

[Shri D. Sanjivayya]

otherwise than in accordance with such procedure as may be prescribed for the making of such deductions."

Therefore, there is a safeguard also. Coming to the points raised by the hon. Member Prof. Ranga, he wanted that some action should be taken with regard to regulating or abolishing contract labour.

In fact, a Bill is almost ready. On the 9th and 10th of this month the Standing Labour Committee is meeting and will be considering this particular question, and thereafter legislation will be introduced.

Shri Nambiar: A Resolution is also coming on the 11th.

Shri D. Sanjivayya: Probably. The Bill will be introduced shortly in this House.

The other point that Prof. Ranga raised related to road transport workers. In fact, we have brought them under the purview of this Act by this amendment.

Then, the hon. Member Shri Dinen Bhattacharya was referring to various points, whether sick leave pay, etc. could be recovered under the Payment of Wages Act. In fact, this Act, the Payment of Wages Act, applies to all payments due to the worker. But he raised another very ticklish point, namely, the salaries or wages of the workers during the period of strike. That is dependent on several factors. If the strike is ultimately declared illegal, to what extent they are entitled to wages etc., that question has to be decided. (*Interruption*). If subsequently it is decided that the workers who were on strike are eligible for payment of back wages, then recovery of the wages will be covered by this Act.

Shri Nambiar: That is done in one out of a thousand cases.

Shri D. Sanjivayya: Then Shri K. N. Pande raised a valid point. He said that these amendments were not placed before any tripartite body like the Indian Labour Conference or the Standing Labour Committee. In fact, the practice has been that whenever any labour legislation is thought of, we consult these tripartite bodies. We have not specifically placed these amendments or the proposals for this amendment before any tripartite body but we have consulted all of them and we have got their views with us, and taking into consideration those views alone we came to a sort of final conclusion before introducing the Bill.

Sir, I have nothing more to say.

Mr. Speaker: The question is:

"That the Bill, as amended, be passed."

The motion was adopted.

13.19 hrs.

WEALTH-TAX (AMENDMENT) BILL

The Minister of Finance (Shri T. T. Krishnamachari): Mr. Speaker, I move:*

"That the Bill further to amend the Wealth-tax Act, 1957, be taken into consideration."

The Wealth-tax Act, 1957 follows the pattern of the Income-tax Act, 1922. As the House is aware, the law relating to income-tax has been recodified by the Income-tax Act, 1961 and several changes of form and substance have been made in that Act with a view notably to checking avoidance and evasion of tax more effectively and ensuring prompt collection of tax and granting of prompt refunds. It is necessary that the provisions of the Income-tax Act pertaining to collection and recovery of tax, to the grant of refunds and to the checking of evasion of tax should be adopted for wealth-tax purposes as well.

*Moved with the recommendation of the President.

It would be recalled that the Income-tax Act, 1961 incorporates a number of provisions relating to assessments, appeals and collection of tax based on the recommendations of the Direct Taxes Administration Enquiry Committee of which my colleague Mr. Tyagi was the Chairman. Some of those recommendations apply as much to wealth-tax as to income-tax and can be usefully adopted for purposes of wealth-tax.

Opportunity has also been taken to introduce a few amendments which have been found necessary in the light of experience gained in the operation of the Wealth-tax Act during the last seven years.

I may say that roughly about 40 clauses pertain to amending the Wealth-tax Act in order to bring it in line with the Income-tax Act. Only about nine clauses are those that refer to amendments outside. I have no desire to trouble the House with these formal amendments. A large number of the provisions proposed in the Bill are based on the corresponding provisions, as I said earlier, of the Income-tax Act. The more important of these provisions to which I would refer are as follows:

The existing provisions of the Wealth-tax Act, under which assets transferred by an assessee to his wife or minor child are includible in his net wealth, are proposed to be made broad-based, as in the case of Income-tax Act. In order to defeat transfers of assets made to defraud revenue, it is provided that assets transferred by either spouse to the other or to the minor children not only directly but indirectly as well, otherwise than for adequate consideration, would be includible in the net wealth of the transferor. Likewise, the value of the assets transferred for the deferred benefit of the assessee or his or her spouse or minor children will also be included in the assessee's net wealth. In view, however, of the heavy incidence

of gift-tax as a result of the increase in rates made by the Finance Act, 1964, it is proposed to move an amendment that the value of such assets will not be included in the net wealth, if gift-tax is either chargeable in respect of their transfer or if such transfer is specifically exempt under the provisions of the Gift-tax Act. This benefit will be given to the transfers chargeable to gift-tax in the assessment year 1964-65 or a later year.

One of the recommendations of the Direct Taxes Administration Enquiry Committee specifically relating to wealth-tax was regarding deduction from the net wealth of taxes which an assessee was disputing in appeal. Under the present law, taxes which are outstanding on the valuation date and which are claimed by the assessee as not being payable by him in appeal, revision or other proceeding, and taxes which are outstanding for more than 12 months on the valuation date for any other reason, will not be treated as debts and will, therefore, not be allowed as deduction in computing the net wealth. In pursuance of the recommendation of the Direct Taxes Administration Enquiry Committee it is now provided that if the assessee pays the disputed taxes within six months of the decision in first appeal or revision, the Wealth-tax Officer will rectify the relevant assessment and allow deduction of such taxes which had not been earlier deducted.

The provisions relating to penalties and prosecutions have been recast on the lines of the Income-tax Act. A minimum penalty of 20 per cent of the tax sought to be evaded is provided for concealment, while the maximum penalty remains the same as before. Minimum penalties are also prescribed for failure to furnish return of net wealth or for failure to comply with notices for production of evidence. The provisions relating to prosecutions are made more stringent by extending punishment for false verification of the return to rigorous imprisonment for two years

[Shri T. T. Krishnamachari]

Instead of simple imprisonment for one year as at present. Such imprisonment shall not be less than six months unless there are special and adequate reasons to the contrary to be recorded by the court. Similar punishment is also provided for persons who abet or induce furnishing of false particulars of net wealth. At the same time, in order to encourage persons to come forward with evidence of concealment, the Central Government will have power to grant immunity from prosecution to such persons in suitable cases. The immunity is, however, liable to be withdrawn if it is found that the terms of its grant are not observed by the person concerned or if he is found to be wilfully concealing anything or to be giving false evidence.

Hon. Members will recall that by the Finance Act, 1964, a provision has been made for self-assessment by the assessee under the Income-tax Act 1961. A similar provision has now been made in the Wealth-tax Act, whereby an assessee is required to pay *suo motu* tax on the basis of his return if the tax payable exceeds Rs. 500. A provisional assessment can also be made as in the Income-tax Act.

Rights of appeal are provided against all orders adverse to an assessee, for example, orders of rectification, orders imposing penalty on defaulters for non-payment of tax on the basis of self-assessment, orders imposing fine for non-compliance with summons issued, and an order treating a person as an agent of a non-resident. Provision is also made for the filing of a memorandum of cross-objections by the assessee or the Department when the opposite party has gone in appeal to the Appellate Tribunal. The Appellate Assistant Commissioner is empowered to review the wealth-tax assessment in appeal before him and enhance the assessment, if necessary, in respect of matters considered by the Wealth-tax Officer, even if the issues were not raised in appeal before him by

the appellant. The provisions relating to valuers are also brought in line with the provisions of the Income-tax Act as amended by the Finance Act, 1964. A direct reference may be made to the Supreme Court by the Appellate Tribunal in a case where there exists a conflict of decisions of different High Courts.

The provisions relating to refunds have been recast to ensure refunds being granted promptly. Where a refund is due to an assessee and the Wealth-tax Officer does not grant refund within a period of six months from the date of the order resulting in the refund, the Central Government shall pay to the assessee simple interest at four per cent per annum on the amount of the refund due. Similar interest will also be payable where, under certain circumstances, the refund is withheld to safeguard the interests of revenue.

The Income-tax Act, 1961 contains a self-contained code for the purpose of recovery of income-tax. These provisions will now apply *mutatis mutandis* for the purpose of the Wealth-tax Act. It is no doubt necessary to discourage persons from transferring property to defraud revenue. Such transfers shall be void against the claim of revenue unless it is made for valuable consideration and without notice of the pendency of proceedings under the Act. A similar provision already exists under the Income-tax Act.

In order that the machinery for countering tax evasion will be more effective, Wealth-tax Officers as well as other authorities under the Wealth-tax Act will have powers for search and seizure, as under the Income-tax Act. Wealth-tax authorities will be able to fine witnesses who do not comply with their requisition to appear before them or produce evidence. They can also impound documents produced before them.

Hardship is often caused where an assessee pays wealth-tax both in India as well as in a foreign country in respect of the value of the same assets. To obviate this hardship, Government will have powers to enter into agreements to avoid double taxation with a reciprocal basis and also to provide for grant of unilateral relief in respect of the value of assets in a country with which such an agreement has not been entered into. These provisions are in line with the corresponding provisions in the Income-tax Act.

I shall now briefly refer to a few of the other provisions which have been found to be necessary. At present the computation of the net wealth of an assessee is based on market value of his assets. Experience has shown that there is considerable divergence as to valuation made by different valuers, by different wealth-tax authorities as well as by the Appellate Tribunal. It is therefore, necessary to empower the Central Board of Direct Taxes to make rules in regard to the valuation of assets. The rules will provide for the valuation of assets on an equitable basis.

There is no specific provision at present for the assessment of executors who administer the estate of a deceased person. Such a provision has now been made, and this also clarifies that where there is more than one executor, the executors shall be assessed as an individual for the purposes of wealth-tax. The status of the executors as regards residence and citizenship would be the same as that of the deceased person on the valuation date immediately preceding his death.

As hon. Members would be aware, the wealth-tax is an important part of our integrated tax structure. The present Bill is intended to mould the Wealth-tax Act to fit into the general scheme of direct taxes.

Sir, I move.

Mr. Speaker: Motion moved:

"That the Bill further to amend the Wealth-tax Act, 1957 be taken into consideration."

Five hours have been allotted for this Bill. May I know how much time hon. Members would like to have for the general discussion?

Some Hon. Members: 3 hours for the general discussion and two hours for the other stages.

Mr. Speaker: All right, we shall have 3 hours for the general discussion, and the balance of the time for clause-by-clause consideration and the third reading.

Shri M. R. Masani (Rajkot): As the hon. Minister has explained, this is a Bill to make more effective the collection of wealth-tax. Our approach to the wealth-tax is well known.

13.29 hrs.

[MR. DEPUTY-SPEAKER *in the Chair*]

We have no objection in principle to the wealth-tax or to a tax on wealth. But, unfortunately, this wealth-tax as implemented in the last few years has been torn out of context.

This idea of an integrated tax structure was borrowed from Professor Kaldor. Professor Kaldor had made it very clear that, if this country was to follow his advice in going in for wealth-tax, expenditure tax and the other taxes recommended by him, a pre-condition of such a reform should be that there would be a ceiling on income-tax, and that the income-tax should in no case exceed seven annas in the rupee for the highest slabs.

In other words, he wanted to tax idle wealth on the one hand, giving incentives for those who have income and would use it productively by means of drastic relief on the other. What has been done is to provide the worst of both worlds. While additional burdens in direct taxation have

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been placed on the shoulders of those who produce, the relief that was envisaged by Prof. Kaldor to stimulate productive enterprise was overlooked. That is why, while not opposed in principle to a tax on wealth, we from these Benches voted against the Wealth Tax as a whole, because we feel that the total burden of direct taxation, of which this is a part, is not only excessive but is such that it is hurtful to the economy of this country.

We are not concerned with a few rich individuals here and there who may have wealth. They are welcome to it. So far as we are concerned, if Government desires to tax them, we are not going to shed any tears over a few very rich people. But what we are concerned about is the effect of this on capital formation in this country.

Wealth is a good thing. Wealth that is productively used is for the benefit of this country, and when wealth is taxed in this excessive and vindictive manner, as it is today, then the capital formation that this country so badly requires is impeded and harmed. Therefore, the effect of the wealth tax on the economic growth of this country and the rate of growth is adverse and deleterious.

It seems from this Bill that the Government have learnt no lesson from the mistakes they made during the last Budget. That Budget was a disastrous budget for this country. It has retarded the development of our economy in the last few months and the cause of much of the mischief from which this country today suffers—the food shortage and inflation—is to be found in that bad budget that was passed by this House during the last Budget session. One would have thought that, having done this great harm, those concerned would have been content to leave things alone, if not to draw in their horns and admit their mistakes, at least to keep

quiet and not to add to the damage done. But this additional pinprick—this Bill is nothing but an additional pinprick—shows that that vindictiveness and that folly of the last Budget are still intact, and persistence in that error is still shown in this Bill.

This Bill is nothing but a reflection of primitive and outmoded socialist ideas that have been thrown on the scrapheap by advanced socialist parties like the German Social Democrats, even the British Labour Party and many others.

We have an entirely different approach from that of the Treasury Benches. We do want welfare. We want a better life for the mass of the people, and particularly for those who are the poorest. But to want welfare is one thing and to want a Welfare State is another. Because, as my friend, Jaya Prakash, has quite rightly described it, the Welfare State is "a creeping paralysis" that destroys the whole economy of the country. In other words, welfare and State are a contradiction. There is nothing welfare about a state. The state is primarily an engine of rule, it is an engine of control, a police mechanism, and a police mechanism is essentially not meant for welfare. Welfare comes from the production in a society of an ample measure of goods and services which the people can enjoy. If you want welfare, if you want to wage a war on poverty and want, as we want to, then we want welfare, but we want it through a modern industrial society.

In a modern industrial society—and this is increasingly true of even of communist countries like Yugoslavia, Poland and now Soviet Russia, where the ideas of Prof. Lieberman, of profit motive only through some measure of competition, were being progressively accepted under the Khrushchev regime and even more rapidly under the Kosygin regime—

—we want new ideas, we want new technique, we want new equipment to be harnessed to the good of the people of this country. We do not want to adopt, as the present Government is adopting, discarded techniques and discarded ideas from other countries.

Our people do not object to wealth. Our people want wealth. The poor people want to be well off.

Shri Nambiar (Tiruchirapalli): How can all be wealthy?

Shri M. R. Masani: True, not even in Soviet Russia does that exist. But we want more and more people to be wealthy. We want a property-owning democracy, such as we find today in Scandinavia, in Switzerland, in Australia, in New Zealand, in Germany, Britain and America. We want more and more people to have some little wealth. If you ask the common man an ordinary villager, 'Is wealth good or bad?' he would say, 'Of course, good; I would love to have some'.

In other words, what we have to play upon is the desire of the common man to improve his lot and not this petty envy, not on these disgraceful motives on which the present Government plays to keep its inflated and artificial majority.

We want that crores of people in our villages should learn to share, should be given an opportunity to share, in the good things of life, to be able to buy consumer goods, to have some comfort. That not only is social justice, which we believe in, but it also means that a big home market is created, a big home market on which the products of industry can be absorbed, a big home market which would create purchasing power in the pockets of our people, through which they can buy the things they need to enrich their lives.

This Bill, and the Wealth Tax on which it is based, is an enemy of everything that I have put before progress and social advance, it is an enemy of welfare, it is an enemy of progress and social advance it is an enemy of a richer life for our people. All that it has got is the appeal to the envoy of the poor to pull down the rich. That, Sir, is not the way a country advances.

Now, the hon. Minister will say: capital formation is retarded among the common people. But we will form capital. By this kind of taxation, we divert money or capital from private pockets to the state pocket. That is exactly what is wrong with the Wealth Tax and all other excessive taxation of this kind, because every rupee that is diverted from the pocket of a man who would invest it productively in a spirit of enterprise to make more profit, that rupee is being diverted to the sterile channels of Government. A government can no more create profit than a mule progeny. It is sterile. No government has ever created profitable enterprises anywhere in the world. Therefore, every rupee diverted by the Wealth Tax from the pockets of those who might have productively invested it, as Prof. Kaldor wanted, is being diverted to the sterile channels of the State where it is wasted in the way that we find in our State sector enterprises.

Dr. M. S. Aney (Nagpur): What is the guarantee that a private person will divert that rupee to public utility and not use it for selfish purposes?

Shri M. R. Masani: That is a very good question. That is why Kaldor wanted taxation to be so adjusted that the man who did not use his wealth for a productive purpose would be taxed heavily, but the man who used his wealth for creating goods and services the country requires would get relief. The Finance Minister and the Government accepted the first part of the advice, but

[Shri M. R. Masani] they forgot the second part, because they wanted to have in their hands more and more money for the sterile and unproductive State sector.

Now this is why, while the Bill in itself may be partly good and partly bad—as I shall explain presently—any measure to intensify the injury those who can invest productively is a bad thing for this country at present. Psychologically this Bill, like its other predecessors, is bound to do harm. Now such a Bill is not one measure; it is a collection of odd amendments to odd clauses of the Wealth Tax Act. Many of the provisions are harmless. Many of them are harmless routine provisions and I have nothing to say against them. Others are objectionable. There are several provisions in the Bill which are objectionable. Such a Bill should have gone to a Select Committee where it could have been carefully examined and reported on to this House.

Shri N. Dandekar (Gonda): Definitely.

Shri M. R. Masani: This is a good practice that is being increasingly ignored by the government of the day. A technical measure of this kind should have gone to a Select Committee where my hon. friend, Shri Morarka, and many other intelligent members of the Congress Party could have joined us in scrutinising the provisions of this Bill.

Shri Nambiar: He himself is assessed to wealth tax

Shri M. R. Masani: Unfortunately, that opportunity for an intelligent examination of the Bill has been denied to us. I say that this is an ill-digested and hasty measure. The very fact that the hon. Minister had to table two amendments within a few days of the Bill being placed before the House shows how very ill-digested and hasty it is. After proper consideration, Government brings forward a Bill and one would

think that the wisdom at least of the Secretariat and the Ministry has been devoted to it. But before the Bill is debated, another amendment comes along. Two more have come; two may come tomorrow. This shows how hastily we are putting on the Statute Book laws that do not endure for more than a few months or a year or two at the most.

There are many defects in the Bill. We have tabled amendments to various clauses of the Bill which will be discussed when that stage is reached. But, may I, to illustrate the nature of these objections, draw attention to just three features of this Bill?

The first is to be found in Clause 18, at page 12 of the Bill. There, there is an Explanation as under:

"Where the net wealth returned by any person is less than eighty per cent. of the net wealth..... as assessed under section 16 or section 17, such person shall, unless he proves that the failure to return the correct wealth did not arise from any fraud or any gross or wilful neglect on his part, be deemed to have concealed the particulars of assets or furnished inaccurate particulars of assets or debts for the purposes of clause (c) of this sub-section."

It is an amazing provision. It is an elementary principle of jurisprudence that you cannot prove a negative. You cannot prove negative in most situations in life. The onus is on those who want to prove something positive. This principle of jurisprudence says that everyone is innocent unless he is proved to be guilty. This Explanation is exactly the reverse: every one is guilty unless he can prove himself to be innocent.

Imagine what would happen to Members of this House if they were to be strung up for crimes, the asked to prove they are innocent, otherwise they would be sent to jail. Even the most innocent, if he is not very clever and very resourceful, might fall by the wayside.

What does this 80 per cent mean? It means that if I or any other hon. Member were to value his wealth at "X" thousand rupees, and it was found that there was an error of 20 per cent or more in our estimate of wealth, then we are guilty of concealment and can be sent to jail. It is very interesting to see that evaluation is what is to be challenged.

Shri Nambiar: Why should there be an error? That is a deliberate thing.

Shri M. R. Masani: Shri Nambiar is innocent. I will educate him presently.

Nobody knows his wealth if he is at all sensible. Evaluation is something which is variable. The Minister himself mentioned a few minutes ago that evaluations vary very considerably. If Shri Nambiar or any other Member were to disclose his total assets, saying this is what I have, has he not performed his duty by the community? Must he also give his subjective idea of the value of everything he has in the world? And then, if the Minister or the Government can prove that his estimate was a little modest, is he to be sent to jail? Would he not be entitled to say, "I showed you everything I have. You value it. Why send me to jail? If my estimate is wrong, I bow to your estimate"?

This clause will persecute and prosecute a man who has made a complete, full and honest disclosure of his assets. Because he made a mistake in valuing a piece of property, he is to be sent to prison.

Many Members of this House know, and particularly the lady Members know it, that if you take a piece of jewellery to six good jewellers, honest-to-God people, they will give fantastically varying values to it. I know it, because I used to practise as a lawyer. It is very difficult to get one man as an arbitrator to say this piece is worth so much.

The same thing happens in land. Unless the thing is in the market, it is very difficult to value a bit of property.

Then, there are shares. Some shares are quoted on the market. That is easy. But there are many shares that are not quoted on the market, and the difference between what one man may imagine to be the price of that share and what another man may be prepared to pay for it is considerable.

These problems arise when estates have to be evaluated. Under the Estate Duty Act, two years and sometimes even five years pass because experts and lawyers are not able to agree on what the value of a plot of land or building or a piece of property is.

I think this is an outrageous proposal, and I am shocked that any intelligent and decent Government should dare to bring this before the House.

If they had said that anyone who conceals his assets shall be guilty, I agree. That is not the case. It says:

"Where the net wealth returned.....".

You have to give the value in your return. I say that this Explanation means that if a citizen makes an honest and total disclosure of his assets, it can happen that because the value is later on found to be 20 per cent less than the value of the department, he would be considered a criminal. I say: on what basis in any decent society can this happen? If that is not the intention, let the language be changed. Let it be said that whoever does not make a full disclosure of his assets shall be guilty of concealment. I will support such an amendment.

Therefore, I say that this Explanation is one that should never have been brought before the House, and I do not mind saying that if the hon. Minister does not amend it suitably

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and induces the House to pass it, it will be a shame that this Parliament should pass such an Explanation.

Then, I come to another Clause, Clause 31 on page 24. There it says that if during the pendency of a proceeding under this Act, property passes hands, then the transfer will be void as against any claim in respect of any tax or sum payable by the assessee. The point is this. How is a person supposed to know that there is a proceeding pending? No public notice is given. Here we have failed to say that it is those who say that the transfer is void who should prove that the man knew it. Here again, he is asked to prove he did not know. You cannot, again, prove a negative, you cannot prove judicially that you did not know the thing.

Shri Nambiar: It says, "with intention to defraud revenue". It is in the proviso.

Shri M. R. Masani: It says:

"Provided that such charge or transfer shall not be void if made for valuable consideration and without notice of the pendency.."

I am suggesting that that last bit is unnecessary. If the notice was there, let those people prove it. It cannot be left to a man to prove that he was innocent of it.

Thirdly, there is Clause 36 at page 29. The Clause, in parts, is all right, I have no quarrel with most of it, but there is one offending or objectionable sub-clause, namely sub-clause (c). The new section would read like this:

"Where the Commissioner, in consequence of information in his possession, has reason to believe that—

- (c) any person is in possession of any articles or things including money disproportionate to his known assets, particulars of which will be useful for, or relevant to,

any proceeding under this Act, or"

In such a case, the Commissioner can authorise a search or a raid on a man's residence or home or place of business.

Let us examine the language of this rather dangerous provision. The Commissioner has to say: "I have reason to believe". He has to give no proof, he has to satisfy no Court, he has to make out no *prima facie* case. Many of us have reason to believe things that do not exist. The very fact that we disagree about it shows that these are subjective beliefs. I express my beliefs now. I am sure the Minister does not share my beliefs. It does not mean that either he or I are dishonest. Certainly not. Our subjective analysis of a situation happens to differ. We both are honest, but we see things differently.

The Commissioner has reason to believe, whatever that means, subjectively that a person is in possession of things which are disproportionate to his known assets. In other words, the person was not known to have such and such things, but he may have them. Is that a reason why a man's home should be raided, his office should be raided, he should be humiliated in the eyes of his neighbours, treated as if he was some kind of a potential criminal.

Sub clauses "a" and "b" are different. They deal with people who are defrauding revenues, who have committed some offences, who are likely to do some other things. Those are people against whom a raid may be all right but, because the Commissioner believes that some man may have something that nobody knows about, to indulge in a raid is not something that is normal in a democracy.

We have had raids in our country in the last few months. Maybe, in some cases those raids were justified. I know that in some cases they were

not justified. That, again, is inevitable in such cases. But I do want to say this, that the Government of a country which has to resort to this kind of raiding apparatus which is part of police *raj*, a police state, and not a free society, must be obviously incompetent in many ways. A competent Government that knows how to collect its taxes does not have to indulge in flying raids in the middle of the night. The knock on the door in the middle of the night is an accompaniment of a Fascist or Communist tyranny, a dictatorship, of which all of us in the House, with the exception of the Communist Party are opponents.

Shri Nambiar: Why does he forget that sub-clause (c) says that if he refuses to obey any order, when notice of summons is issued, etc?

Shri M. R. Masani: It does not cover (c). There is an "or" between (b) and (c). Sub-clause (b) has nothing to do with sub-clause (c). There are three categories of cases in which raids are in order. Between (b) and (c) there is an "or". I have read the clauses quite correctly, and if my hon. friend Shri Nambiar will read them again carefully, he will see that he is wrong. "Where the Commissioner, in consequence of information in his possession, has reason to believe that any person is in possession of any articles or things...." etc. Therefore an innocent man against whom it is believed that he happens to have something which nobody knows about, can be raided. That would mean that we are now entering the portals of the Police State. Many of us have feared that this is the thing that was going to happen. We have said in this House for the past five or seven years that the pattern of planning in which this Government is engaged is the Soviet pattern of planning which, in the end, must lead to the erosion of individual liberties and ultimately the erosion of parliamentary democracy.

I consider sub-clause (c) to be an erosion of a democratic society and the kind of raids that have been taking place in our country may or may not reflect credit on those who are raided but they certainly do not reflect credit on the Government that raids them. Is it suggested that the British Government does not know how to collect its taxes? Is it suggested that the department of revenue in the United States does not collect taxes better than our Government? Do they have crores and crores of rupees going round evaded which this Government have been tolerating now for 17 years? The answer is: No. They know how to run their business; they know how to spot people and trace the undisclosed wealth. The crude method of police informers and police raids had better be left to totalitarian regimes.

Those are just three examples of the objectionable nature of many of the provisions of this Bill. Therefore, we cannot support this Bill and we are opposed to it.

Shri H. N. Mukerjee (Calcutta Central): Mr. Deputy-Speaker, Sir, we have had the pleasurable experience of listening to these smooth formulations to which our friend Shri Masani has accustomed us in this House. While I leave Shri Masani's arguments to be countered in the main by my friend the Finance Minister, I am afraid I will have to make a few observations in regard to the point of view which in disregard public opinion in this country he has sought to present in this House.

Shri Masani has told us in his characteristic way how we have in this country a very innocent picture of life; that there are a very few rich men who, if they are in the industry and similar pursuits, are extremely knowledgeable and virtuous people in the main, that we should not touch these few rich men because they are doing a good job of work for our economy and also that the idea of the facilitation of capital formation in our country should be the principle motive

[Shri H. N. Mukerjee]

factor in our economic policy. I wish that the picture was just as innocent as our friend Shri Masani has sought to point it before us here, but it is a fact of life that exceptions notwithstanding, the rich and the very rich among our people have a record which is better not be written home about.

Shri Masani has tried to plead the cause of the country's economy and hide.

Shri M. R. Masani: No; I pleaded cause of the country's economy and effect on it. I am not interested in the other thing.

Shri H. N. Mukerjee: Shri Masani is interested in the effect on the country's economy forgetful of the factor that we are an underdeveloped country that is trying to raise itself; we are a country which has got to take steps which would really produce the maximum possible results in the quickest possible time.

Shri M. R. Masani: Hear hear.

Shri H. N. Mukerjee: And if we are going to leave it to the good graces of those people in whose hands the task of capital formation would have to be conducted, then God help this country; God help the Government of this country. The Government is answerable to the people and it is not on account of any particular ideological pre-suppositions that the Government of this country has had to be committed to the idea of socialism. Shri Masani, of course, has his own conception of socialism, but we ought to realise that at one time socialism was to him anathema altogether, but nowadays, of course, he cannot put it in that way and so he has to draw upon the very respectable examples of the social democratic party in West Germany and the British Labour Party as a paladin of the kind of socialism which he wishes to put forward in this country. But I should say to Shri Masani that perhaps with all their

faults, the British Labour Party would not be parties to the kind of argumentation which he makes in the Indian context of things in the Indian Parliament.

Shri Masani forgets that what we need in this country is socialism, because this idea of socialism has come to stay, and the fact that capitalism also is here, is a fact which is militating against the introduction of socialism by democratic methods. It is because of the stolid resistance put up by those friends for whom willingly or unwillingly, wittingly or unwittingly, Shri Masani speaks in this House; it is because of the stolid resistance of those people that this idea of socialism is found to be the only way out of the economic crisis in which we find ourselves so chronically involved.

It is necessary, Sir, in our country to think not merely in terms of the affluence of which a picture has been sought to be painted by Shri Masani. It is a very good thing to say everybody, more or less should become rich or as many of us should get rich as far as possible. Nobody has any objection to that sort of thing if it does happen. But my idea of what this country aims at—I do not know if my friend Shri T. T. Krishnamachari would agree with me or not—is that we do not merely want an affluent society; we want a non-acquisitive society; it is not the mere fact of affluence, on the part of chunks in society that is going to bring about that sea-change in the life of our old country in this new and changing world. That is the kind of concept which we have in view. It is not merely trying to increase the number of people, who are very small on the whole in the wealthy-bracket that we are going ahead; we are trying to have a new kind of society and that is why certain steps have got to be adopted.

Shri Masani perhaps at one time when he used to talk about the mixed

economy was not too allergic to the idea of a welfare State but from time to time, he develops fresh allergies and says that any welfare State is an anachronism; that the State itself is a police mechanism and it is a coercive apparatus and so on and so forth. It is good to hear echoes of what had been said by philosophical anarchists but I do not quite understand how in this country, in our kind of country, Shri Masani proposes to go ahead with economic reconstruction if he wishes to continue to look upon the State as a coercive apparatus with no welfare functions of its own. As a matter of fact, the State has got to come into the picture in our sort of country because of the factors of which Shri Masani is very well aware, and therefore, all this argumentation to which he has taken recourse seems to me to be so much wishful thinking, so much effort at justifying what cannot be justified.

He has also tried to take up a moralist's pose and given us some homilies about some people in this country trying to rouse the envy of the poor as an instrument against the rich. It is not a question of the poor getting envious of the rich and a state of conflict coming into the picture. It so happens that in society when there are such divergencies, when it happens to have such disproportions, it is necessary to bring about that kind of reconciliation at a higher level which can only be attained by the concept of socialism. Therefore, I think that the homilies to which Shri Masani has so delectably treated us do not really touch the fringe of the matter and it is largely on account of the approach which he has taken to the Bill that I am perhaps prepared to be a little more sympathetic and a little more favourable to the Finance Minister than I would otherwise be.

14 hrs.

I was trying to find out how Government has been at fault in not properly implementing the wealth-tax legislation and similar measures which

Government has got in its storehouse. After all, Prof. Kaldor was referred to by Mr. Masani. Mr. Masani only singled out the concept that perhaps the quantum of income-taxation could be less by way of percentages but forgot to say it could only happen if income-tax, wealth-tax, gift-tax and such things could be dovetailed into each other and worked so that evasions could be prevented and a proper check would be kept on the country's economy. It is only because of the stolid and obdurate crusade against anything like giving a correct account of their wealth, their assets and income, it is only on account of the attitude of the people who have the biggest moneybags in our country, that it becomes necessary to have something like prohibitive taxation on certain incomes, because at the higher levels, most of the income is not shown.

Mr. Kaldor had made a calculation about tax evasion to which, of course, he would not make a reference. I am not going to repent it; it was repeated *ad nauseam* by everybody in the country. But the fact remains that money is withheld and income is never shown. Wealth is never properly valued or told about to the Government. Mr. Masani is very concerned that raids would take place. In the case of what sort of persons? I was amazed; I would like to know what he takes this House for. After all, clause 36 says: that where the Commissioner has reason to believe that any person is in possession of any articles or things including money disproportionate to his known assets, particulars of which will be useful for, or relevant to, any proceeding under this Act, he may proceed to make arrangements for an examination of the premises: Mr. Masani objects to it. How does he object to it? He himself has said that only recently raids have taken place in certain premises and certain things came out. I am not going to refer to these raids which have been publicised so much. Actually, these recent raids are something on which

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Government can congratulate itself. After all, Government has made something like a quasi-vigilance drive for spotting the tax-dodgers. I find papers reporting that the income-tax department hopes to uncover more than half a million new assessee before the end of this calendar year and that about 3½ lakhs of names are already booked. It is a very good thing. This sort of enterprising activity requires the admiration of the House and of the country. Recently 60 or more searches have taken place which have yielded almost a crore of rupees of concealed income in cash, jewellery and ornaments. It may be a great deal more than a crore. I find in some Press reports reference to 60 searches yielding about Rs. 93 lakhs in cash, jewellery and ornaments. I am not going to specify the kind of people in whose custody this concealed money, these concealed assets, had been found. They are worthy people, it seems, who are looked up to by the common man, who do this kind of thing.

Apart from this, I would like Government to initiate studies to determine whether the other principal modes of avoidance are going to be tackled very soon or not. For instance, there is this phenomenon of the undivided Hindu family. This could be eliminated as an assessable category. The Hindu undivided family problem, of course, is very intricate. It has political and religious overtone, which I just cannot wish away by a speech in Parliament. But these political and religious overtones are exploited against reform. But that does not invalidate the idea that there should be an enquiry into this matter or an investigation as to how without detriment to our social traditions, to our norms of life, we can do something about eliminating the Hindu undivided family, which is an obstacle in the way of collection of taxes which are due to the Government.

It is also worth investigating the number, and the assessed income involved, of non-working wives and minor children who are assessed separately from heads of households, in spite of the provision in the Income-tax Act which is already there in that regard. I was told—I cannot vouch for it myself—by somebody who is a Member of the House—but I am not going to give the name—that there is one family in this country which is in the top most bracket of rich people and not one member of that family is assessed to wealth-tax. I would give the name of the family to Mr. T. T. Krishnamachari later. If that sort of thing can happen, surely all sort of other things might also happen.

Mr. Masani, who is not here unfortunately, chose not to refer to what Prof. Kaldor has said in his report that the top income-tax payers in this country yield to nobody anywhere in the world in their grasp of the technicalities and the complications involved in evading income-tax and similar taxation. I know that the Income-tax Investigation Tribunal once put it down on record that it was a cruel shame that some of the most eminent legal talent of our country and other kinds of talents by way of auditing, engineering, etc. are placed at the disposal of these tax thieves who rule the roost, because of their control over big-money and their indirect control over the administration of this country. How on earth, with what reasons, can we justify, on grounds of jurisprudential rights, which are rather theoretical and abstract, when you come down to brass tacks, by speaking of the idea that nobody should be condemned and nobody should be asked to prove a negative accusation and that sort of thing, how are we going to import that sort of thing in order to defend people who use all the mechanisms of self-defence in order to perpetuate their economic position in this country, which means one of strangulation of our developments? If we had left it to the private sector to develop our country, we

would have known where we would have reached by this time. It is a shame that it is still open, because of certain things happening in our country for Parliament to listen to the argument that the private, sector, if left to itself to run our economy, would have done a very much better job than was otherwise being done.

I am not going to defend the Government and its defaults. I know the public sector administration has so many faults. I know the income-tax administration and allied organisations have so many reforms still to be properly given effect to. But that is neither here nor there. The idea is that we have all to go ahead together to find out a way, so that without doing away by violent means with the apparatus of the economy which we have got, we pursue something like a non-capitalist path towards the objective which everybody has in view, namely, the objective of socialism. It may be that in the process, the whole idea of socialism would receive newer connotations, but that is an effort to which India also has to dedicate herself. But I am afraid that the Government of India has not shown conspicuous awareness of that idea. As far as Mr. Masani is concerned, he has put his case in such a way that I am sure the House cannot possibly countenance the kind of things which he said.

I would like the Finance Minister, therefore, to bear in mind that we have in this country still a very dangerously slow rate of economic growth. We have increasing and serious disproportions in economic life. There is social polarisation and increasing dependence on foreign aid, as a result of which the basic weakness of our economy remains and whatever we seem to do appears to be tinkering with the problem, putting an ideal somewhere in the picture, talking to people about it, sometimes saying in very brave terms that we are going ahead in the socialist direction, but as far as brass-tacks activities are con-

cerned we are merely tinkering with the problem here and there. I would like, therefore, the Finance Minister to tell us as to how far he has taken any special steps for an effective system of taxation of incomes and assets, how far the idea of dovetailing of the different taxation measures which the Government has at its disposal has actually proceeded and how far the wealth and expenditure taxes are not going to be permitted to remain as unimportant appendages to income-tax affecting only a small number of taxpayers. These are the kind of things which I would like the Finance Minister to give us some more information about.

Sir, there is such a large lot of unaccounted money in this country. The flow of income generated over a period of time has evaded all fiscal levies, and this evaded income takes the form not only of currency, but sometimes Shri Krishnamachari's agents do not grab the currency, jewellery and such things which are stowed away, God knows where. There are other aspects which have to be kept in mind. There is wild speculation in urban property. I cannot imagine how in a city like Calcutta, for instance, new areas are being developed by the Improvement Trust and fantastic sums are being charged so that money is available in that quantity only to a microscopic section of our people. All that land and property is going to a very few people who are getting the entire new development results. These wild speculations in urban property are something which have got to be looked into. After all, the money comes from somewhere. Money passes hands. They know ways and means of cheating the capital gains tax structure, cheating everything, cheating even the registration fees. This process of cheating the exchequer has been developed into a fine art by the friends of Shri Masani to an extent which has got to be stopped. Either it has to be stopped or the Government will have to say that it is quite unable to cope with the picture. We

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hear from time to time very delectable tales about the purchase at auctions held by the Government of luxury automobiles by all sorts of people. People come forward and offer Rs. 60,000 and Rs. 70,000 for a miserable old automobile left over by one of these embassies. It is a most amazing thing. Where is the money to come from? The origin of the money is not something that requires research in the national archives and looking into the dusty papers which you cannot properly decipher. The origin of this money can surely be discovered by Shri Krishnamachari's apparatus.

Then, of course, smuggling of gold and other smuggleable commodities goes on. There is the scramble for ownership of flats in places like Bombay which continues. From time to time there are stories about foreign exchange leaks. So I feel that the currency hauls yielded by the recent raids are a good thing as far as they go, but they do not give even a measure of undetected incomes and action must cover non-currency assets as well as the currency assets which are being found out by Government.

Sir, I do not want to take more time of the House—perhaps Shri Masani derailed me somewhat—but, in any case, what I wanted to point out was that on no computation can the kind of stand which Shri Masani has taken in this House be countenanced by the country. The country has made up its mind about the way it wants to go. The method of our moving ahead is something which we can decide together, and I wish to God that we can all decide it together so that a non-capitalist path of development could be a sort of united stand for everybody to gather around.

Therefore, I feel that the penalty provisions should not only be kept but they should be tightened up. I felt, when the Finance Minister was speaking over the question of relation of gift tax to wealth tax he was giving a certain kind of advantage to the wealth tax assesses. As a tribe—there are exceptions and I am not

going to condemn the whole tribe—the wealth tax assesses are an unsavoury lot and in spite of their capability as manoeuvrers and “fixers” in the economic sphere they cannot be given any kind of countenance. If penalties have to be imposed, they have to be imposed properly. Of course, they are given the right to defend themselves. If they can come forward and say that for no wilful neglect on their part they have been hauled up and punished, some relief ought to be given to them. But it is necessary to see that wealth tax produces the kind of assets for the country which it was intended for. Professor Kaldor had calculated, I think, the possibility of our getting about Rs. 18 crores from wealth tax. I do not think we have reached anywhere near that amount even though Prof. Kaldor reported some eight years ago. Therefore, I feel that this measure should be tightened and the loopholes should be removed so that we can really and truly have a kind of administration of our taxation measures, which would help the economy of our country to develop itself and to move ahead in a non-capitalist manner towards the ideal of socialism.

Shri Man Sinh P. Patel (Mehsana): Mr. Deputy-Speaker, Sir, as my two predecessors have said that none of them is against the wealth tax in principle, and especially when we all agree that all possible loopholes of evasion either by an honest man or a dishonest man or a capitalist or a non-capitalist person with socialist intentions should be eliminated, I also welcome this amendment Bill. The hon. Minister has tried to include many of the clauses in consonance with the Income-tax Act. About nine clauses are being suggested to do away with the reported loopholes.

I was very glad to hear the speech of hon. friend Shri Mukerjee. He was trying to argue on the idealist line. Shri Masani tried to show to the House that every person who is bound to pay or is likely to pay the wealth tax is necessarily a honest man and it will

be something against jurisprudence if more powers are given to the officers.

Let us look at the picture of the country as a whole. We have a population of about 45 crores. Hardly a million people were on the list of assesseees for income tax, before two years. In the last drive to eliminate evasion, the Government have been able to bring in about 35 lakhs people for assessment of income tax. That is the position in the country. Even though income tax is paid by a person who earns more than Rs. 3,600, only a million people are being assessed for income tax. How are we to say that any economic measure is likely to hamper capital formation. Professor Mukerjee rightly said that the so-called "haves" in this country, the people who are to pay taxes are trying to evade payment of taxes. Sufficient reason has been shown to the Government that they have to do away with all the possible loopholes.

Shri Masani said that he was a practising lawyer. He had some glaring objections to some clauses in the Bill. He mentioned two or three clauses. I too had the opportunity of practising in a court of law. My hon. friend says that clause 18 has got a negative burden on the person concerned. I would like to point out to my hon. friend that there are two negatives in this clause which makes one positive. It says:

"Unless he proves that the failures to return the correct wealth did not arise from any fraud or any gross or wilful neglect on his part."

It means a margin of 20 per cent for a person who has got enough to pay wealth-tax. A person who has to pay wealth tax under the existing measure must have a wealth of Rs. 1 lakh or above. So, am I to understand that a person who owns wealth of Rs. 1 lakh in this country cannot assess his property to a margin of 20 per cent? And, there too he may commit mistakes; only, it should not necessarily be wilful mistakes with fraudulent

intentions of hiding the income. Not only that. It is in consonance with the Income-tax Act where for normal assessment we have to file our own returns for each assessment year and the same margin of 20 per cent is provided for there also. This provision has been in the statute book for quite some time. There is nothing against jurisprudence there. If a person with a *mala fide* intention, with a fraudulent intention files a return where the margin is more than 20 per cent, then alone will he come into trouble. Because, 20 per cent is one-fifth and a person who owns wealth worth Rs. 1 lakh can assess his property easily within that margin. But what usually happens is, when a person with a wealth of over Rs. 1 lakhs wants to fill up a form, how can anyone believe that he is not in a position to guess the worth of his property. Then he tries to say about "a piece of jewellery". Am I to understand that in this country persons owning Rs. 1 lakh of property ever have a piece of jewellery? It is practically impossible for persons owning Rs. 1 lakh of wealth to own jewellery. As persons paying wealth-tax belong to the higher class, they can very well know the price or value of the jewellery they possess. Therefore, there is nothing against jurisprudence in this provision.

No doubt, here, power is given to the income-tax officer or the wealth-tax officer. But normally such powers are to be used as and when necessary for administrative purposes. In view of the attempt of people in the higher income bracket to hide their property and keep currency notes hidden in lockers in the latrine or elsewhere, unless these powers are given to these officers, how can they ensure that these people do not evade taxes?

Then, my hon. friend has referred to another clause, clause 31, and suggested that when a proceeding of assessment of an individual is going on, and if there be any charge on that property, then the buyer should not

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 be held responsible. It is a well-known principle of the Transfer of Property Act that the buyer must beware. So, it is always at his risk that the buyer buys the property. Suppose a person wants to clear off his property because he is in difficulties or because of the intentional motive of avoiding or evading payment of tax, should the buyer be made free from all obligations? So, there is nothing against jurisprudence in this provision. It is the normal principle of the Transfer of Property Act. It is the duty of the buyer while purchasing the property to ascertain and find out the position of the property, whether there is any charge on that property either because of Government assessment of tax or because of other reasons. So, I repeat there is nothing against civil jurisprudence in this provision and it is not a burdensome provision.

Regarding the power of searches, my learned friend, Shri Hiren Mukerjee has sufficiently replied to that point. So, I would not go into the details of it.

As I look into the amendment Bill as a whole, I find two or three glaring features. One of them is the procedure for refund. Normally, if refunds are not paid within a short period of six months, interest is to be paid by Government. This provision was already there in the Income-tax Act, but not in the Wealth-tax Act. Now it has been introduced in the Wealth-tax Act also. It has been well said that for whatever reasons, the excess amount paid by the assessee whether by his own assessment or the provisional assessment of the officer, if it is not refunded in right earnest, it will be a burden on the Government on which it will have to pay interest at the rate of four per cent. Considering the present market rate of borrowing

and lending, the interest rate is quite reasonable and I think it is a good feature.

Then I come to the transfer of cases from one wealth-tax officer to another officer. Previously, the assesses used to grumble or complain against individual assessing officers saying that there was great hardship caused to them because they were on inimical terms on account of some particular incident, and there was no possibility of transferring the case from one assessing officer to another. Now, as a result of this amendment, it is possible to transfer a case from one officer to another.

Similarly, there are many other improvements. But I will refer only to one or two amendments which, I feel, are likely to harm the interests of agricultural class as such, specially the cultivators. First of all, I will take clause (2) (b) (e) which now reads:

"any building owned or occupied by a cultivator or receiver of rent or revenue out of agricultural land,"

Now, the words "or occupied" are suggested to be changed into "and occupied". It is well-known that many agriculturists have two houses, one the normal house and the other a farmhouse. As the definition so far as a building "either owned or occupied" both the houses, which cost him somewhere between Rs. 10,000 to 20,000, they were covered by the definition of exemption for calculating the assessment limit. Now, a big farmhouse will not cost less than Rs. 10,000 to 15,000 and a moderate farmer with irrigated land will come under this clause if the definition is changed as suggested in this Bill. What is the position in urban areas? If a person owns a residential building in a town with a population of above 10,000 up to a value of Rs. 1 lakh, it is exempted; if not the operation of this Act. How

many towns with a population of above 10,000 are there in this country? Yet, you are going to exempt all such people from the operation of this Act. So, are we going to discriminate between persons owning a building costing about Rs. 1 lakh in a town with a population of above 10,000 and persons owning two small houses, one in the village and another in the field known as the farmhouse? I earnestly request the hon. Minister of Finance to realise the situation. If a cultivator has got say, 4, 5 or 10 buildings, I have no objection if all his buildings except the one where he is residing are brought within the scope of the Act. But if a simple and honest cultivator has got 30 acres of land and owns one residential house and another farm house, which is absolutely necessary for conducting farming operations, there will be difficulty for the wealth officer to exempt the farm house from the operation of the Act if the present amendment is passed as it is. If the cultivator has a big farm land house with all the modern facilities, including electricity, costing about Rs. 50,000 or so, you can very well bring it within the scope of the Act. But if you include even small farm houses under the Act, while giving exemption to residential buildings valued up to Rs. 1 lakh for urban dwellers, it would be a clear discrimination between rural and urban people. Therefore, the amendment should not have the effect of putting only the rural people under a particular difficulty.

Then, the same difficulty will be felt by the agriculturists under sub-clause (f). According to sub-clause (f), any debt created on an exempted building is not to be deducted from the assessment limit. Suppose, the same cultivator, who has got a farmhouse and a residential house, by good fortune resides in the farmhouse. His residential house, therefore, does not come, in according to the new amended section 2(e), within the exemption limit. If this man wants to take a loan either for purchasing tractors or for having electric pumps, costing

Rs. 50,000, according to the rules of the Development Bank, his residential house can also be mortgaged along with the agricultural lands. If this loan of Rs. 50,000 taken by the cultivator is not deducted from the assessment limit because this is a debt charges on an unexempted residential house in the village, it will again create a difficulty. I do understand that a man owning wealth beyond a lakh of rupees wants to develop some industry or something and, to a certain extent, creates debts for his development purposes. That cannot be exempted. It may be that the intention of the Government might be very simple. But as you are amending section 2(e) as also section 2(m) (ii), this will again create difficulties only for a particular class where exemptions are given. The exemptions are given only to those cultivators who are owning one or two houses or a building owned or occupied. These debts which are created for agricultural development Banks and are normally required. (Now-a-days the cost of a tractor is not less than Rs. 20,000 to Rs. 25,000. So, agriculturists owning certain acres of land and two residential houses, by taking this development loan will be included in the assessment and will be liable to pay wealth-tax. Therefore, this also deserves reconsideration.

I have not given notice of specific amendments to this clause, but looking to the difficulties explained by me, the Government by itself will move the amendments or will think of adjusting in such a way that the honest agriculturist who because of the alluvial agricultural lands having two houses or loan from the Development Banks does not come within the clutches of this Wealth-tax Act.

In the end, I support the amending Bill, I hope, my hon. friend will look into it as early as possible and will try to accommodate the spirit shown so far rather than act against the interest of the cultivators.

Shri U. M. Trivedi, (Mandsaur): Mr. Deputy-Speaker, Sir, one request which I will make through you to the Government is that whenever such long Bills and measures, which require a good deal of study, are brought before the House, it will be well and proper that the Government lets them through into the House by a Select Committee. It gives hardly any time to study this Bill with one, two or three Bills coming in at a time. Sometimes I get four or more Bills in the same packet and it becomes extremely impossible. With the Government machinery at the beck and call of the same packet and it becomes extremely impossible. With the Government machinery at the beck and call of the Ministers, the Ministers also do not know where mistakes have crept in and they come with a long list of corrections and corrigenda. If that happens with the Ministers, our lot is very unenviable on this question. If the Food Adulteration Bill with 10 clauses could be taken to a Select Committee, this Bill with 41 clauses ought to have been put through the Select Committee where every pro and con of the whole question could be studied.

The unfortunate position is that the Government is conscious all the time that it has got a brute majority. This brute majority is of such people who will always say, "Aye, aye". Whatever they may talk or say here, at the time of voting they will say, "Aye, aye". That is why the Government cares tuppence as to how they make the laws. But in fairness to democracy by which we swear it is necessary even for such a Government with a brute majority to have the matter studied well.

Sometimes it so happens that a Member of Parliament who is also a professional lawyer, has got to stand before a court of law and the judges are very apt to remark, "You are the persons who make this rubbish law". It is very hard to swallow, but then it does hit us. You and I are all be-

longing to the same machinery and we have to hear harsh words on account of this.

I give an illustration about this here. I will invite the attention of the hon. Minister to clause 27 of this Bill. In clause 27, at page 21, sub-clause (vi) you say:—

"in relation to the Union territories of Dadra and Nagar Haveli and Goa, Daman and Diu, the High Court at Bombay;"

Why are you so much enamoured of the High Court at Bombay for putting Daman, Diu, Dadra and Nagar Haveli into the picture? Goa is all right because Goa must go to Maharashtra. We are all agreed on that proposition. But how is it that you have come to a particular decision and by the back-door want to put under the High Court at Bombay Daman and Diu which are obviously Gujarati, which are in Gujarat and which are nearer to the Gujarat High Court than the Bombay High Court? But because this is going on for some time and the Bombay High Court is the only High Court you remember, you just shove it in.

When I look to the various clauses of this Bill, I should say, I do not claim to say that I have studied the whole of this Bill but that much which I have studied makes me feel that this measure is merely, as it usually happens, a symptomatic treatment of the various complaints that are made. I am not a protagonist either of the capitalists or, as I would put it, of the ideology represented by my hon. friend, Shri Hiren Mukerjee although I have very great regard for both the persons who represent each view.

What I find is this. I cannot conceive the reason behind the provision that has been made in clause 18 in the language in which it has been put. In

clause 18, at page 11, you have put down:—

“has without reasonable cause failed to furnish the return which he is required to furnish under sub-section (1) of section 14 or by notice given under sub-section (2) of section 14 or section 17, or has without reasonable cause failed to furnish it within the time allowed and in the manner required by sub-section (1) of section 14 or by such notice, as the case may be; or

has without reasonable cause failed to comply with a notice under sub-section (2) or sub-section (4) of section 16; or

has concealed the particulars of any assets or furnished inaccurate particulars of any assets or debts;

he or it may, by order in writing, direct that such person shall pay by way of penalty—

in the cases referred to in clause (a)” etc.

Then, it says:—

“in the cases referred to in clause (c), in addition to any wealth-tax payable by him, a sum which shall not be less than twenty per cent, but which shall not exceed one and a half times the amount of the tax, if any, which would have been avoided if the net wealth as returned by such person had been accepted as the correct net wealth.”

Further, it says:—

“Where the net wealth returned by any person is less than eighty per cent of the net wealth as assessed under section 16 or section 17, such person shall, unless he proves that the failure to return the correct wealth did not arise from any fraud or any gross or wilful neglect on his part, be deemed to have concealed the particulars of assets or furnished in-

accurate particulars of assets or debts for the purposes of clause (c) of this sub-section.”.

Now, Sir, reading this, it appears that the little discretionary power that could exist in any officer in the proper discharge of his duties is being taken away and more so he will act as clause 7 provides, that is, the value will be as prescribed by the rules and not the value as ascertained by the market. The market value is the usual criterion for all purposes under the Land Acquisition Act or under all other Acts where the market value is to be determined. In this case, you do away with it and you go by the prescribed rules. What can be those rules? The Government may prescribe the rules and say that it will be five times the value of the shares which are quoted in the market. Naturally, the man would have assessed his property at the market value and then, if prescribed rules say that it is five times the market value, what will happen to him? He will unnecessarily be charged with concealment. Any honest man will also be hit—I am not concerned with the dishonest who may be hit by it—and such a law should not be made by virtue of which the provisions would be such as to hit any honest person who makes his return honestly. Therefore, such a provision in my opinion is uncalled for.

Then, it says:

“(5) No order imposing a penalty under this section shall be passed after the expiration of two years from the date of the completion of the proceedings in the course of which the proceedings for the imposition of penalty have been commenced.”

Now, this is a good provision. But then when the Government is so considerate in making these provisions applicable to wealthy persons, I do not see any reason why the similar provisions are not made applicable say, for example, in the case of ex-

[Shri U. M. Trivedi]

cise duty on tobacco. If a poor farmer does not know how to keep the accounts and he keeps no account, there is no time-limit for recovering the excise duty that is to be recovered from him. At once, a notice comes after four years or six years or even eight years for the recovery of the excise duty. If the hon. Minister cares to know about it, I will give him the notices which I have in my possession which were served upon a person in 1964 for having grown some tobacco in 1954. And all his cattle were sold away; all his buffaloes were sold away; all his bullocks were sold away; all his fodder was taken away; all the grain that he had grown was taken away. Why are you considerate for the rich and why this consideration is not being shown to the poor? The law must not make this difference between the rich and the poor. I quite see this point and I do not say that it is a bad law. But then make it a good law for everybody. You must forget this method of discrimination and it is this method of discrimination which brings you the odium. I should say that whenever such laws are made, a proper study thereof must be made, not only on the question of drafting but also on the whole perspective of the law as it exists in our country in a particular department. Formerly, it was administered by the Revenue Board. Now, of course, two Boards are there but still they are under the same department. I see no reason whatever for providing a time-limit in one case and no time-limit in another case.

Then, I will draw your attention to the provisions of clause 61. It is entirely a new provision. This is a very peculiar provision. Those of us who have anything to do with the study of law know that the principle of lispendence will apply if they were dealing with property which was itself the subject-matter of litigation. But will it make a good law if you go to this extent, for the sake of revenue, as not to hit the person who does the

wrong but to hit the person who has himself been duped? This provision says:

"Where, during the pendency of any proceeding under this Act, any assessee creates a charge on or parts with the possession by way of sale, mortgage, exchange or any other mode of transfer whatsoever.....".

Now, the sale is a complete transfer and a *bona fide* purchaser for value cannot know whether any proceedings are pending against the assessee or not and even the assessee may not know it because the proceedings may be still kept in the dark. And if these proceedings are pending, how can it be conceived that a *bona fide* purchaser for value will come to know of the proceedings and in the absence of his knowledge how is it that instead of doing harm to the person who transfers the property knowing that there is something to do with the estate duty, he sells it to another person and that poor person is harmed by the law? I will, therefore, request you to see that such a law which hits innocent person must not find a place on the statute book. What it says is:

"... or transfer shall be void as against any claim in respect of any tax or any other sum payable by the assessee as a result of the completion of the said proceedings;"

Now, the proceedings will be completed after 10 years or 20 years. The man has enjoyed his property and he sells property without his knowing anything about the proceedings. Therefore, this law must show that the purchaser for value must be a *bona fide* purchaser. There must be the determination of the intention and the intention must form part of this particular provision. Then only, this provision can stand as a good law. Otherwise, it cannot be a good law and it will be harmful to the cause for which it is being made.

Now, I will draw your attention to clause 36. A new section 37A is being added. The language adopted in this clause has been the subject of interpretation from time to time in different ways by different High Courts and also by the Supreme Court. This is what it says:

"37A. (1) Where the Commissioner, in consequence of information in his possession, has reason to believe that—

- (a) any person to whom a notice under sub-section (4) of section 16 or a summons under section 37 was issued to produce, or cause to be produced any books of account or other documents, has omitted or failed to produce, or cause to be produced, such books of account or other documents as required by such notice or summons, or.....

he may authorise any Inspecting Assistant Commissioner or any Wealth-tax Officer to enter and search, with such assistance as he may deem necessary, any building or place where he has reason to suspect that such books of account"

Now, what will happen? There are honest officers, and there are dishonest officers. And in my opinion there are more of the latter category than of the former. A threat is held out to any man that "here there is an information, we are coming for a search, unless and until you give some hush money this will be carried out and carried out to the detriment of your prestige." Will it not be proper, therefore, to say that this clause must be so moulded as to suggest some definite information in writing? Just as in the case of the Opium Act a definite information in writing is necessary for the opium officers to go and search, why should such a provision be not here: why should there be only just a little hush-hush word? I re-

member, in so many cases, even if information is sent in writing to the Finance Department, the Finance Department does not move. But in cases where there is any animosity with any particular assessee, this will be found as a weapon of offence and a weapon of oppression of some person who may not be in the good books, or for some reason might have fallen in the grace, of the income-tax officer or wealth-tax officer, as the case may be.

Therefore, a provision of this type must not be made in the manner in which it has been drafted. There ought to be definite information in writing, not merely probable. 'Definite' and 'indefinite' itself is very vague. What is required is definite information in writing in his possession.

The Minister of Planning (Shri B. B. Bhagat): Have you tabled some amendments? These are not your amendments, I suppose.

Shri U. M. Trivedi: I have given only one amendment, about giving by the back door Dadra and Nagar Haveli to Maharashtra. I am only making a suggestion. It must come from you and it must be passed; no use my giving an amendment which will not be passed.

Therefore, I say, this criticism that I have offered I have offered in a reasonable, legal, legitimate manner, and I hope that the Finance Minister will accept it.

Shri V. B. Gandhi (Bombay Central South): Mr. Deputy-Speaker, Sir, it is too late in the day for this Parliament to discuss whether it is desirable to have a wealth-tax or not. Time and again, several times this House has taken a decision. It has accepted the principle of direct taxation; it has levied taxes like income tax, wealth tax, gift-tax and expenditure-tax. Therefore, we need not labour that point any more at this stage.

[Shri V. B. Gandhi]

The Bill before this House is a simple one. In view of the fact that we have already recodified the income-tax law in 1961, it was necessary and also unavoidable that such a Bill should be brought before Parliament. Now, since the basic pattern of the wealth-tax Act is very much similar to that of the Income-tax Act, such a Bill was due and to be expected.

As I said, it is a fairly simple measure and yet it requires certain minor changes in some of the provisions which will improve it considerably, and I hope that the few suggestions that I am going to make will be considered by the Government.

I will first begin with clause 7. Clause 7 provides that the estimation of the market value of an asset will be made subject to any rules made in that behalf by the Government. It has been the experience of many of us, and we have heard from many people whose opinion we should ordinarily value if we are not prejudiced, that the way this valuation at present is made—I mean valuation based on market value which is made at present,—is made in a very rigid manner. And if we accept this new amendment, I think the procedure is going to be extremely rigid and, I think, likely to cause more trouble than any good to the assesses.

What usually happens is that the wealth-tax officers do not give sufficient regard to all the circumstances involved in a certain case. For instance, there are such circumstances to be considered, say, in the case of shares, unquoted shares, such circumstances as the relative security of the business security of the shares, the nature of the business of the company, the liquidity in the event of emergency, and such other consideration. Usually what they do is, they go upon the instructions that the wealth-tax officers have been provided with by the Government, by the Board of Direct Taxes, or what is called the

yield method or, the breakup-value method. Breakup-value method is that which amounts to estimating the total assets and dividing them by the number of shares. These are all right, as they are, up to a point.

Fortunately, before this new amendment in clause 7 is to come into operation, we at least have had some kind of an element of flexibility in the case of valuation, because the appellate authorities were not bound by this new provision as they would be after the rules come into force. Now, that would not be the case. My suggestion would be that we should not have any such rigid provision by making the thing subject to such rules as the Government may make, but that Government should provide certain criteria and certain guide-lines which the wealth-tax officer should bear in mind.

15 hrs.

May I also make one more suggestion that we would very much like if Government would consider, when they bring out these rules, that these rules should in the first place, be brought out as draft rules and be allowed to be circulated and considered by Parliament and other bodies concerned?

Then, I turn to clause 18. In clause 18, the power to impose penalty has been vested or continues to be vested. I should say, in the wealth-tax officer, the appellate assistant commissioner, the commissioner of wealth-tax and the appellate tribunal. We thought that if this Bill was to follow the pattern of the income-tax law, then probably they should have dropped the last two authorities, namely the commissioner of wealth-tax and the appellate tribunal. In fact, recommendations to that effect had been made in the past. For instance, the Income-tax Amendment Act, 1939 omitted the commissioner and substituted the appellate tribunal. The Law Commission later omitted the appellate tribunal also. There is something

to be said in the idea that after all sufficient consideration or detailed consideration is received by the case at the level of the wealth-tax officer and the appellate assistant commissioner, and the higher authorities should be left to take care of the judicial considerations only and they should not be burdened or involved in the imposition of penalties.

Then, I shall come to an important point, namely the explanation in clause 18. That explanation reads as follows:

"Where the net wealth returned by any person is less than eighty per cent of the net wealth ... as assessed under section 16 or section 17, such person shall, unless he proves that the failure to return the correct wealth did not arise from any fraud or any gross or wilful neglect on his part, be deemed to have concealed the particulars of assets or furnished inaccurate particulars...."

Here, the question that we have to consider is this. Is it not possible under this provision that a person could be proved not to have failed to return the correct wealth and not to have been guilty of any fraud or gross neglect on his part, and yet he could be involved or there could be a kind of implication and he could be brought within the purview of this explanation only on the ground that the net wealth as returned by him is less than 80 per cent of the net wealth as assessed by the wealth-tax officer? Such a thing conceivably can happen. The person can be one who has given all the details of his assets to the authorities, but his valuation or his estimation of the value of his net assets could be different from the valuation placed by the officers. There could certainly be an honest difference between the two. So long as this explanation remains in this Bill, the presumption will be there against the man simply for the reason that the two estimates differ from one another. Here, it seems that this provision is included in this Bill perhaps because

a similar provision has been included in the Income-tax Act. That is not a ground good enough to include it here for the simple reason that the concept of wealth and the concept of income are entirely two different concepts.

In the dictionary, the meaning of 'wealth' is given as:

"riches, large possessions, opulence..".

The meaning of 'income' is given as:

"periodical (usually annual) receipts from one's business, lands, work, investments etc..".

In economics, of course, the difference is made very clearly and elaborately full. However we need not go into that. But it is very clear that the two concepts are different. In the case of income, it is possible to calculate income and give it some kind of a monetary expression and also to have a greater precision. But in the case of wealth, all kinds of things can constitute wealth, and, therefore, the possibility of an honest difference of opinion in the value of one's net wealth or one's net assets is very much present there, and, therefore, this fact should be considered. I would only add that if the provision must be retained it should be further provided that the question of penalty shall not arise if the difference between the return and assessed net wealth arises on account of difference of opinion in the matter of valuation. If the assessee has given information regarding all the assets to be taken into consideration, there should be no ground for inferring concealment. It may be submitted that in a Wealth Tax Act, a provision of this kind about wealth as distinguished from income will be misplaced.

Shri Kashi Ram Gupta (Alwar): Deputy-Speaker, Sir, whenever there is a Bill of this nature, there is always a controversy between my friends of the Swatantra Group and the Communist Group. I do not know whether such things should come in a Bill of this nature. But one thing is certain,

[Shri Kashi Ram Gupta] that the democratic socialism of the ruling party is so confused that all these controversies are going to increase instead of decreasing.

I think the time has come when instead of having bills of this nature, we should revolutionise the whole thing. In my opinion, the problem of evasion of taxes can be tackled successfully only if the Finance Minister and the Government take a dynamic attitude and bring forward a Bill to limit the assets of persons.

Shri Nambiar: Ceiling on wealth.

Shri Kashi Ram Gupta: Yes, a ceiling on wealth, rather than adopt this indirect way of taxing.

Shri Nambiar: And confiscate the remainder.

Shri Kashi Ram Gupta: The question will be asked, if a ceiling on wealth is put, what will be the incentive for people? In my opinion, incentive will be there if you definitely divide wealth into three or four categories. The first question is whether landed property is to be patronised or discouraged. In my view, this should be discouraged. But persons who own certain property as a means of livelihood may be treated leniently. At present, there is no such provision. Secondly, possession of jewellery, gold etc. should also be discouraged and highly taxed. At present, there is no such provision. Now that the limit of wealth tax has been reduced to Rs. 1 lakh, people who do not know how to keep accounts in a proper manner will be hard hit. Suppose a person has got a total wealth of Rs. 1½ lakhs, some in landed property, some, a limited amount, in liquid capital. He will be harassed the most.

Therefore, to bring amendments in this manner, putting all persons in one category, making no difference between the high and the low and the middle class, will not serve the purpose and will only increase hardship.

Coming to certain clauses, in cl. 4, as regards computation of net wealth, there is a phrase used, 'adequate consideration', regarding the inclusion of the wealth in the name of the wife. This expression 'adequate consideration' can mean anything and can be interpreted in any way by the officer concerned. My opinion is that if a limit is put on the wife's wealth, that so much of the wealth need not be computed and included in the wealth of the husband, that will be much better, because the main factor is: under what conditions that wealth has been given. Suppose a man is very old. His sons are not on good terms with him. To provide for his wife who may not be a literate lady, he sets apart that much amount. Such amount should always remain with the lady and should not be assessed in the wealth of the husband.

The same point holds good about minor children. There are instances of people who have got two or three sons. The older ones die. To safeguard the interest of the child, the person thinks that he must do something for him or her. That amount also should not be taken into consideration for computation. So there should be a proper definition of 'adequate consideration'.

Dr. M. S. Aney (Nagpur): Do you suggest one?

Shri Kashi Ram Gupta: My point is that such amounts should be exempted. I was late in coming. I thought this Bill would not come up so soon. So I could not table any amendment.

Then in cl. 10, there is reference to a 'Director of Inspection'. No qualifications have been laid down for this officer. What sort of man he can be and what will be his functions—I do not know. I do not understand why a special category of official has been designated in this Bill at this juncture. The hon. Minister will kindly explain it while replying.

So many members have expressed their doubt about the explanation on page 12 wherein an 80 per cent limit is put. In my opinion, this limit is not needed in this case because the question of income tax is on a quite different footing. This provision has been copied from the Income Tax Act. I think it was not necessary to bring it here. When the Finance Bill was being passed in this House, I had sent in an amendment saying that those persons whose income was Rs. 20,000 or Rs. 15,000 should not be subjected to this. The same thing applies here. Below a certain limit, Rs. 3 or 4 or 5 lakhs, this should not apply. Otherwise, this will give rise to so many difficulties for the lower middle class.

The hon. Minister had given an assurance last time on one point, that so far as action against concealment is concerned, it will be taken specially in the higher categories and unless and until the information is very definite, small people will not be harassed. I think he must be able to think out some amendment putting a limit below which it will not be applied; otherwise he shall have to give an assurance so that persons who are honest but are not so capable as to keep up-to-date accounts can get relief.

Shri Bade (Khargone): 80 per cent. of the assessed valuation of property—no use of saying that.

Shri Kashi Ram Gupta: I am coming to that. The main difficulty, as has been expressed, is this. Take the provision for putting up two valuers, one from the side of the assessee, and the other from the side of the Government. If they do differ, the provision will come in. That is why I say that people owning small properties, below Rs. 2 or Rs. 3 lakhs should not be harassed. That can only be done when you specify an exemption limit for the purpose of this Clause.

If the valuer nominated by the assessee gives his report, but the Government valuer does not give the re-

port, what will be position? It has been stated that if one valuer does not give his report, the tribunal will proceed with the matter. In my opinion, if the Government side lacks in its responsibility, then the report of the assessee's valuer must be respected to a very large extent. The tribunal should give due weight to that report, instead of proceeding in a one-sided manner.

I do not understand how rural properties can be taken up for Wealth Tax. A peasant may give an estimate of Rs. 1 lakh for his rural property, but the market value may not be even Rs. 10,000. The determination of the market value is not a practical thing there. Therefore, Government has to see what steps they have to take about rural property. So far as housing in the rural area is concerned, whatever maybe its value, it is needed only for residing purposes. People do not even reside there, they go out to earn, closing their houses. Therefore, such rural property must never be taken into account while computing the Wealth Tax.

Land, too, is a very complex problem. How to fix its market value. Every year it increases or decreases as the value of land in the village goes up or down. Therefore, such cases have to be specially dealt with, and while framing the rules, village people's property must be put on a different footing from urban property.

Shri Bade: What is the standard for valuing the land?

Shri Kashi Ram Gupta: I have said that it is a very difficult problem.

I have mixed feelings towards this Bill, and I welcome it to a limited extent. I do not think this Bill can serve the purpose of eradicating evasion among the rich people, but at the same time, I think that such provisions are necessary to see that in future people may not try to dupe Government.

[Shri Kashi Ram Gupta]

Monopoly capital has got such a big power in its hands that it can flout the present provisions also, and hence, while seeking to implement the provisions, special care must be taken to see that a certain category of people who know how to evade taxes are taken to task drastically, while the others are dealt with leniently.

Shri R. G. Dubey (Bijapur North): I find myself in the happy position of being able to agree with some reservations which Comrade Mukerjee, the leader of the Communist Party has made. I hope Comrade Nambiar would not grudge my calling him the leader of the party because he acknowledges Shri Gopalan as his leader.

Shri Mukerjee referred to conditions prevailing in the U.K., the Labour Party, socialism and all that. I agree with much of what he said. In fact, I would go a step further and say that this has nothing to do with socialism. Even in the so-called capitalist countries, such measures are adopted with a view to attain the welfare of society.

I think the time has come for us in this country and in this House to make up our minds as to whether we care for the top dog in the society, for the welfare of a few people, or for the large majority who, even today, go without a meal a day, leaving aside the conditions in Kerala. On the one hand we want the Finance Minister to have a drive for recovery of taxes, arrears and all that, on the other hand, we do not leave a chance to criticise him for doing this and that.

What about the standards or code of conduct of the merchants, traders and industry in this country? I do not think in any other country in the world milk or foodstuffs are adulterated. The other day Shri Chatterjee quoted from his own experience about coaltar being mixed with some kinds of edible oils. Is that the way you allow things to go on in this country?

Leave aside socialism or communism. There is humanism also. While millions and millions starve without food, you allow the people to make profits at the cost of millions, whatever ism you may call it. We must see to this that people in our country hereafter are enabled to have two square meals a day, and they are fully clothed.

The Finance Minister, in the course of his Budget speech, made an observation that he would be able to make good the deficit in the Budget with the help of recovery of arrears. I congratulate the Finance Minister and his Ministry on their very serious drive to recover arrears in the country. I do not know the exact figure, but I am told there were many lakhs of people in this country who, though they deserved to pay tax, have somehow escaped the income-tax law. They have been brought on record now, and they are going to be taxed. There is necessity for more taxes every because only because such people escape taxation. It is ridiculous that although there are people who can pay and should be taxed, although there is scope for recovery of arrears, more taxes are being put on the others. We must see that we do not allow scope for such kind of people hereafter.

I am also glad that serious efforts are being made to recover what is called unaccounted or hidden money. This is the first time it is being done. I know the Finance Minister and his Ministry has to incur the displeasure of people in the country who are possibly influential, but we need not care for those people.

15.28 hrs.

[DR. SAROJINI MAHISHI *in the Chair*]

I agree with Shri Patel and other friends. It is true that sometimes clauses are so framed and so interpreted that innocent people also might be brought into trouble, but in every law there is this trouble.

The purpose of this Bill is very limited. The Income-tax law was amended in 1961, and they now want to bring the Wealth Tax Law in conformity with that, because both are inter-related. So, this is a timely measure, and we have to support it wholeheartedly.

I would also join other hon. Members in requesting that our legal system must be reoriented. We pass many laws in this country. In a modern society we cannot avoid passing complex laws, but the laws should not be passed in a hurry. They should be framed in such a way that the innocent people are not put to trouble.

With these observations, I broadly support the intention of this Bill and commend it to the acceptance of the House.

श्री बागड़ी (हिंसा) : सभापति महोदया, सरकार वाणी से बात गरीब की करती है, और मन पूजीपतियों में है और कर्म से वह सिर्फ अना भला चाहती है ऐसा ही कुछ प्रतीत होता है। यह जो संशोधन विधेयक है उस से ऐसा प्रतीत होता है कि इस संशोधन के जरिए पूजीपतियों से कर वसूल होगा और फिर वह पैसा इस देश में गरीबों के लिए और इस देश के उद्धार के लिए लगेगा लेकिन जैसा मैं ने कहा अमल उस के बिलकुल विपरीत होगा।

आज आप देखिये कि देश के अन्दर अणु बम को लेकर एक बड़ी अच्छी खासी चर्चा चल रही है। हमारे प्रधान मंत्री बार बार उस के बारे में कहते हैं कि हम इस देश में अणु बम नहीं बनायेंगे। लेकिन आप सोचियेगा कि क्या दरअसल इस देश के अन्दर अणु बम बनाने की शक्ति भी है या नहीं? अब शक्ति तो हमारे अन्दर इतनी भी नहीं है कि हम अपने भारत के लोगों का पेट भर पायें। हिन्दुस्तान में 37 करोड़ इंसान आज सिर्फ पाव भर अन्न के ऊपर जीवित हैं। आधा पेट भी उनको

भोजन मयस्सर नहीं हो पाता है। देश की जनता की बड़ी खराब हालत हो रही है। हमारे देश की जनता की हालत तब बेहतर हो सकती है जबकि उनके खाली पेटों को हम भरें और इस देश की जो सनअत है, उद्योग धंधे आदि हैं उन की तरक्की हो। जब कभी सनअत की तरक्की करने की बात आती है तो उसके लिए हमारे कांग्रेसी भाई चिल्ला उठते हैं कि हमारे देश ने बहुत तरक्की इस क्षेत्र में की है लेकिन उन लोगों से मैं ने बार बार इस सदन में पूछा है और आज फिर पूछना चाहता हूँ कि अगर हमारे देश ने सनअत के मैदान में वाकई तरक्की की है तो आप बतलाइये कि अग्नेजों के जमाने में हिन्दुस्तान का नम्बर सनअत की फ़ील्ड में आठवां था तो आज अन्य देशों के मुकाबले में उद्योगों के अन्दर हिन्दुस्तान का कौन सा नम्बर है? अब अगर हिन्दुस्तान का नम्बर आठवें से छठा या सातवां हुआ है तब तो यह माना जा सकता है कि उसने हाल में इस क्षेत्र में तरक्की की है लेकिन अगर उसका नम्बर अब आठवें के बजाय नवां, दसवां, ग्यारहवां और बारहवां हो रहा है तो वह तो तरक्की करना नहीं कहला सकता है और उस हालत में तो हम दूसरे मुल्कों के मुकाबले में तनज्जुली की तरफ ही जा रहे हैं।

मैं अर्ज करूंगा कि आज देश के अन्दर 50 अरब रुपया हिन्दुस्तान की 33 सैकड़ा जो आमदनी है वह हिन्दुस्तान के सिर्फ 45 लाख इंसानों के पास चली जाती है। अब अगर इस देश के अन्दर कोई कर की वसूली ज्यादा करने की ज़रूरत हो तो वह इस 45 लाख की जनसंख्या पर होनी चाहिए जिनके कि पास 50 अरब रुपया चला जाता है। सरकार को उसे सक्ती के साथ वसूल करना चाहिए। लेकिन वह वसूल नहीं हो पाता है। इस के बरखिलाफ़ आप देखेंगे कि हिन्दुस्तान के अन्दर जो छोटे लोगों का बकाया है उन से तो डंडा मार कर और पुलिस के जरिए वसूल कर लिया जाता है। अगर किसी गरीब

[श्री बागड़ी]

आदमी के ऊपर 10 रुपये भी कर की वसूली बकाया रह जाती है तो गरीब लोगों से वह डंडे के जरिए वसूल कर लिये जाते हैं और उसके लिए फटाफट वारन्ट कट जाते हैं लेकिन इसके विपरीत देश के उद्योगपति उससे कहीं अधिक पैमाने पर बड़े धन की चोरी करते हैं, टैक्ससेज बचाते हैं लेकिन उन के साथ सख्ती के साथ पेश नहीं आया जाता है। हमारे देश के अन्दर उद्योगपतियों द्वारा करों की जो भारी चोरी चलती है वह तो एक तरफ रही लेकिन सरकार ने अपने रजिस्टर्स में जो उन पर वाजिब कर वसूली के आंकड़े दर्ज कर रखे हैं वह वाजिब कर भी यह सरकार उन से वसूल नहीं कर पाती है। इसका मतलब यह है कि मन उधर है बाकी कर्म सिर्फ अपने में है। जब तक सरकार इस तरह से कथनी और करनी में फर्क रखेगी और इस तरहसे बहकती और भटकती रहेगी तब तक यह काम नहीं हो पायेगा क्योंकि वह अपनी कथनी को अमल में तो लाती नहीं है।

जब सरकार के अफसरान और मंत्रियों के अपने बजट में, थोड़ा बहुत उन की सुविधा में फर्क पड़ता है तो एक वसूली की चर्चा कर के हम उद्योगपतियों और पूंजीपतियों से 5, 10, 20 या 30 करोड़ रुपया इकट्ठा कर लेते हैं। अगर उसने इस तरह से इतना रुपया उनसे इकट्ठा कर लिया तो ऐसा समझने लगती है मानों उस ने कोई तीर मार लिया हो और उस के बाद सब ठण्ठ हो गया। यह भी देखा गया है कि जब देश में एक ग्राम चर्चा चलती है कि सरकार निर्बल है और वह पूंजीपतियों और उद्योगपतियों पर हाथ नहीं डाल सकती तो वह किसी एक आघ पर हाथ डाल देती है जैसे कि उसने साहू-जैन पर हाथ डाला। इससे जनता में एक संतोष की भावना आई और उस के मन में आशा जगी कि सरकार इस देश से अष्टाचार का मिटायेगी और यह एक मुट्ठी भर पूंजीपति जो देश की और जनता की कमाई को लूटने

हैं और उनको ऐक्सप्लॉएट करत हैं उनको यह सरकार काबू में करेगी लेकिन जल्दी ही उसकी आशा निराशा में बदल जाती है क्योंकि साहू-जैन के बाद इस सरकार ने और किसी उद्योगपतियों पर हाथ नहीं डाला। सरकार अगर उसके बाद बिलकुल चुप न बैठ जाती और बिड़ला बंधुओं पर और बाजोरिया बंधुओं पर अपना हाथ डालती तो जनता में उसके प्रति एक विश्वास आता और वह यह समझने लगती कि इस देश के अन्दर जो करोड़पति और अरबपति-पूंजीपति और उद्योगपति काला धन इकट्ठा करके उस सम्पत्ति पर सांप की मानन्द फन उठाये बैठे हुए हैं और जोकि करों की चोरी करते हैं उनसे इस देश को मुक्ति मिलेगी। इस देश के अन्दर जहाँ 37 करोड़ इंसानों को पाव भर अनाज मयस्सर न हो जहाँ कि 27 करोड़ आदमियों को तीन आने रोज की आय हो उनकी खराब हालत बदलेगी और वह भी इंसान की तरह जिन्दगी बसर करने के लायक बन जायेंगे।

मैं आपकी मार्फत अर्ज करूंगा कि यह सरकार कभी चीन के संकट की तो कभी पाकिस्तान के संकट की बात करती है और इधर अणु बम की चर्चा होने लगी है लेकिन मैं तो इस सरकार से यही अर्ज करूंगा कि हिन्दुस्तान के उद्योगों को इस काबिल बनाइये कि वह संसार के दूसरे देशों का सनअन के क्षेत्र में मुकाबला कर सके। हिन्दुस्तान की जनता को पेट भर रोटी दो तब जाकर आप लोग इस देश के अन्दर अणु बम की बात कर सकेंगे। डा० भाभा या किसी मंत्री ने तो इतना कह दिया कि अणु बम के बनाने में लगभग 15 लाख खर्च आते हैं और हिन्दुस्तान भी अणु बम बना सकता है। एक अणु बम की कीमत 15 लाख है ऐसा उन्होंने अन्दाजा लगाया है लेकिन 15 लाख का अणु बम हिन्दुस्तान भी बना सकता है ऐसा कहना तो उसी तरह होगा जैसा कि 14000 की गाड़ी के लिए कह दें कि 14000 की गाड़ी हम भी

बना सकते हैं लेकिन जब वह यह बात कहते हैं तो वे यह क्यों भूल जाते हैं कि 14000 की लागत की गाड़ी तैयार करने के लिये करोड़ों रुपये का कारखाना लगाना पड़ता है। उसी तरह से अणुबम तैयार करने के लिए उसका कारखाना सेट अप करना होगा और उसके कारखाने के लिये 15 अरब रुपया चाहिये तब जाकर कहीं आपका 15 लाख रुपये का अणु बम बनेगा। और वह भी इस देश के उद्योग धंधे एक दूसरे से इतने जुड़ें और अपनी शक्ति को मिलायें, तब जाकर कहीं अणु बम की बात बनती है। उसी वक्त आप फँसला कर सकते हैं अणु बम बनना है या नहीं। घर में सूत न कपास, कोरी से लट्टम लट्टा वाली बात इस अणु बम के बारे में हो रही है। अब हमारे प्रधान मंत्री बेचारे आधे थके हुए तो पहले ही थे पर अब इस अणु बम की चर्चा करके बिल्कुल ही थक गये और वह कहने लग गये कि हम अणु बम नहीं बनायेंगे, नहीं बनायेंगे। लेकिन असली सवाल जो उनके सामने दर-पेश है वह यह है कि हिन्दुस्तान की भूखी जनता का पेट भरना है या नहीं। हिन्दुस्तान के पूँजीपति जो कि काले सांप की तरह से हिन्दुस्तान की सम्पत्ति पर फन फैलाये कुंडली मारे बैठे हुए हैं उनके फनों में से और उनके पंजों में से इस देश की गरीब जनता को और उस महान सम्पत्ति को निकालना है या नहीं? इस देश की गरीब जनता को हक दिलाना है या नहीं? देश की जनता को भूखा मारने वाले लोगों को अंकुश से काबू में लाना है या नहीं? सवाल तो इस बात का है? लेकिन वह अमल कितना होता है यह किसी से भी छिपा हुआ नहीं है। इनकम टैक्स देने वाले किस तरह से टैक्स को इवेड करते हैं और धोखा करते हैं वह भी किसी से छिपा हुआ नहीं है।

अब मैं बतलाऊँ कि लोक सभा और राज्य सभा के जो सदस्य हैं उन पर जो आयकर लगता है वह सिर्फ उनकी तनख्वाह पर

लगता है, उनके भत्तों और अन्य सुविधाओं आदि पर कोई इनकम टैक्स नहीं लगता है। इसी तरीके से जिस किसी की सरकार में 1000 रुपये तनख्वाह है उसे सुविधा 5000 रुपये मासिक तक की रहती है। इस देश के अन्दर एक अजीब रिवाज है कि मूँछ लम्बी और दाढ़ी छोटी होती है। दरअसल टैक्स भत्तों और उनकी सुविधाओं पर भी लगना चाहिये।

काफ़ी टैक्स का पैसा बकाया पड़ा हुआ है। मैं आपकी मार्फत सरकार से अर्ज करूँगा कि टैक्स लगाने से पहले जो पिछला बकाया पड़ा हुआ है और वह बहुत काफी है उसे सरकार सख्ती से वसूल करने के लिए अमली कदम उठाये। चूँकि वह काम नहीं चलता है इसलिए इस देश की जनता को सरकार की कथनी में और उसके वायदों में विश्वास नहीं रहा है और यही कारण है कि जनता का सहयोग सरकार को नहीं मिलता है। देश की आम जनता समझती है कि सरकार का मन पूँजीपतियों के ही साथ अभी तक है।

मैं एक छोटी सी मिसाल आपके सामने रखना चाहता हूँ। आज हालत यह है कि 100 रुपये का क्लर्क, मास्टर, पटवारी अगर अपनी तनख्वाह बढ़ाने की मांग करता है तो सरकार उसकी कोई परवाह नहीं करती है और सरकार कह देती है कि उसके पास इसके लिए पैसा नहीं है लेकिन दूसरी तरफ़ यह देखते हैं कि पार्लियामेंट के मेम्बरों ने 100 रुपया अपनी तनख्वाह में बढ़ा लिया और 300 रुपये भत्ते में बढ़वा लिया। इन सब बातों से जनता का विश्वास सरकार के प्रति टूटता जा रहा है। उसे यह पता है कि कागज में कोई भी कानून क्यों न रहे उससे कुछ बनने वाला नहीं है।

थोड़ा मैं जमीन की बाबत अर्ज कर दूँ। हिन्दुस्तान में अगर जनता का पेट भरना है तो चार करोड़ टन अनाज और पैदा करना

[श्री बागड़ी]

पड़ेगा। उसके लिए जरूरी है कि जमीन की सुविधा दी जाय और जमीन पर से कर हटाया जाय। शहरों में जहां 3000 रुपये से कम की आमदनी वाले लोगों पर कोई टैक्स नहीं है वहां दूसरी तरफ गांवों में एक एकड़ वाले पर भी माल आबियाना है। उसके ऊपर भी कर लगता है। सरकार को चाहिए कि गांवों में जिस किसान के पास 6 एकड़ या 6 एकड़ से कम जमीन हो उस पर कोई कर नहीं होना चाहिए। मैं इन शब्दों के साथ अपनी जगह लेता हूँ।

Shrimati Renuka Ray (Malda): Mr. Chairman, I welcome this measure which is trying to bring the wealth-tax into line with the Income-tax Act of 1961. It shows that the Government seriously intends to put this wealth-tax into operation and not just make it a kind of appendage of the taxation structure to which Shri H. N. Mukerjee referred. It shows the right intent, and I am certain that the clauses of the Bill which bring them into line with the Income-tax Act will help the implementation of the Wealth-tax Act in a much more satisfactory manner.

When Shri Masani was speaking, he was pleased to bring up the whole question of whether the Wealth-tax should be there or not. But we are actually not considering that. We are not considering the entire taxation structure but only certain amendments to the Wealth-tax Act which already exists. Shri Masani is sometimes a very gloomy prophet of how the economic growth of this country is going to be destroyed because the country has to collect taxes from the rich. This is one of the themes on which he labours very often and even when it is somewhat irrelevant to the Bill under consideration he still brings it up. He has, however, brought up certain points which are in reference to the actual clauses on which I should also like to say a few words. This is done on both sides. But this time Mr.

Mukerjee has made a very reasonable speech understanding to some extent the need of being practical in regard to releasing the taxes rather than have some theoretical approach, which cannot actually become a reality. It is good thing.

To collect the taxes and to deal with tax-dodgers, these provisions have got to be made effective. We are on the one hand telling the Government time and again, "Why don't you catch the tax-dodgers?" But when they do make some attempt—they made some spectacular attempts recently to catch those who have unaccounted money—there is always a hue and cry that those who pay taxes are being harassed. I am all against harassment. It does take place sometimes no doubt, but in the name of harassment, to say that no steps should be taken and the income-tax authorities should not be properly armed to get hold of the tax-evader is to beg the question and not to be in line with the ideas that have gone into our budget. Mr. Masani said that the budget this time would destroy the entire production in the industrial sector of our economy. The communists said that Mr. T. T. Krishnamachari, as Finance Minister, has been making concession after concession to the big business. I think the truth lies in between and Mr. Krishnamachari, while taking into consideration the private sector, which does exist in a mixed economy and to which we must give consideration so long as we have a mixed economy, has made certain changes by which the private sector is now on its mettle. If it really wants to help in building the economy of this nation, I suggest that they take advantage of the opportunity given to them while the going is good. Through a mixed economy, we have to build this country in such a manner that the distribution of wealth does in fact bring to all the people a minimum standard of living. We can only continue in this democratic framework, which is the only frame-work in which I certainly believe, if we can at the

same time be successful in our endeavour to build a socialist economy through democratic means. To that end, the Finance Minister has been giving a good deal of attention and his budget and the subsequent Bills that he has brought before the House are with that end in view. But it does not mean that we want to harass those who pay taxes.

Clause 19 is a very healthy provision. When a person is deceased, if the executor is not empowered to act for him in a proper manner, some harassment does take place. It has happened and I am very glad to see the rational manner in which the Finance Minister has immediately acted by bringing this clause.

Mr. V. B. Gandhi has suggested an amendment to clause 18.

Shri Nambiar: Mr. Masani also wanted that.

Shrimati Renuka Ray: Yes. When he came down to brass tacks, the only fault he could find with the Government was that there may be some difficulties regarding valuation. If there are different valuations done, the assessee may suffer. I am sure the Finance Minister will look after this in the rules. He is a very practical man and he will not let the assessee suffer undue hardship. This is a matter which could be looked after in the rules. This is not a matter which should hold up the operation of this Bill. There is no doubt that the wealth-tax has remained for some time on the statute-book without being effectively operated. This Bill is essential, so that wealth-tax can be operated properly. So, I would again say that clause 19 is a healthy provision.

I cannot for the life of me see anything in this Bill which can be objected to. So far as the structure of the wealth-tax is concerned, it is an accepted policy of our Government, endorsed by the House. It is already

there in our taxation chapter. The question is how to operate it in a proper manner and to see that the tax-dodger does not get away with it, and also to see that no harassment takes place. These are looked after in this Bill.

I do feel that this Bill is something which is over-due and I am glad it has come. I am glad Government is trying to take measures through which, while avoiding harassment of those who pay taxes, the tax-dodger is caught. Probably tax-dodging is there in every country in the world; it is nothing new to India. But there are ways and means by which it is done in other countries. There may be legal devices through which people do not pay their taxes. Perhaps India is one of those unfortunate countries where a portion of the business community—not all—evade paying their taxes through very much more questionable means than the legal means that allow them to dodge taxes. Therefore, every measure that is taken to make it more stringent is necessary.

With these words, I welcome this Bill.

Shri Nambiar: Sir, I must confess that I am not very much enthused by this amending Bill, because the hon. Finance Minister, by introducing this measure during the budget debate, has sought to undo what Mr. Morarji Desai had done, but failed. Mr. Morarji Desai had scrapped the whole thing saying that it is not going to fetch much results and the amount that has to be spent on its collection is very high; and therefore, it is not worth trying. But Mr. T. T. Krishnamachari thought he should bring it again with gusto. But what is the result? So far as I can understand, the revenue that is accruing out of it is only about Rs. 10 crores and the amount that is going to be spent for its collection is very considerable. Therefore, ultimately it reduces to the position which Mr. Morarji Desai took previously.

I thought, on the other hand, while bringing this amending Bill he would

[Shri Nambiar]

bring in certain stringent measures to see that more revenue is brought out of the hidden or partly unaccounted wealth. After all, what is the principle behind this wealth tax? The principle is that a few elements have amassed wealth at the cost of the common man and that wealth is to be shared very slowly by all people by imposing taxes so that the common man can get the benefit out of it. Amassing of wealth is nothing but exploitation. I can understand one amassing wealth directly by hard labour, but it cannot be to the extent of lakhs and crores in a short time. If one acquires lakhs and crores in a short time, it must have been earned out of the sweat and labour of the common man. Therefore, he who has amassed so much wealth has no right to keep it all for himself. If he is allowed to keep that all for himself, there is no possibility of the common man leading a prosperous life, leave alone the question of our moving towards socialism.

Therefore, the question to be asked is whether the measures that Shri Krishnamachari has brought will serve the purpose of building up socialism in this country, or take us anywhere near it. I can understand the part being played by Shri Masani. He adopted the policy "offense is better defence". He thought that he must attack it from a wrong angle so that Shri Krishnamachari might at last yield to some extent and thus neutralise it. But at the same time, for Government it would appear to the world that in this country under the regime of the Congress where they want to build socialism, wealth tax is imposed so that the wealthy people are taxed for the benefit of the common man. It will be a good subject for them to preach from the platform so that the people can be, in a way, I would say, fooled.

Sir, tax evasion is the order of the day. Whatever tax you may impose, whether it be wealth tax, income-tax, expenditure tax or any other tax, it is

being evaded. You may go to any part of the country and you will find that it is happening everywhere. The hon. Minister has tried through his apparatus to raid certain houses and unearth certain account books and hidden money. That has created an impression in the country that tax evaders are being haunted. But I would submit that it is only a very very minute part of what is actually hidden. I am sure the hon. Minister will agree with me when I say that the black money in this country is to the tune of several thousand crores. It must be something between Rs. 500 crores to Rs. 10,000 crores. This amount is nowhere in the picture. The wealth tax imposed is only a very small amount. It is only 0.5 per cent. on the wealth which is above Rs. 1 lakh. There is the gradation. The amount that is being taxed is very small compared to the wealth that is there in the country. Therefore, I feel that the hon. Minister should have brought in more stringent measures.

Shri Masani mentioned certain examples of harassments. On the other hand, I would say that he has given certain concessions compared to what he stated in his speech on the Finance Bill. He says that it is being done to bring it up on a line with the Income-tax Act. On page 8 of the Bill, under clause 15 you will find that 15B(3) says:

"If any assessee fails to pay the tax or any part thereof in accordance with the provisions of sub-section (1) he shall, unless a provisional assessment under section 15C or a regular assessment under section 16 has been made before the expiry of thirty days referred to in that sub-section, be liable, by way of penalty, to pay such amount as the Wealth Tax Officer may direct, so, however, that the amount of penalty does not exceed fifty per cent of the amount of such tax or part, as the case may be."

We can understand what the Wealth-tax Officer will direct against a

wealthy person under the circumstances obtaining in India. Further, the amount of penalty does not exceed 50 per cent. Therefore, the chances of any penalty over 50 per cent is not there. A wealthy person can wilfully evade and get away by paying only 50 per cent. If, for instance, I am a wealthy person—I do not have any wealth at all—and I have—God forbid—Rs. 5 lakhs, if I say that I have only Rs. 1.5 lakhs I will be taxed, say, Rs. 500 or a little more. The maximum penalty that will be imposed on me, if the whole amount is detected, is 50 per cent more of the taxation. Therefore, I will always have a tendency to say the minimum possible because the punishment is not much. Always the assessee will try to under-ply his assets and the officer who is to order punishment can always be influenced by him. That is what is happening in this country. On the other hand, if it had been provided here that if proper evaluation is not given the penalty will be something harsh, to the extent of five times or ten times the amount or imprisonment which may extend to six months or one year, then the assessee will be very careful to give the correct assessment. Now the assessee will not give the correct assessment, he will show some small figure and say that he had been taxed heavily.

The Hon. Minister wanted to be very gummy-gummy, and friendly with all—to the assessee and the common man. These two things cannot go together. Perhaps the Minister will say that this is mixed economy. He wants to play a role between Shri Masani and Shri Mukerjee and to show two faces to both sides. He wants to show that he is friendly with both sides. That way you cannot get the hidden money out. If you want to take the hidden money out you will have to come forward with more stringent measures. The Parliament is behind you to support you even against the resentment that may come from the extreme right. How are you going to balance your budget

without such measures? How are you going to meet the requirements of the Five Year Plans? How are you going to build up socialism in this country. These are facts which have to be considered. Without taxing the ill-gotten riches you cannot get the money out, and when there is that possibility of taxing the rich you should not hesitate.

I would only like to deal with the so-called abnoxious provision which was quoted by Shri Masani to show that it was a case of terrible harassment. He was quoting the explanation to section 18. I would say that after a careful reading of the whole section Shri Masani will have to admit that it is after all a provision in his favour, in favour of the dodgers.

Shri N. Dandekar: Is it right to call Shri Masani a dodger?

Shri Nambiar: I said "tax dodgers".

Shri N. Dandekar: You said "in his favour".

Shri Nambiar: Sub-section (c) of this section says:

"has concealed the particulars of any assets or furnished inaccurate particulars of any assets or debts;"

"he or it may, by order in writing, direct that such person shall pay by way of penalty."

It says that a person who has deliberately hidden or who did not reveal his assets will have to show that by his so doing he did not do that with a wilful intent to defraud. That aspect of wilful intention to defraud has to be disproved by him. Shri Krishnamachari has given even that sort of concession to a person who from the very fact of the whole situation looks as though he has deliberately defrauded and he could be proceeded against. Instead of saying that he should be proceeded against straight away the Minister is giving

[Shri Nambiar]

him an opportunity to prove that he had no intention to defraud. Through the loophole he is allowed to escape. That is how he has been given concessions. Therefore, Shri Masani wants to beat about the bush so that he will get something more from Shri Krishnamachari. This sort of bullying and pressurising will not work in this country when the people have got their eyes open and ears very clearly attentive.

16 hrs.

I would submit in the end that I am not at all satisfied with this amending Bill. Because, with the vigour with which he brought the Bill I thought he would go forward far ahead. But he has not gone that far. I would suggest that there should be very stringent application of this measure and, if necessary, later on he should come for increasing the rates of taxation. Otherwise, he will be faced with a very serious situation in February 1965 when he comes forward with his new budget proposals. He knows very well that the country is facing a serious crisis. So, he will have to rescue the country by correct financial methods; otherwise, there will be a very difficult situation to face. At the same time, he should not be cowed down by the reactionary voices that are heard round about him. He must take courage in both hands and come forward to do the right thing.

Shri D. C. Sharma (Gurdaspur): I welcome this Bill. I welcome it as far as it goes, though my honest opinion is that one of the most infructuous pieces of legislation enacted by this country has been the Wealth-tax Act. I am glad that the Wealth-tax Amending Bill has been made as comprehensive as possible and I hope it will lead to better results. Whether the legislation is good or not is immaterial; it is the implementation of the legislation that matters.

It is true that the Wealth-tax Amending Bill has been framed in accordance with the recommendations of the Direct Taxes Enquiry Committee, and it is good so far as it goes. But I wish the hon. Finance Minister had taken note of another report also, which has been engaging the attention of this country for a long time, namely, the report of the Mahalanobis Committee. What are the findings of the Mahalanobis Committee? It says that most of the wealth has gone into the hands of a few persons, and those persons form a very very small minority of the entire population of this country. Shall we be able to mop up some of the ill-gotten wealth which has accrued to that small minority in this country by means of this Wealth-tax Act? I doubt very much.

I do not talk of black money, hoarded money or any other money which lies concealed beneath the earth or up in the rafters of the house or beneath the well or somewhere else. I talk of the money which has gone into the pockets of people on account of the two Five Year Plans that we have implemented in this country. Shri Mahalanobis has told us how many persons have been benefited by that. Will this Bill cover at least all those people? Will this Bill be able to get as much from them as possible? I doubt it very much. But I think something is better than nothing. Therefore, this Wealth-tax Bill is something that may bring us some money from those persons who have become rich at the expense of most of the inhabitants of this country. But I look more to the implementation of this Bill.

I know that a hierarchy of officers has been created in this Bill. I refer to page 12 of this Bill. A big hierarchy has been created, like the hierarchy which we used to have in some of the religious denominations in the world. I wonder if any fish caught in the net of the Wealth-tax Act will be retained.

Shri Nambiar: It will easily escape.

Shri D. C. Sharma: After one officer comes another officer; after the second officer comes the third officer. There is a battalion of officers. If you cannot get away at the hands of one officer, there is another officer to look to and so on and so forth. Therefore, I think this Bill is vitiated by this very fact that it has too many officers to deal with this. I wish there had been fewer officers to implement the recommendations of this Bill. One wealth-tax officer would have been enough. Then, there is an appellate tribunal.

Shri T. T. Krishnamachari: The income-tax officer is named as wealth-tax officer.

Shri D. C. Sharma: I was referring to page 12 of the Bill. Look at the number of officers you have got under this Bill—Wealth-tax Officer, Inspecting Assistant Commissioner, Appellate Assistant Commissioner, Appellate Tribunal and so on. Then you have got so many other judicial bodies to deal with this. I think all these will complicate the matter and the clever assessee will know how to get out of it. That is what is happening in this country. Our intentions have been very good but we have given a loophole to all those assesseees to escape at our hands.

Thirdly, I think a valuer under this Bill has a very important function to discharge. But I am sorry to say that he has been made valueless. I am referring to page 18 of the Bill. I find the valuer has been handicapped by so many things, so many "ifs" and "buts". I think the valuer should have been left as free as possible. But here we have got four clauses which restrict his powers. The powers of the valuer are so cramped and cribbed and confined that I wonder if he will be able to act as well as he should under the Act.

I am glad that something has been said about those persons who abet the evasion of taxes. You will find that in clause 36 on page 27. I find that the abettors have also been given so many ways of escape. What I want to emphasize is this. In a democratic set up there should be no harassment. I can tell you one instance. When I went to my constituency, Dera Baba Nanak, the whole population of shopkeepers were up in trouble—I could say up in arms but I do not want to use that term. What was the reason? The income-tax officer had arrived there and he was going to assess the panwallas and beediwallas.

An hon. Member: Why not?

Shri D. C. Sharma: Of course, you are not the Revenue Minister. So, I need not listen to you. Sometimes what happens is this. It is not the big man that is harassed. I think my friends over there should have no fear on that account. The big man does not stand in fear of any harassment at the hands of any officer of this Government; but it is the small man that stands in fear of harassment and it is the small man that has to be protected and not the big man. If the big man is sometimes harassed, I think, there will not be any trouble.

I wanted to say one thing and it is this. May I ask the hon. Minister one question? What is he going to do so far as cases of fraud are concerned? He has said something on page 44, in the note to clause 30; but, I think, even cases of fraud will require a great deal of looking into and sometimes this fraud will be perpetrated without anything fruitful.

It is a good Bill. The Government has made every possible attempt not to harass anybody. The Government has been very, very fair to the assessee. The Government has been very, very just to those persons for whom

[Shri D. C. Sharma]

this Bill is meant; but I would say that for the implementation of this Bill the Government must have a special set of officers who can deal effectively with the big people for whom this Bill is meant.

Shri Lahri Singh (Rohtak): Only a Communist regime can do that.

Shri D. C. Sharma: I do not know where you stand now. You were, at one time, in the Congress; now you are in the Jan Sangh and you may go to the Communist regime some day.

Shri Nambiar: The last resort is the Communist Party where everyone will go to.

Shri Lahri Singh: One may sit anywhere; but these things happen only in the Congress regime.

Shri D. C. Sharma: I know, your ideas are primarily good, honest and true. However, what I was actually submitting was that too many loopholes have been left in this Bill.

Shri Lahri Singh: Point out one.

Shri D. C. Sharma: I have been pointing out the loopholes all this time. Too many loopholes are there in the Bill and I hope, the Minister will be able to plug as many of these loopholes as possible.

Shri N. Dandekar: Mr. Chairman, I have listened with interest to the debate so far and I do not envy the position of the Finance Minister in this matter. He is not just between the devil and the deep sea; he has four different problems to contend with. On one side, there is the tax evader who has got to be brought to heel; on the other side, there are the necessary requirements of the Department in terms of appropriate machinery provisions and powers to enable them effectively to cope with the tax-dodgers. On the third side, there are

considerations, very weighty considerations, of the kind Shri Masani pointed out bearing on the economic development of this country so long as we accept the institution of private property and of free economy or, at any rate, a mixed economy. Lastly, and on the fourth side, is the continued and persistent attacks to which he is subjected by the Communist Benches here, for not resorting to wholly extreme measures against all owners of wealth. I suppose, on this occasion, the Finance Minister must be rather glad—he, in fact, looked cheerful during Professor Hiren Mukerjee's speech,—because, apparently, the somewhat exhibitionist type of raids that have been taking place and the savage legislation that has become the order of the day during the last six months have apparently succeeded in their propaganda effect with the result that Members of the Communist Party have, at any rate, on this occasion found time to give him a couple of soft pats on the back.

I would like to state our general objection to this legislation on a more practical basis, in terms of the institutional structure which we have accepted in the Constitution for this country and the best way I can do that is to indicate what Professor Hiren Mukerjee apparently stands for, and for which he congratulated the Finance Minister, as regards the qualitative character of this Bill. Professor Mukerjee, for instance, has no use at all for democracy, though he and his comrades like to use the word "democracy", doubtless as a kind of compliment which political vice pays to virtue. But any kind of a really democratic process, such as of a Select Committee for instance, where one could have thrashed out many of the procedural provisions in this Bill and perhaps got a point of view accepted and necessary amendments made, has unfortunately been negatived by him and the finance Minister for reasons which are not at all clear to me.

Similarly, there is the question whether one does or does not accept the basic democratic concepts of the Rule of Law and of Fundamental Rights. What has been happening in recent months is that under the guise of democratic socialism, under guise of trying to take this country to a "take-off stage",—take-off to a tremendous fall, I imagine—and all that kind of claptrap, we have been enacting a good deal of what is plainly Communist legislation. What I wish particularly to emphasise is that the kind of jurisprudence that we seem gradually to be evolving in this and the sort of Bills that we have had lately; is the kind of justice and jurisprudence which only the people in the Communist countries are inflicted with.

I would like to take, first of all, the concept of valuation. Its definition in Section 7 of the present wealth Tax Act is very simple to understand and fair though it is difficult to operate sometimes. Section 7 reads—

"The value of any asset...for the purposes of this Act, shall be estimated to be the price which in the opinion of the Wealth-Tax Officer it would fetch if sold in the open market".

This perfectly good principle of valuation is sought to be destroyed—there is no other word for it—by clause 7, sub-clause (a) of this Bill where this section is proposed to be preceded by the words—

"Subject to any rules made in this behalf, the value" etc.

I just do not understand how there can be a market value assessment which is to be subject to Rules to be made by the Central Board of Direct Taxes. Either you have the valuation in accordance with the Rules made by the Central Board of Direct Taxes, in which case we can take a look at the Rules, or you can have valuation according to the market value. But how market value is to

be determined in accordance with some rules of an executive authority is something really quite beyond me. Indeed I regard this as somewhat deceptive legislation, not the kind of straight forward thing that it ought to be.

Shri Nambiar: This is the procedure laid down under the rules.

Shri N. Dandeker: This is not the procedure. I would like to read this section as it would be if this particular provision is added and then perhaps Shri Nambiar, who has as great a command over English, if not more, as I have, will understand my point. It reads:—

"Subject to any rules made in this behalf,"—

not rules as regards the procedure for valuation—

"the value of any asset..for the purposes of this Act. shall be estimated to be the price which in the opinion of the Wealth-tax Officer it would fetch".

The whole of it with the proposed addition, becomes nonsense, if the valuation has to be made in accordance with the rules.

I am aware—I would not like to state the case unfairly—that there are certain categories of assets where valuation in accordance with the market value is a matter of difficult guesswork and certainly a high degree of improbability or impracticability attaches to the valuation of that sort of assets. For instance, shares in companies that are not quoted on the stock exchange, or valuation of an interest in expectancy, or various other complicated situations in which there are property rights which have to be valued. I can quite understand in regard to specific assets of that kind, if it were said that "Subject to rules made" would apply only in regard to those types of assets and the rest of the section remained as before. I would

[Shri N. Dandekar]
 be only too glad to support that. But the position now is that virtually the whole of section 7 would be destroyed if the estimating of the market value, and market value means what the asset would fetch if sold in the market, for all assets is to be determined in accordance with rules laid down by the very authority that is responsible for assessment and collection of revenue. I do earnestly submit that it goes beyond what is probably intended by the Finance Minister. If what is intended is what I have just said, namely, to remove certain difficulties in relation to specific categories of assets, I would support the clause provided it is amended to that effect.

Then, a good deal has been said on this question of penal provisions—I would say, embodying Communist jurisprudence—certain provisions which have been talked about and are contained in clause 18 and the Explanation thereto. Many people seem to think that what the assessee would prove, as if this were enacted, is only that he has disclosed all his assets. That is not true. What the assessee will have to prove is not merely that he has disclosed all his assets and all particulars concerning them, but also that his valuation of those assets, as returned by him does not fall short of the valuation as assessed by more than 20 per cent. Supposing he is unable to prove that; then it is not enough for him to prove that perhaps he was negligent or perhaps he was careless. He has to prove—I just do not know how;—it is an incredible proposition, but it is not enough if he admits his negligence or his carelessness but he has to prove that there has not been any gross negligence or gross carelessness or fraud or anything of that kind. I find it quite impossible to understand.

Finally, there is this other question of compulsory imprisonment, that is in clause 33. Again, this has become characteristic of legislation

that I have been looking at during the short period I have had the honour to be a member of this House. The burden is cast on the Magistrate to show special and compelling reasons as to why he does not think fit to award the compulsory term of imprisonment. I do not know which Magistrate is going to take the burden upon himself of recording special and compelling reasons that necessitate the exercise of his judgment against the statutory, a minimum sentence of imprisonment. That is the kind of thing that is going on, has been going on in Russia,—I believe it is less now—but it is certainly going on in China and all over the Communists world. This to me is utterly obnoxious, utterly undemocratic, totally contrary to the Rule of Law and totally contrary to the Fundamental Rights.

I submit that the general purpose of the Bill is all right. Had it gone to a select committee, one would have been pre-disposed, not merely disposed, but pre-disposed to a co-operative effort towards tightening up the machinery for the two reasons that I have stated, namely, the need to get the tax-evaders by the heel and the need to provide the department with appropriate machinery and powers. But this legislation is hasty, ill-digested and it leaves no scope for anything except to move amendments which I know will be thrown right out. It is just like beating one's head against the wall. It is for those reasons that I regret I have to oppose this Bill.

Dr. M. S. Aney: Madam, I join with many colleagues here who have preceded me in supporting the Bill which, I think, is a very salutary Bill. The main object of the Bill so far as I have been able to find out is to bring in line the provisions of Wealth Tax Act with those of Income-Tax Act and that is good because the object of both the Acts is to collect taxes from the people and the procedure with regard to both should be, as far as possible, uniform so that the

people can understand what are the lines along which the taxes are to be recovered from them.

Before I say anything on that, I want to make one or two observations here. From reading the reports that have been published, we find that in this country the evasion of tax is of a very great nature about which Government ought to be more anxious. It could mean only two things. Either there is an inveterate tendency in the people to avoid taxes, a tendency which has to be controlled, or there is a tendency on the part of Government to tax the people more than what they are capable of paying. I personally think that the evasion is mainly due to the inveterate tendency on the part of the people to avoid taxes. It is not only the big men who avoid taxes but it is also the small man who avoids the taxes. But the tendency is to condone this vice in the case of small men because there, after all, is the evasion of a small and petty amount. In the case of big men, the evasion of tax means a big loss to the Treasury and, therefore, there is a greater difficulty for the Government to carry out the work of progress and upliftment for the country.

The main point is this. Has the evasion of tax been due to absence of adequate number of officers to carry on this work of collection of taxes or the absence of necessary powers in their hands? If it is due to the absence of certain powers which they ought to have, then I can understand the Government coming forward with a Bill to claim more powers because in the absence of that they are not able to collect the taxes fully. And if it is due to the absence of adequate staff which is engaged on this particular work, then also I can understand the Government coming forward to ask for more money for the appointment of more staff. In my opinion, it has not been clearly stated here. This evasion of tax has been going on for years. It is a long story. I do not think even with the greater powers that we give and the

funds that we give to have more officers, directors and all those things, we can stop this evasion. Unless there is some change in the morale of the persons who are entrusted with the work of collecting taxes, you cannot get the results. The morale of the people has to change. This Bill is coming at a time when his other senior colleagues, the Home Minister is engaged in trying to purge the country of this vice of corruption and all those things. So long as these things are there, whatever laws you may make, nothing will come out and all those laws may leak out. It is like taking water in a pot which has got holes. And this big hole is the big officers who are all there. (*Interruption*).

My suggestion is this. Not only he should come forward for having more powers and for adequate funds for the purpose of having more staff to work this out but at the same time he must also try to find out persons with ingenious brain who know all the secrets of the trade and the big men who generally deceive them. I think he should be able to find out better way of dealing with them and I have no hesitation in supporting him in craving for whatever he wants for the sake of achieving better results.

Now, as I already stated, the aim is to bring this law in line with the Income-Tax Act. It is a good move. At the same time I want to say that in doing that the attempt should be that elementary principle of jurisprudence ought not to be ignored. In my opinion, after all, nothing can save this country or any other civilised country from its proper position unless there is due regard for the principles of jurisprudence and justice, fair play and the rule of law. Rule of law can be maintained only if there is regard for the principles of jurisprudence by those who make the law and those who have to observe the law. Therefore, from that point of view I agree with my friend Mr. Masani.

[Dr. M. S. Aney]

As I was reading the Bill last night I have also noted certain clauses, for instance in clause 18 it is said in the Explanation:

"Where the net wealth returned by any person is less than eighty per cent. of the net wealth (hereinafter in this Explanation referred to as the correct wealth) as assessed under section 16 or section 17, such person shall, unless he proves that the failure to return the correct wealth did not arise from any fraud or any gross or wilful neglect on his part, be deemed to have concealed the particulars of assets or furnished inaccurate particulars of assets or debts for the purposes of clause (c) of this sub-section."

I would not have minded a section like that had there been a real criterion laid down either in the Act or in the rules which already exist, about evaluation of the property or assets. Because, after all, wealth is here calculated by evaluating the property or assets. There is no criterion for that. Although there is a definition, as my friend Shri Dandekar pointed out, it is subject to the rules to be made hereafter. It is a thing to come later on. And in the meantime it is the discretion of the officer who is to handle this affair which is supreme in determining the value of the property. If there is a difference between the value which he assesses and the value which I have declared in my return, I am supposed to have concealed the thing deliberately and I am treated as an offender, and I have to prove that I am quite innocent of all these things.

Shri Bade: That is negative.

Dr. M. S. Aney: This is giving jurisprudence almost a decent burial, nothing more than that. After all, the man will use his own brain in assessing the property, unless you give him some standard. So it is a difference on account of the different standards which each man has got, and that being the case, in

my opinion, to treat him as an offender as has been laid down in the Explanation is rather a gross departure from all the rules which should be just and fair.

So, in order to enforce respect and proper allegiance and willingness and co-operation from the people for the law that you are making, you should see that the principles which will be used in working it out are fair and commendable to all persons who respect the rule of law. If these things are kept constantly in mind and the law is worked out, I think it may help.

An Hon. Member: The Explanation is defective.

Dr. M. S. Aney: Therefore I submit, though I give my support, I also expect that the hon. Minister will try to see that the morale of the assesses will go up and at the same time the working of the law does not cause injustice to or antagonism so far as the people are concerned.

Shri T. T. Krishnamachari: Madam Chairman, I must say, the four hours during which I listened to the discussion on this Bill has been extremely entertaining, if not also educative.

Madam, the hon. the Deputy Chairman of the Swatantra Party, or rather the Deputy Leader, who opened the debate...

श्री हुषम चन्द कछवाय : (देवास)
सभापति महोदय, हाउस में कोरम नहीं है।
मिनिस्टर क भाषण के समय कोरम अवश्य
होना चाहिये। यह बहुत महत्व का बिल है।

Mr. Chairman: The bell is being rung—Now there is quorum, the hon. Minister may continue.

Shri T. T. Krishnamachari: I said, Madam Chairman, that I felt educated. So I think I am altogether a better man after these four hours. The hon. Deputy Leader of the Swa-

tantra Party opened his innings with sound and fury. I would not assess, Madam, whether there was more sound or more fury. But it was not something which was altogether unexpected, and therefore it was not very unpleasant to hear. I thought he left the points to be made by his colleague who knew more about this type of legislation than he himself did.

Shri M. R. Masani: Quite right.

Shri T. T. Krishnamachari: Well, of course, all the old clichés were brought back, about the staleness of a welfare state, the fraudulent character of Indian socialism, the lessons that we have to learn from Britain, from the British Labour Party—he did not this time mention Mr. Gomulka of Poland—the non-existence of similar provisions in any law in any civilised country, with the exception of the United States of course—which, I suppose, is not a civilised country—and so on. The real fact about the hon. Member's speech was, he did not ask for a reply—for which I tender my humble thanks to him—because there is no point on which I could have replied. Madam, I leave him there.

I was very agreeably surprised and pleased at the support given to the measure by my hon. friend Shri Hiren Mukerjee; and it almost looked as though he was speaking from the benches on this side. Anyway, as he said, being legislators, we might perhaps sometimes forget some of these party labels and if we can come together on specific issues we could do so. One particular point he made which I would like to, sort of, repeat if that is not an offence. We are not really trying to build up what you call an affluent society for the reason that it is to be very far away. Affluence in this country to people generally is not going to be a thing which could be had in the near future. And what we have to do in order to provide a decent living for people is

to prevent those who are in a position of advantage from being acquisitive. Of course, this book on acquisitive society was not written by a comrade, but it was a book that was written by an Englishman who would I think, probably be in the labour Party, if he wanted to. That is the main factor. It is not a question of speaking of socialism or communism or anything else. What we try to seek today is to curb the acquisitive nature of people who are in a position today to disrupt the economic life of the people of the country. I have no desire to enter into a dissertation on the first principles of economics which we on this side of the House hold dear. But at the same time there are certain matters of topical relevance which we cannot ignore.

We are at the moment going through, as a country, in practically all classes of society excepting the top one, a period of time which is extremely trying, and finding that to make both ends meet is extremely difficult. We are having the picture here today of people wanting more, more allowances, more dearness allowance, not because they want it merely for the purpose of a better standard of life but just in order to live, and that itself is going to throw a strain on society. If Government have to give more to their servants, they have to get it from taxation. If industry has to give more dearness allowance to the people who work, it is going to increase the cost. That would be the economic effect of what is happening today, the causes of which undoubtedly are known; the cause is just the acquisitive instinct of certain sections of society which are raising prices without any rhyme or reason. It is not the law of demand and a supply. There is no economic law that is functioning today except the law of the jungle. Therefore, I think my hon. friend was correct when he said that it was idle to attempt an affluent society. It may exist in England; they might

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have it never as well as they have it today. It might exist to some degree, with variations, in the United States, but it cannot exist here for a long time to come. What we do is to provide decent living for most of the people, but by curbing the acquisitive instinct of man. That is the basis.

I think that the interpretation given by my hon. friend is something which the Congress Party might be thankful to him for. That is exactly the basis of the entire piece of legislation, and that was why I adverted to this. If my hon. friend Shri M. R. Masani had another chance to speak, he would say 'clap-trap of the Finance Minister'; it might be clap-trap or it might be slap-dash or it might be anything, and he might use any phrase that he could find in any dictionary of slang, and my words might perhaps qualify for it. But the fact is that the situation in which we are living is extremely grim, and I can tell the House that it is one which if it continues for a period of time is going to destroy what my respected friend Dr. M. S. Aney wants to preserve, namely law and order and respect for jurisprudence. Nobody respects law and order on an empty stomach, and, therefore, it is no good talking of jurisprudence today in the face of what is happening in this country; of course, it is right, that we have to be reminded of that thing again and again. But the situation is extremely grim. I am not pleading that as any justification for this measure.

This measure, as I said at the outset, follows the pattern of the income-tax law. As I said, 40 clauses in this particular measure just follow the income-tax law—it may be, even unintelligently, but it does—which the House has approved. And the nine new provisions that we have introduced in it are those that my

hon. friend Shri Nambiar will say favours the well-to-do.

Clause 2 (b) (i) clarifies that only a building owned and occupied by a cultivator will be exempt. If there is any objection to it, it is not a very serious matter. Clause 2 (b) (ii) clarifies the period of six years as having to be reckoned from the date the interest vests in the assessee. Practically everyone of these is of that nature. I can read them out, but I do not want, to waste the time of the House by doing so. Everyone of these nine provisions is in some sense or the other for the benefit of the assessee.

My hon. friend Shri M. R. Masani said that I did not think of this Bill, I did not examine it properly, that I had merely accepted what was put before me, and here I have to come forward with an amendment, so soon after having introduced the Bill. I would like hon. Members to read the amendment that I have proposed. Is it an amendment to correct a mistake? If that be so, I am quite prepared to withdraw the amendment. But if the amendment is withdrawn, there will be injustice. I can tell the hon. Member that I do not want to claim any credit. As I was preparing my speech and going through the sections again, I did feel that this restriction that was being put in regard to transfers was a thing which should not be put, if somebody had made a transfer and paid a tax for it. I can certainly say that if I did not think of it earlier, it was wrong, but I did think of it at the time of preparing my speech. If the hon. Member thinks that it is wrong, I am prepared to withdraw it.

Shri M. R. Masani: That shows that you were not careful in the beginning.

Shri T. T. Krishnamachari: That shows that I can tell my hon. friend

that if he goes and looks into his mirror he will find that he can use the razor on his chin again, because there is a small patch which he has left which needs the attention of the razor.

Shri M. R. Masani: Taxation can hurt a lot of people unlike shaving.

Shri T. T. Krishnamachari: There is nothing that man can do in which he can be perfect.

16.48 hrs.

[MR. DEPUTY-SPEAKER in the Chair]

If my hon. friend will permit me, I shall use the privilege of having lived a little longer in this world, to tell him that everything can be bettered; even the best law can be bettered by somebody going through it again. My only crime was that I went back again over what I had done. The officers, of course, did work hard and produced a Bill. And when I was going through the speech that I had to make, I thought that this was a thing which ought to be corrected. Even though I knew that Shri M. R. Masani would say that it was not done properly, because I came back with a correction, I would rather plead guilty of having bettered the Bill rather than allowed the Bill to go without a correction. That is all that I am guilty of. Here, there is nothing wrong. It is not an error of law. Without this correction, the Bill can go on. But I think that if it is not corrected it would lead to this situation; if somebody had paid a gift tax in regard to transfer, the wealth-tax officer might say 'Well, you have transferred it to somebody in whom you have an interest, and, therefore, it is fraudulent, and therefore, I shall pool it in your own wealth and tax you'. Secondly, it might be a case within the exemption limit of the gift tax, which is perfectly legitimate and allowed. I do not see why something which is allowed by law should be treated as something different and not allowed

by the Wealth Tax Act. That was all that I did. Therefore, I do not want to be complimented for being careful, but I do not want to be condemned for having been careful. That is all that I would submit to this House.

My hon. friend Shri Man Sinh P. Patel raised an objection. I do not think that his objection is quite valid today, because there has been an overall exemption of one house for anybody. So far as wealth tax is concerned, under the Finance Act of 1964, we have reduced the rate at which it is operable, namely from Rs. 2 lakhs to Rs. 1 lakh, but we permitted one house, no matter of what value, up to a value of Rs. 1 lakh not to be assessed. I think that most of these cases will be covered by that exemption. But I am not very particular. I am quite prepared to say that I would omit that particular clause. Again, my hon. friend Shri M. R. Masani might object. If there is somewhat of a nervousness on the part of an hon. Member, I am certainly prepared to omit clause 2(b) (i), or in other words, what appears in lines 7 and 8 at page 2; I am quite prepared to accept the omission of that.

The gravamen of the charge was the explanation in cl. 18. This explanation follows the pattern of the Income Tax Act, where you are allowed to make a mistake and not explain it adequately if the mistake is 20 per cent of what would be assessed. At the same time, a person like the hon. Member for Gonda, whose knowledge of this law is certainly something which I would not be able to acquire during my lifetime—because he spent a whole lifetime on it—objected to the explanation and sort of—if I may use the word without meaning any reflection on the hon. Member—just drifted into clause 7, and he found that in that clause we have taken a rule-making power in respect of prescribing the modes of valuation. But then having found that there was a provision against any excessive

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use or adverse use of that power in the explanation, the only fault he can find is, 'Oh, the word that you have used, the phraseology that you have employed in regard to the rule-making power is extremely wide'. May I tell the hon. Member that any rules made is placed on the Table and within a period of time, any hon. Member can take up the question and have a discussion in the House? Naturally, because hon. Members will scrutinise the rules, the department makes the rules extremely carefully. May I compliment him on some kind of thought reading? The very fact which made me thinking of amending that particular clause, cl. 7, and taking in the rule-making power for the purpose of defining what a valuation is and how it should be done, that was mentioned by him somewhat inadvertently.

He himself mentioned the case of shares of certain companies which are not quoted in the market. What we do at present moment is that we take up the breakup value. So the person who has got a marketable share which can be passed on as a scrip, sold when it is high and bought when it is low, where he can manipulate, gets away with the market value, whereas the person who makes a genuine investment in a private company where the shares are not quoted, where you cannot gamble with it, there the breakup value is taken up, may be sometimes arbitrarily—I do not say we do not do things arbitrarily. Sometimes a person has to pay something like 4 times what he would pay, if it was taken on the market value. The hon. Member himself knows that for some of the well known scrips today, the market value does not represent the breakup value at all. The breakup value of those scrips happens to be 3, 4 or sometimes 5 times, that is, the present day value. It cannot buy today the equipment at anything less than four times that value.

There are various factors that operate. But they are scrips which are being sold and bought, not kept as investment, so that sometimes they go up and at other times come down. What you have to do is to look into the paper, see the high and the low; the difference may be at least 5, 6 or 10 per cent.

I felt that these people who own these shares in what you might call private limited companies, who are sometimes people who have nothing whatever, who keep them as investment and do not sell them, are being mulcted to an extent which is unfair and, therefore, we should frame rules to provide some kind of criteria for purposes of assessment of the value of these shares which are not quoted. That is one of the things for which we have to frame rules. What I have done—for which Shri Nambiar might say that I have yielded to the vested interests—is just to be fair and not make one type of vested interest profit and let another type of vested interest suffer. In fact, in this case, the vested interest might be of a weaker variety, the genuine investor who lives on the dividends he gets.

That is why we took the power to make rules and that is in relation to explanation to section 18. I do not think Shri V. B. Gandhi's suggestion to have another amendment, which is virtually nugatory of what exists, would help. It is virtually nugatory. You can as well omit the explanation—which would be much better, instead of putting an *explanation two* nugatory of *explanation one*. It is surely vedantic for you to say that you do not exist and then say 'I am'. It is vedantic, no doubt, but that does not obtain in law.

Therefore, I would like to tell my hon. friend, Shri Dandekar, to look into the rules carefully when they are laid on the Table, and if he has any criticism to make, I will certainly listen to it. We can even have a

discussion, or he can write a letter to me. Every member has the right to discuss the rules. I may tell the House that the rules will be made carefully so as to avoid hardship; at the same time to preserve the interests of revenue which is the paramount matter in this case.

Shri Kapur Singh (Ludhiana): I do not like to interrupt my hon. friend. But he has missed the point of Shri Dandekar. His point is that there is no market value which is subject to any rules subsequently to be framed. Now he says that the clause should be read after the rules are made. He is just missing the point.

Shri T. T. Krishnamachari: I thought Shri Dandekar was vocal enough and did not want any support. The hon. Member knows that sometimes one has to miss a point which is not relevant. I do not mean to say that what Shri Dandekar said has no relevance. What he said is completely relevant. I think I understood him probably a little better than his colleague of the same party, though they belonged to the same service at one time. He comes from South India; that is one advantage.

Therefore, the point the hon. Member made is covered. I can certainly say that the question may be taken up when the rules framed are laid on the Table. Otherwise, I do not think he made any other point which needs replying.

I was very happy that Prof. Mukerjee had a good word to say of the department. At the present moment, whatever we are doing is not something which I like. I can tell you nobody likes to go on a probe into other people's secrets and upset things. Instructions are that they should be extremely polite. I feel the younger people who are in the department, who are very keen, are trying to do their bit and are also straining themselves.

Reference was made to figures of assesseees. The number of assesseees on 31-3-62 was 12,00,367; on 31-3-63: 13,08,854; on 31-3-64: 15,59,149; on the 30th September it was 17,24,739. I do hope they will be able to bring it up to 20 lakhs by the time we finish the year. I hope to set a very high target for the Fourth Plan. We have found in many cases not only people who are considered to be small are people who have a big income; but there are also big people who have not even been caught.

17 hrs.

Some hon. Member mentioned about arrears. There was a considerable increase in collection; it was budgeted last year for Rs. 440 crores and it went up to Rs. 530 crores in actual collection; Gross arrears has remained more or less the same for a number of years—Rs. 288 crores in 1962, Rs. 270 crores in 1963, Rs. 289 crores in 1964, effective arrears being only Rs. 170 crores; a number of people having gone to Pakistan and so on. So the department is trying hard, and I am extremely grateful that there are hon. Members who appreciate the working of the department.

I am not going to estimate the amount of black money, but I do think that, while we cannot probably get completely even with it, we will certainly be very near mastering the problem over a period of a year or two. I am grateful that the House supports whatever we have been doing in this matter.

Mr. Deputy-Speaker: The question is:

"That the Bill further to amend the Wealth-tax Act, 1957, be taken into consideration".

The motion was adopted.

Mr. Deputy-Speaker: We shall take up clause by clause consideration tomorrow. Calling Attention.