to other countries, i.e., here it is about 5%. In many countries it is 2.5%; in others, 0.5%. Transfer of property, after death, has to be smooth. If the transfer of property brings in panic in the family for paying estate duty or other forms of tax, it is not good on the part of the Government to do so. We find many concessions in countries like USA and UK if the property is transferred to the spouse. But here, such concessions are not there. The spouse and other heirs at the time of transfer are treated on par. They are under the same type of taxation.

The Governments of Punjab and Tripura have come forward to do this now; and that is why this amendment is required. The other State Governments have already done away with this cumbersome form of taxation.

Of course, there is also one point to be considered : any property that is built by an individual, is built after paying income tax. We consider him as an honest income tax payer. For evaders, we have to levy penalties and be vigilant about them. But when property is created after payment of income tax, and after the death in the form of inheritance tax or capital gains tax, you are again levying tax on the same property. So, how many times are we going to tax

[Shri Vijay N. Patil]

the property which has already been acquired after payment of income tax ? That is also a point to be considered. I am glad that our young Prime Minister Shri Rajive Ji and the dynamic Finance Minister Shri V.P. Singh Ji are thinking over the suggestions made by so many experts on taxation, and making improvements in the field of direct and indirect taxes. Let us wait for good results, so that people who are honest tax payers can come forward and pay the tax in the open; and the black money that is playing havoc in the country, i.e. the No. 2 money, is reduced.

Let us pray for good things, and wait for good things.

[Translation]

SHRI GIRDHARI LAL VYAS (Bhilwara): Mr. Deputy Speaker, Sir, I support the Estate Duty Bill. Just now an hon. Member of C.P.M. was advocating socialism but his own State Tripura has already passed the Estate Duty Bill. It shows the gap between the profession and the practice. It is a matter of deep regret that Members of the Communist Party shower praises on their Government for this work and criticise our Government for that very same work. It is very shameful. It should be checked and there should be no difference between their profession and practice.

When you had abolished Estate Duty earlier, we had questioned the wisdom of exempting the rich people. As Shri Rajhans has just now said, middle class people should be exempted from this to save them from harassment and not the big people who do not face any harassment. You were unable to collect the dues of Estate Duty amounting to crores of rupees from the rich because they went to the courts and got protection. You do not attempt to collect money from such persons but harass the poor. Exempting poor through this Bill is a good step but you have not indicated as to what is going to be done in the case of the rich people ? Why have you exempted the rich people from Estate Duty ? Instead, you should have imposed higher Duty on them. You have chosen the path of socialism. You should have, therefore, imposed some or the other

tax on them. Had the properties of the rich been given to the poor, then you could have marched towards socialism, but here we cannot understand your decision of exempting the millionaires from the Estate Duty. This step is certainly not in the direction of socialism. Therefore, Mr. Deputy Speaker, Sir, I want to draw the attention of hon. Minister that he has not taken a step in the right direction by exempting the rich from the Estate Duty. There are many other ways also of taxing the rich people. You can collect money through income tax from very rich people, holding large properties. Just now an hon. Member from Communist Party said that many people have illegally grabbed vast chunks of land and are earning huge income through agriculture and other means. You can fix a limit in this regard. It can be Rs. 10,000 or Rs. 20,000 or Rs. 50,000 or even Rs. one lakh. You can make some provision to realise tax on the amount exceeding the limit. If anybody's income is more than Rs. 1 lakh, you must levy income tax or some other tax on him so that a restriction is imposed on such persons and you get money as well. In this way you will keep on going in the right direction towards socialism. Therefore, you must reconsider this system.

The second thing I want to say is that all the black-money holders of our country are investing it in purchasing land because you have exempted land from taxes. As there is no tax on income from land in our country, people have been amassing wealth. They do not have to pay income tax or wealth tax by declaring their income as income from agriculture. This is resulting in increase in the black money in our country and people are going on amassing it. You will have to pay attention to this to improve upon this situation because people want to convert their black money into white by buying land. You should impose some restrictions and impose taxes on them and make such provisions in rules that no person is exempted from tax after a certain limit of income.

About the step taken by the Tripura Government, I would say only this that it is a Communist Party Government which though professes to be believing in socialist system, has abandoned its ideology and has changed its course. I would like to tell the

hon. Finance Minister that it is totally a wrong provision and it should be reconsidered. You have stated that Rs. 20 or 26 crores are collected but the cost of collection exceeds this amount. I do not agree to it. All the same, this system could have established socialism in its true sense. The Government should take over the property of the people who own in abundance and should distribute it among the needy and the poor. The objective behind imposing wealth tax and Estate Duty was to realise the maximum money and distribute that among the needy and the poor. But we do not understand as to how you have simplified and rationalized the taxes under which Estate Duty has been abolished on the one hand and wealth tax has been enhanced on the other. Therefore, some changes are necessary in this system to achieve real socialism which our party has adopted. Here some Communist Party Members have started saying that we have abandoned socialism but we have not given it up and our ideology remains the same even now. Actually you have formulated certain laws in such a way that some people have got a chance to accuse us on those points. They should not be given such chances. You should devise some system under which the difficulties of the common man are removed on the one hand and taxes are imposed on the wealthy persons on the other so that a restriction is put on their accumulating black money. If you want to grant some exemption through this Bill then enact some other law for the big and the rich people. Bring such changes in the income tax laws or make some other arrangement so that Government is able to recover maximum black money from these persons, which they have accumulated on the pretext of agricultural income, and also restriction is put on its expansion. This type of arrangement is badly needed.

With these words I support this Bill.

18.00 hrs.

[Translation]

SHRI MOOL CHAND DAGA (Pali) : Mr. Deputy Speaker, Sir, call my name so that I may have a chance to speak.

[English]

MR. DEPUTY SPEAKER : I will call you tomorrow.

[Translation]

SHRI MOOL CHAND DAGA : Mr. Deputy Speaker, Sir, one thing is there.

[English]

MR. DEPUTY SPEAKER : You can continue tomorrow.

18.01 hrs.

# BUSINESS ADVISORY COMMITTEE

## Twenty-eighth Report

[English]

THE MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (SHRIMATI SHEILA DIKSHIT) : I beg to present the Twenty-eighth Report of the Business Advisory Committee.

18.00 hrs.

*The Lok Sabha then adjourned till Eleven of the Clock on Wednesday, November 5, 1986/Kartika 14, 1908 (Saka)*