PARLIAMENTARY DEBATES

(Part II—Proceedings other than Questions and Answers)

OFFICIAL REPORT

HOUSE OF THE PEOPLE

Tuesday, 11th August, 1953

The House met at a Quarter Past Eight of the Clock

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

QUESTIONS AND ANSWERS

(*See Part I*)

9-22 A.M.

PAPERS LAID ON THE TABLE

The Minister of Commerce and Industry (Shri T. T. Krishnamachari): I beg to lay on the Table a Copy of the Ministry of Commerce and Industry Order No. S.R.O. 1478, dated the 24th July, 1953, published in the Gazette of India, Part II, Section 3, dated the 1st August, 1953. [*Placed in Library. See* No. S-96/53.]

I lay on the Table a copy of the Ministry of Commerce and Industry Notification No. S.R.O. 1512, dated the 30th July, 1953, published in the Gazette of India Extraordinary, Part II, Section 3, dated the 30th July, 1953. [*Placed in Library. See* No. S-97/53.]

I also lay on the Table a statement in connection with the Fourth Report of the Public Accounts Committee on the Import and Sale of Japanese Cloth. [*See* Appendix II, annexure No. 29.]

ESTATE DUTY BILL—*Contd.*

Mr. Deputy-Speaker: The House will now proceed with further consideration of the motion moved by Shri C. D. Deshmukh on the 13th May 1953, namely:

> "That the Bill to provide for the levy and collection of an estate duty, as reported by the Select Committee, be taken into consideration."

Mr. C. R. Iyyunni who was in possession of the House will continue

Shri C. R. Iyyunni (Trichur): Yesterday I was saying that in this vast continent of India there are various kinds of people who are governed by laws which are diverse and conflicting. There are the Hindus who have got two systems of law of inheritance —one is *Mitakshara*, the other is *Dayabhaga*. Besides, there are other Hindus also governed by laws not in conformity with either of these. In addition there are the Muslims, the Christians and the Parsis. In countries like England where the Estate Duty Act is in force, there is only one system of inheritance, whereas here we have got as many as probably seven or eight.

Now, in the Bill that has been introduced in this Parliament a specific reference has been made to three communities. Hindus are governed by the *Mitakshara*, *Marumakhatayam* and *Aliyasanthana* laws. With regard to others absolutely no mention is made. What I beg to submit in this connection is that unless we are in a position to know how this Bill, as passed here, will apply to various kinds of people governed by different systems of law, it will not be possible to know

[Shri C. R. Iyyunni]

what exactly will be the implications of this Bill. For that purpose I have worked out certain figures. I have taken for instance the *Mitakshara* family consisting of a father and nine sons with property worth two and a half lakh rupees. In the case of a *Mitakshara* family, everybody knows, every male member is entitled to a share by birth. There are in the family a father and nine sons *i.e.* ten in all. So out of two and a half lakh rupees the share that goes to the father is only 1/10th *i.e.*, Rs. 25,000. Since the exemption sum allowed is Rs. 50,000, he is not liable to pay any duty at all. Suppose the son dies. His share will be 1/9th. Being less than Rs. 50,000 he need not pay the duty.

Now we will take the case of a *Dayabhaga* family with the same number and the same property. What is the exemption sum? The exemption sum that is granted to a member of a *Dayabhaga* family is 3/4 lakh rupees *i.e.*, Rs. 75,000. That is a special concession granted by the Finance Minister. If that is deducted he has to pay a duty on Rs. 1,75,000/-. How it will work out I have calculated on a hypothetical basis. I have tentatively given a table of rates to work with.

Sum Rs.		Rate
1 to	5,001	2%
5,001 —	10,000	3%
10,001 —	25,000	4%
25,001 —	50,000	5%
50,000 —	1,00,000	6%
1,00,001 —	5,00,000	7½%
5,00,001 —	10,00,000	10%

If worked according to the method adopted by the Income-Tax Department it will be like this.

Mitakshara family property worth Rs. 2,50,000.

Father and sons Nil.

Dayabhaga family property worth Rs. 2,50,000.

Father Rs. 12,725.

Mitakshara family property worth Rs. 5,00,000.

Father Nil.

Son Rs. 1,048/8.

Dayabhaga family property worth Rs. 5,00,000.

Father Rs. 29,475.

Mitakshara family property worth Rs. 10,00,000

Father Rs. 2,100

Son Rs. 24,840

26,940.

Dayabhaga family property worth Rs. 10,00,000.

Father Rs. 77,600

Son Rs. 12,600

90,200

Now I am given to understand that that mode of calculation is not correct. The mode of calculation adopted by Income-Tax Department is from Re. 1 to Rs. 5,000 at the rate shown against it. But it is said that that mode of calculation is not proper and is something different. What they say is that if it is worked out at the highest rate for the whole assessable amount, the following will be the amounts:

Mitakshara family property Rs. 2½ lakhs—Nil.

Dayabhaga family property Rs. 2½ lakhs—Rs. 13,125.

Mitakshara family property Rs. 5 lakhs—Rs. 1,498/8/-.

Dayabhaga family property Rs. 5 lakhs—Rs. 31,875.

Mitakshara family property Rs. 10 lakhs—Rs. 35,494.

Dayabhaga family property Rs. 10 lakhs—Rs. 108,740.

In a family of a father and four sons: Property worth Rs. 2½ lakhs:

Mitakshara family pays Rs. 2,400.

Dayabhaga family pays Rs. 13,125.

Property worth Rs. 5 lakhs:

Mitakshara family Rs. 20,500.

Dayabhaga family Rs. 41,875.

Property worth Rs. 10 lakhs:

Mitakshara family Rs. 71,250.

Dayabhaga family Rs. 1,45,000.

Estate duty is a duty which has not been levied so far in our country and very few people know what exactly are its implications. The Hindus governed by the *Dayabhaga* law, the Christians, the Muslims and other Hindus who do not come under the category of *Mitakshara* law are very few.

With regard to *Mitakshara* families there are other concessions shown. I would show how. It is true that most of the clauses in the Bill are taken from the Estate Duty Act of England. When a question comes where the *Mitakshara* families are adversely affected there is anxiety for showing some concessions whereas that sympathetic consideration does not find a place so far as others are concerned. That is with regard to the death of children. If a member of a *Mitakshara* family dies before attaining the age of eighteen, he will not have to pay any duty at all, whereas in the case of the other people this concession is not extended to them.

So also in the case of a Hindu widow. Suppose a Hindu widow dies within seven years of the death of the husband. In that case some concession is granted, provided the heirs to whom the property will go after the death of the wife are the same and duty has already been paid on the property which she has inherited.

Those concessions are not extended to others belonging to the other communities. I would request that justice, at least bare justice, may be done. Let there be no discrimination. When the articles of the Constitution clearly say that as far as possible there should not be any discrimination and there must be justice done even to the minorities, I would certainly say that it is incumbent upon this Government to see that the minority communities do not stand to lose by this or be discriminated against in any manner.

We welcome this measure just as any member of any other community does. It is absolutely necessary. People who have plenty of money to give, especially at a time when we want that the Five Year Plan should be properly accomplished, should be made to pay. But let no discrimination be shown against any particular community or section of the people. It appears to me that if this Bill as such is passed, within the course of two or three generations some of the communities, against whom discrimination is shown, will have to go under. There is no doubt with regard to that matter.

There are a few other things upon which I wish to say a word: There is one clause here about aggregation. In that clause agricultural land situated in any State but not specified in the Schedule is brought in. In the Schedule to the Bill we find that as many as seven States are mentioned. I do not know whether in those States any income-tax is levied on agricultural land. But so far as Travancore-Cochin, from which I come, is concerned there is income-tax levied on agricultural land. Now, Travancore-Cochin has not passed a resolution that they are agreeable to be included in this Bill and to duty leviable on the lands there. Those lands which have already been taxed by the income-tax authorities there are also brought in with a view to see that the rates are increased. It is true that no tax or duty is levied on the value of the properties, but for the purpose of fixing the rate—that is adding or raising the rate—the value of the property which comes under agricultural land situated in any State not specified in the Schedule, is also

[Shri C. R. Iyyunni]

taken into consideration. I do not think it is proper or fair.

There is one other matter which I wish to point out and that is this. What exactly is the reason why there is so much of difference or disparity between the rates to be paid by the *Mitakshara* family and the *Dayabhaga* family? The reason is very clear. In the case of the *Dayabhaga* family the father is considered to be an absolute owner of property. It is true that he is an absolute owner of the property. Whereas in the case of the *Mitakshara* family the father is not an absolute owner. But with all that, even in the case of the *Mitakshara* family, suppose large debts are created by the father, not for immoral purpose, then the properties belonging to the family will be liable to pay his debts even though the other members are not parties to the debt or are not directly liable. So in a way we can say that the father in a *Mitakshara* family also has got considerable power over the property even though he is not an absolute owner.

There is one argument advanced by some that the *Dayabhaga* family has one advantage over *Mitakshara* family. Suppose the son in a *Dayabhaga* family or the son of a Christian father dies before the father. In that case, is it not true that he has not to pay any duty to the Government? Yes, it is correct. I perfectly understand it. But as a matter of fact, even though he has not to pay the amount, the Government gets much more than what it would otherwise have been entitled to if he were alive when the remaining sons die. The point is this. Suppose there is a father and four sons and there is a property of 5 lakh rupees. Suppose one son dies before the father. Then nothing is paid. Then the father dies and when the division comes for the rest of the sons, the property will be divided by three instead of by four. So the amount of duty payable will be on a bigger amount than would otherwise have been the case. So in that case the fact that a son dies earlier than the father is in favour of the Government and not against it. (*An Hon. Member*: Acute) The argument will hold good. It may be acute. But is the argument correct or not? That is what I want to know.

My submission, therefore, is that we should see to it that as far as possible no discrimination is made in respect of those people who do not come under the *Mitakshara* or *Marumakhatayam* and the *Aliyasanthana* Laws.

डा० एन० बी० खरे (ग्वालियर) : उपसभापति महोदय . . .

Some Hon. Members: English.

डा० एन० बी० खरे : National language. No English. उपसभापति महोदय, मैं आज अपने देश की नेशनल लैंग्वेज में आप के सामने बोलूंगा । इस सभागृह के सामने यह मृत्युकर बिल के ऊपर जो प्रवर समिति का प्रतिवृत्त आया है, उस का विरोध करने को मैं खड़ा हुआ हूं यह जो प्रतिवृत्त है, यह कौन बिल है, यह तो मृत्यु कर बिल कहा जाता है, उस को अगर उर्दू में कहा जाय तो कहा जा सकता है कि कफ़नफ़रोश बिल यहां आया है और इस सम्बन्ध में मेरा यह दावा है कि यह बिल लाने में सरकार ने इंग्लैंड और अमरीका यह जो पाश्चात्य राज्य हैं और इनके गुरुस्थान हैं और दादा हैं, उन का अनुकरण किया है। वैसे देखा जाय, तो जो तत्व या कल्पना इस विधेयक के पीछे है, वह कुछ बुरी नहीं है, लेकिन हमें यह समझ लेना चाहिए कि इंग्लैंड और अमरीका की सामाजिक रचना में और हमारे देश की सामाजिक रचना में बड़ा फर्क है । अमरीका और इंग्लैंड सब्बे

मानों में वेलफेयर स्टेट यानी मंगल राज्य कहे जा सकते हैं। वहां पर बेकारी नहीं है, ऐसा नहीं है, लेकिन बेकारी के वास्ते इलाज भी सरकार करती है। लोगों को उद्योग देती है, अगर कोई आदमी मजबूरी की हालत में बेकार रहे तो उस की बेकारी के समय के अन्दर उस के खाने पीने का प्रबन्ध भी सरकार करती है। यह वहां की सामाजिक रचना है। दूसरी बात यह है कि वहां पर आज ज्वायंट फैमिली सिस्टम (संयुक्त परिवार पद्धति) नहीं है, हर एक आदमी स्वतन्त्र है। परिवार में कोई आदमी आश्रित या निराश्रित नहीं रहता है जिस का निर्वाह करना पड़ता हो। वहां पर यह प्रणाली है कि कोई भी शख्स अपने बूढ़े मां बाप को भी अगर वे अपनी रोजी नहीं कमा सकते, कंगाल खाने में भेजने से बाज नहीं आता। अभी सौभाग्य से इस देश में ऐसी स्थिति नहीं पैदा हुई है। हम लोग जो मध्यम श्रेणी के लोग हैं, मैं जानता हूं कि उन की आमदनी का करीब करीब सैकड़ा पीछे पच्चीस हिस्सा सामाजिक चैरिटी या दान पुण्य में खर्च होता है। हमारे यहां आश्रित रहते हैं, बेकार रहते हैं उन का भरण पोषण करना पड़ता है और समाज के उपकार की भी बातें करनी पड़ती हैं। यानी पाश्चात्य देशों की रचना के अनुसार इस सब बात का प्रबन्ध वहां की सरकार करती है। यह सारे कार्य यहां की सरकार नहीं करती है। इस को जो हमारे सामाजिक नागरिक हैं उन को करना पड़ता है। इस लिये मैं कहूंगा कि यहां पर कोई मंगल राज्य नहीं है जैसे कि पाश्चात्य देशों में है। यह तो पुलिस स्टेट है, जिस को जंगल का राज्य कहना चाहिये। ऐसी हालत में यहां की सरकार को ऐसा काम करना चाहिये था जैसा कि एक मंगल राज्य में होता है। हमारे समाज रचना के अनुसार वह सब काम का बोझ समाज सम्हालता है और साथ साथ सरकार भी ऐसे बिल लाकर हमारा खीसा कतरने का काम करती है। यह हमारे एगेन्स्ट (विरुद्ध) बड़ा अन्याय है।

मैं जानता हूं कि यह समय इस बिल को लाने का नहीं है। हालांकि आर्थिक विकेन्द्रीकरण के खिलाफ कोई भी बुद्धिमान आदमी नहीं हो सकता, लेकिन इस वक्त देश की स्थिति ऐसी गम्भीर है, देश के सामने भयंकर बेकारी है, जिस का उपाय करने में सरकार असमर्थ है। इस के साथ साथ आर्थिक विपन्नता इस देश की ऐसी है जिस से देश का गम्भीर संकट और भी बढ़ता जाता है। सरकार ने खुद भी एक टैक्सेशन इन्क्वायरी कमेटी बैठाई है जो कि इस पर विचार करेगी कि यहां पर टैक्स कैसे लगना चाहिये और देशों के बनिस्बत टैक्स ज्यादा है या कम है, इत्यादि इस सब की तहकीकात करने के लिये कमेटी बैठाई है, अभी उस की रिपोर्ट नहीं आई है। ऐसी हालत में इस बिल को लाने की उतावली करना सरकार के लिये बुद्धिमानी की बात नहीं है। इस बिल को ला कर सरकार इस संकट को और भी बढ़ा देगी ऐसा मेरा खयाल है। इस वास्ते मेरी प्रार्थना है कि सरकार को यह बिल नहीं लाना चाहिये था। मैं जानता हूं कि संपत्ति का विकेन्द्रीकरण इस से नहीं होगा, जो गरीब लोग हैं, जो बहुत बड़ी तादाद में हैं।..

Shri Barman (North Bengal—Reserved—Sch. Castes): Sir, on a point of order, is the hon. Member in order in traversing the main principles after the Bill has emerged out of the Select Committee?

Mr. Deputy-Speaker: The principle had already been accepted and, thereafter, the Bill was sent to the Select Committee. I am afraid that the hon. Member's remarks, so far as opposition to the Bill as a whole is concerned, are out of order. Now it is open

[Mr. Deputy-Speaker]

to any hon. Member to comment upon the Bill as it stands after emergence from the Select Committee. During the third reading of the Bill he can oppose the Bill if he so desires.

Dr. N. B. Khare: I oppose the bill as it has emerged from the Select Committee. The Bill ought to be rejected.

Mr. Deputy-Speaker: All that he can do is to say during the third reading that the Bill has been so altered by the Select Committee that it is not worthwhile passing it. In that case the Bill can be rejected at that stage.

Dr. N. B. Khare: I have to submit that the occasion for criticising the Bill has arisen only now after the Bill has emerged out of the Select Committee, as the Taxation Enquiry Committee was appointed after the Bill went to the Select Committee.

Mr. Deputy-Speaker: The principle had already been accepted by the House and then the Bill was sent to the Select Committee and as such you will have to reserve those remarks to the third reading.

डा० एम० बी० खरे : मैं भूल गया कि मैं क्या कह रहा था। लेकिन चूंकि मेरे कहने से कुछ होने वाला नहीं है इस लिये मुझे इस का दुख भी नहीं है क्योंकि यहां हाउस बहुत मजबूत है और कोई सुनने वाला नहीं है। इस वास्ते मैं कहता था कि यह जो बिल है वह ज्यादातर मध्यम श्रेणी का जो समाज है उस को तकलीफ़ देगा। यह समाज में बेकारी बढ़ायेगा और जो गरीब लोग हैं उन की बची खुची प्रापर्टी (संपत्ति) को भी खरीद कर जो धनवान हैं वह और ज्यादा धनवान हो जायेंगे। इस से गरीब लोगों का भला नहीं होगा। मैं जानता हूं कि बहुत से कांग्रेस वाले भी जो बाहर लाबी में मिलते हैं वह कहते हैं कि बड़ा खराब बिल है। लेकिन हम उन की भी स्थिति जानते हैं, वह बेचारे बेबस हैं।

Shri C. D. Pande (Nainital Distt. *cum* Almora Distt.—South West *cum* Bareilly Distt.—North): We have opposed it openly in this House.

डा० एम० बी० खरे : उन की स्थिति तो ऐसी है, दो चार कांग्रेस वाले हम को मिले उन से बात करने पर मालूम हुआ कि उन की स्थिति ऐसी है जैसे उन की सफेद धोती में काली चींटी घुस पड़ी हो। अंग्रेजी में उस को कहे तो 'ऐंट इन दि पेंट'। मैं उन से भी कहता हूं कि सुनो, तुम अपने कान्शिएन्स (विवेक) के मुताबिक राय दे दो, किसी के भड़काने में मत आओ।

इतना ही मुझे कहना है।

Shri N. C. Chatterjee (Hooghly): I have come here to put forward a number of constructive suggestions for the consideration of the hon. the Finance Minister and the hon. Members of this House. I should make my position clear. I was opposed to the Bill because I thought that the conditions in this country are not such as to warrant the introduction of such a measure and specially the diversity of our present laws governing inheritance and succession would make very difficult the application of a uniform system of taxation. I also maintain Sir, that the coparcenary system which is the cementing factor, which has kept our fabric strong, which has helped India to survive so many political upheavals throughout the millennium, would be seriously affected, if not disintegrated, if we pass the Bill. But I bow down to your ruling that we cannot now discuss the principle of the Bill and can only go into questions of detail. I have thought over the matter very carefully. I had the privilege to be on the Select Committee but this is a Bill which is very difficult and very complicated and al-

though I have been in some capacity or other dealing with the interpretation of statutes for the last thirty years, this is one of the most complicated and difficult statutes. It, therefore, requires very careful thinking and the closest attention of this House. Now, Sir, the Planning Commission in their report have said that our objective is to redress economic inequalities. That is a good objective but at the same time the caution must be sounded that any hasty implementation of measures intended to bring about economic equality may affect savings and make the level of production static. It may even make it difficult to effect a smooth transition to the type of planned economy we are thinking of.

We have got to proceed very cautiously, and in a circumspect manner. Now, the first suggestion that I am making—I am putting forward eleven suggestions—is that in order to redress the invidious distinctions between communities living under different systems of law, the exemption limit for Hindus governed by the *Dayabhaga* school should be increased to at least Rs. 1,00,000/-, if not Rs. 1,50,000/-. I am not raising a parochial problem, nor am I inspired by provincial patriotism. When I pleaded for the *Dayabhaga* Hindus, naturally the country's attention was drawn to it, and since many distinguished lawyers outside Bengal have also told me that my point deserves consideration. I am saying that what is true of *Dayabagha* Hindus is also true of the entire Muslim community; also of the Christian community and the Parsi community. I am pleading for the increase of the exemption limits in their cases too. I am not confining myself to my province of West Bengal. You know, *Dayabhaga* rules millions of people outside Bengal. You know that the fundamental principle of Hindu Law is that it is personal law, and therefore, you carry it "on your back" wherever you go. There are millions of people outside Bengal—I think the whole of Assam, Mr. Rohini Kumar Chawdhury's province is governed by *Dayabhaga*, and also, as a matter of fact, there are millions of people in Bihar and in Orissa who are governed by the *Dayabagha* law. I am pleading for all of them. Quite rightly, Co-parcenary will be to some extent shaken. I do not think it will be completely disrupted, but we should not do anything to hasten the disruption of that system which has been the backbone of Hindu society for so many centuries, for thousands of years.

The second suggestion I want to put forward is that the time limit of two years in the case of gifts made *inter vivos* should be reduced to one year. Clause 9 says:

> "Property taken under a disposition made by the deceased purporting to operate as an immediate gift *inter vivos* whether by way of transfer, delivery, declaration of trust, settlement upon persons in succession, or otherwise, which shall not have been *bona fide* made two years or more before the death of the deceased shall be deemed to pass on the death:..."

We are maintaining that this is a new measure, and it is not right to blindly follow either the English law, the American law, or any other foreign law. As a matter of fact, in England, they did not have the two years limit first, and in the original Bill. I think it was one year. I think we should have that one year period.

Shri Gadgil (Poona Central): In England, it is five.

Shri N. C. Chatterjee: Now five, but originally it was one, and I may point out that conditions there are entirely different. When my friend Mr. Gadgil thinks of England, he should remember certain facts. Lord Atkin in a celebrated judgment in the Liversidge case said: "I have a great horror of Judges who are more executive-minded than the executive them-

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selves". I have got a great horror of Mr. Gadgil who is more revenue-minded than the revenue authorities themselves.

Shri Gadgil: I plead guilty to the charge.

Shri N. C. Chatterjee: In England it took them nearly 175 years to build up their estate duty laws step by step. They started about 1694 with a stamp duty and step by step they came to it by 1894 when the Finance Act of 1894 gave us the estate duty. It will not right to copy exactly what they have done after two centuries or two centuries and a half. Even in 1894 when England introduced estate duty, they had the biggest and the greatest empire in the world. Industrially and commercially, they were the first nation in the world. They were exploiting the most prosperous and the most fertile parts of the world, and there was complete compulsory education. They were practically at the top of the world. You cannot possibly blindly copy England and say to-day, while introducing the duty for the first time, that we will introduce all the stringent measures that are there to-day. There is no sense in it. A gift means that there must be complete relinquishment of ownership by one person to another person, and when the donee takes the property, then there is absolutely no point in saying it must be done at least two years before death so that exemption can be claimed.

10 A.M.

My third point is, as under the Australian law, estate duty should not be made payable in case of gifts for religious, scientific or public purposes, or to public hospitals or any public benevolent institutions. I think that is only right, and we should not simply copy some other law. And I also urge along with this that there should be no time limit at all for gifts for public charitable and religious purposes. Under clause 9, we have said that in the case of gifts meant for public charitable purposes, the period shall be six months. I say "No". There should be no time limit at all. If it is really a public charitable gift, why impose any time limit at all? As a matter of fact, if a man is on his death-bed, it is more likely, especially having regard to Hindu sentiments, that he would make some donation for public charitable purposes when the end is near. That sentiment you have got to respect, and that sentiment, to some extent, would help us in achieving the object of this Bill. What is the object of the Bill? The object of the Bill is to build up some sort of benefit fund for the community, and getting certain things for their benefit. If I have already contributed to the public welfare by making substantial donations, why should that donation be roped in for the purpose of estate duty? That would certainly discourage such gifts.

My fourth point is one which was very ably urged by some hon. lady Members of this House at the conference we had the privilege to have with the Finance Minister the other day. They pointed out that the position of widows should be clarified. Helpless widows who have got to maintain minor children and who have got to marry daughters, should be given special treatment. There is something in that, and I am appealing to the Finance Minister, and I am appealing to all Members of this House to realise.....

Dr. N. B. Khare: To Mr. Gadgil too?

Shri Gadgil: Well, let him try.

Shri N. C. Chatterjee: I have given up all hope in that direction. Anyhow, I think—I hope he is gallant enough to think of ladies still—that something should be done to clarify their position.

My fifth point is this. The expression *"bona fide gift"* in clause 9 and other clauses of this Bill should be elucidated at this stage. I am saying this for one purpose. In the course of the discussion at the informal con-

ference where the hon. Finance Minister and the Deputy Minister were present, the point was raised by my hon. friend Mr. Gadgil. I put to him this point. Suppose a man has got five houses, and he has got four sons. He makes a gift of one house to each son, and keeps one house to himself. Mr. Gadgil immediately interjected: "That cannot possibly get exemption even if you do it, say, five years before your death". I got a shock, and I do maintain that that is not the right approach. *Bona fide* gift means that the transaction must be *bona fide*, not colourable, and not *mala fide*. If I have made a gift, if I have executed a document, if I have registered it, if it is properly attested and the donation is completed, according to our law, it is perfectly valid.

It is absolutely immaterial, if my secondary motive or one other motive was to reduce the liability of the ultimate estate which I would relinquish to my heirs and successors. I was not quite ready to meet the point at that conference, but I have since looked it up, and I find that in English law, it is absolutely clear that the motive which prompts a man to enter into a transaction to relieve his estate from payment of estate duty does not at all vitiate the transaction. It is still a *bona fide* transaction.

Shri Gadgil: We may not follow the English law blindly in this particular regard.

Babu Ramnarayan Singh (Hazaribagh West): You are following.

Mr. Deputy-Speaker: Does this not come under *bona fide* transactions?

Shri N. C. Chatterjee: Mr. Gadgil's point was that supposing a person makes a gift today and dies 20 years after, even then it is perfectly open to the revenue authorities to say that it was a *mala fide* and not a *bona fide* gift, because one of the motives was to avoid the payment of estate duty.

Shri Gadgil: You only add what I said later; the greater the difference between the date of transfer and the date of death, the smaller is the quantum of *mala fide*.

Shri N. C. Chatterjee: So, my hon. friend is now on the quantum of *mala fide*. What I am pointing out is that it is absolutely immaterial, even if there is any such motive. Supposing I have got five houses, and I give four of my houses to my four sons, and keep one to myself, I submit the motive for doing so is quite immaterial. Lord Atkinson has stated that in clear terms. Mr. Gadgil agrees with every law in English law which is in favour of revenue, but he disagrees with every word which is in favour of the assessee.

Lord Atkinson has said in the case of Attorney-General *vs.* Duke of Richmond:

> "It is admitted that the motive which prompted the late Duke"—the Duke of Richmond—"to enter into all these transactions was to relieve from the payment of estate duty those estates which upon his death would pass to another or to others".

The noble Lord continues:

"That motive does not vitiate the transactions." In spite of that motive, estate duty was not levied. I submit that it is a very serious thing to have a different approach in our country.

Supposing you make some gift today, and the passing of the estate takes place some ten or twenty years later, then it will be a very very difficult thing if the assessee is called upon to prove the *bona fides* or the intention of the donor, which the latter had at the time the gift was made, and that it has nothing to do with the consideration of relieving the future or the ultimate estate from a certain portion of the estate duty.

Shri Gadgil: Any transactions before the Bill was originally introduced are out of mischief.

Mr. Deputy-Speaker: Is it the contention that the words *'bona fide'* should be removed?

Shri N. C. Chatterjee: I am pointing out that by a suitable proviso it should be made perfectly clear that a transaction which is made, even to reduce the liability of death duties, none the less it would be treated as *bona fide* if the other conditions of the transaction are fulfilled and it should be exempted. Supposing there is a gift which is done on the basis of a proper document, and possession is transferred, and the transaction is completed consequent upon the relinquishment by one sentient being in favour of another, then the transaction is perfectly valid.

My sixth suggestion is that clause 10 should be altered, so as to fit in with Indian conditions. Clause 10 deals with 'gifts whenever made where donor not entirely excluded'. We have thought over this matter, and again I obliged to Mrs. Sen and others who broached this thing, and it requires very careful consideration of the House. The wording of the clause is as follows:-

> "Property taken under any gift, whenever made, shall be deemed to pass on the donor's death to the extent that *bona fide* possession and enjoyment of it was not immediately assumed by the donee and thenceforward retained to the entire exclusion of the donor or of any benefit to him by contract or otherwise: . . . "

The objectionable words are 'and thenceforward retained to the entire exclusion of the donor'.

Mr. Deputy-Speaker: The proviso says that such benefit may be realised before two years.

Shri N. C. Chatterjee: I am not thinking of the proviso. Take a simple case, for instance. A man has got a number of daughters, and unfortunately one is a widowed daughter, who has got a family of children to maintain, and there is no provision for a house or for any income for her. As it often happens, the father makes a provision for her by building a house and transferring it to her, or by transferring an existing house of his to her. Supposing the house is transferred by a proper registered document, and is made over to his daughter, his daughter gets possession of the house and starts living in that house. Ordinarily she will survive her father by about 50 years or so. Supposing the father lives in Delhi, and the daughter resides in Calcutta, it may happen that the father goes down to Calcutta and lives there for a couple of months or so every year with his daughter. If that happens, which in Hindu society is bound to happen, which in Muslim society also is bound to happen, then under this clause, that gift can be challenged and still be roped in, in spite of the validity of that gift, and be made liable for payment of estate duty.

Mr. Deputy-Speaker: Can it be said that there is a reservation of a benefit if he hands it over to her?

Shri N. C. Chatterjee: The wording in the clause is:

> "and thenceforward retained to the entire exclusion of the owner."

It is this phrase that will create a lot of difficulty, because it can be easily said that the father was living there for a month, or if he was ill, was living there for a year or so, before his death.

Shri C. C. Shah (Gohilwad-Sorath): But then he goes there only as a guest or an invitee. The possession remains that of the donee.

Shri N. C. Chatterjee: I am glad that my hon. friend has said that, but he is not looking at it with the revenue mind.

Shri C. C. Shah: It is a question of interpretation. No court can interpret it in any other way.

Shri N. C. Chatterjee: What I am pointing out is this. In English law, if the father goes and is living in his daughter's house, as a paying guest, paying something for his boarding and lodging, then there is still possession

to the entire exclusion of the donor. But it is unheard of, and is repugnant to Hindu sentiment, and repugnant to Indian sentiment, that a father, while going and living in his daughter's place for three or four months, is paying for his boarding and lodging and that the daughter would be charging him and actually making out receipts and vouchers or bills for his boarding and lodging. It is a thing unheard of in Hindu society. The intention of my hon. friend should be made perfectly clear, as otherwise, the unfortunate expression used here would create all sorts of troubles and difficulties. So, if a father makes a gift of a house to his widowed daughter, then that property should be entirely excluded, even if the father occasionally goes and resides in that house. The requirement of "entire exclusion of the donor" should not be insisted upon. It would be repugnant to Hindu sentiment that there should be some arrangement for payment during the lodging period of the father.

My seventh point is with regard to quick succession. Perhaps I believe Mr. Gadgil may possibly agree with me that if the clause is retained in its present form, it will create lots of difficulties, and it will be very very difficult to get at coparcenary property. The allowance for quick succession of property would ultimately lead to a result which will mean that members of *Mitakshara* coparcenaries will be benefited to a large extent. But this is not fair to Hindus governed by the *Dayabhaga* school nor is it fair to Muslims and Christians.

Supposing a father dies or a daughter dies. In the case of the *Mitakshara* school, supposing initially there are ten members together, then the estate can be taxed only to the extent of 1/10th. Under clause 7 (2), unless in the case of a son's death he has completed his 18th year, there is no question of this tax. That is a benefit which I do not grudge. The *Mitakshara* joint family members are getting this benefit.

One of my friends, Mr. Barman, was pressing that this was not fair, that this was unfair to the *Dayabhaga* school and was trying to have it deleted. I appealed to him not to press it and he has been good enough not to press it. I do not know ultimately what will happen, but I am pointing out.....

Mr. Deputy-Speaker: The hon. Member feels it is a concession to the joint family? Whose property is it?

Shri N. C. Chatterjee: It is a concession. Isn't that a concession? Suppose a *Dayabhaga* father dies leaving a *Dayabhaga* son. The son is only five years old. He dies after five years when he is only ten. Are you not going to tax him? Suppose he dies seven years later when he is twelve.....

Mr. Deputy-Speaker: The property is naturally of the father.

Shri N. C. Chatterjee: I am not grudging it. What I am pointing out is that it is absolutely impossible, having regard to the disparity and the complexity and the divergences of the different systems of laws of inheritance and succession in this country, to legislate so as to bring about absolute uniformity. It is unfair to say, 'I prescribe one rate or one exemption limit for all communities', because you do not start with the same data. Therefore, in order to redress the inequality which is bound to follow as a necessary consequence of the different systems of personal law governing succession, inheritance and also joint family, I am submitting, Sir, that in the case of Hindus governed by the *Dayabhaga* law as well as in the case of Muslims and Christians, in the case of persons who are not members of the coparcenary, there should be no duty payable on the second death, if it occurs within five years of the first death. Sir, what I am submitting is not unfair. You cannot put *Mitakshara* and *Dayabhaga* on par and, therefore, you cannot get the same result out of the same slab or rule. We have at least to try to redress the in-

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equality in the case of the *Dayabhaga* Hindus and the Muslims and Christians. That is what I am submitting. I have thought over the matter and I submit for the consideration of the hon. Minister that in the case of such persons, i.e., those who are outside the *Mitakshara* coparcenary, it is only fair that no duty should be charged on the second death, if it occurs within five years of the first death.

You know, Sir, the law in different countries has been different. Even in the United States of America there has been no levy made on the second death, if it occurred within five years of the first death, and I am submitting that the American system should be accepted in the case of *Dayabhaga* Hindus as well as persons who are not governed by the *Mitakshara* school of Hindu law.

Then, Sir, I am taking up another subject, which is very important, i.e., clause 31: "exemption of interest of a Hindu widow dying within seven years of her husband's death." Under clause 31, the interest of a Hindu widow dying within seven years of her husband's death is exempted. I am not quite sure whether my memory is correct, but I thought in the Select Committee there was no intention to discriminate between *Mitakshara* and *Dayabhaga*, that is, if a *Dayabhaga* widow dies the same thing will happen as in the case of the *Mitakshara* widow. But the clause, as drafted, has unfortunately got words which will exclude completely the *Dayabhaga* widow. If you kindly look at page 19, lines 14 and 15, it says: 'and the interest aforesaid devolves upon persons who were members of a coparcenary immediately before or after his death or any of them'. Therefore, there must be two conditions fulfilled: one, the widow must die within 7 years, and two, that the interest must go to a surviving coparcener. Now, Sir, that, I submit, will create difficulty. I do not think that that was the intention.

Mr. Deputy-Speaker: The case of reversioners inheriting in a *Mitakshara* family is the same as in a *Dayabhaga* family. The exemption given to a coparcener is only to a limited extent.

Shri N. C. Chatterjee: I do not remember, Sir. But I thought there was no intention to discriminate between the two schools in the Select Committee.

Mr. Deputy-Speaker: This exclusion is restricted only to members of the coparcenary, like brother's son.

Shri Gadgil: That is right.

Shri N. C. Chatterjee: I thought, Sir, that when a Hindu widow died, whether *Mitakshara* or *Dayabhaga*, you wanted to give this benefit.

Shri C. D. Pande: That was the idea.

Shri N. C. Chatterjee: That is what I am pointing out. If that was the idea, we should stick to that. But the language used here, unfortunately, possibly excludes the application to non-*Mitakshara* on non-coparcenary family.

Mr. Deputy-Speaker: Without disclosing anything that happened in the Select Committee, the intention was not to allow any remote reversioner having the benefit of it.

Shri N. C. Chatterjee: I won't go into a discussion as to what happened there, but I am pleading that you should consider this matter and you should put them on the same level.

Now, the 9th point is that in England, if I remember aright, dowry for marriage and certain other things are totally exempted. This Bill will rope in dowry for marriage and customary remittances to sons and daughters and marriage expenses, even if they take place within two years. In our case, they are treated as gifts and they will be roped in. Of course, it was possibly an oversight and I am sorry it did

not strike me at that stage. Under this Bill, estate duty will be payable on marriage dowries and on remittances to poor relations or remittances to sons and daughters. I am submitting that that should be made clear. So far as I remember, in English law that is not so. In English Law, Dymond's *Death Duty*, Chapter XIX, has given a long list. And in Dymond's list, you will remember, these things are specified as to what are exempted. I am not asking for all of them, but certainly it is only fair that certain subjects which are exempted from estate duty in England should be included. Gifts made in consideration of marriage are exempt from duty under the Finance Act of 1910, Section 59(2). Then gifts which are proved to the satisfaction of the Government to have been part of the normal expenditure of the deceased and would have been reasonable, having regard to the amount of his income or to circumstances, are exempt from estate duty—I am reading from Dymond, page 371. Then there are certain other gifts which do not exceed £100 in value. Then gifts to the King or to the State, and land given for national purposes. Then another gift, which is important—gift to maintenance fund, *i.e.* for the upkeep of property bequeathed to national trust and it has been exempted. The law was there in 1937. That has been extended by the law of 1949. If we pass this Bill as it stands, even remittances or gifts to sons and daughters during the period of two years may be roped in, and I submit it should be made clear.

My last point, that is point No. 11, is that the aggregation clause should be altered.

The Minister of Finance (Shri C. D. Deshmukh): Point No. 10? You were dealing with the 9th point.

Shri N. C. Chatterjee: My 9th point was that dowries for marriages should not be treated as gifts as well as customary remittances to sons and daughters. My 10th point was that your exemption list is not exhaustive. You have to put in certain things, *e.g.* gifts in consideration of marriage and also gifts in the nature of maintenance fund for the upkeep of property gifted. My last point is that the aggregation clause should be altered. Kindly look at clause 33. I am pleading for this clause being altered on two grounds. You have exempted certain things in clause 32. But you are roping in everything for the purpose of aggregation so as to determine the rate to be levied. Now, what I am pointing out is that it will be an engine of oppression and horror.

Wearing apparel is exempted under (e). But the revenue officials go there and make family life impossible. The family people will be tortured; the revenue people would go on finding the valuation of *achkans and sherwanis* and turbans and everything else. I am appealing that these things should not be done. I am appealing to the Finance Minister to delete clauses (d) to (h). Take clause (d) "books not intended for sale." You are exempting it but it has got to be valued for the purpose of aggregation. I simply submit this should not be done. If wearing apparel, household articles and all these things are to be valued that will create terrible trouble.

Shri Algu Rai Shastri (Azamgarh Distt.—East *cum* Ballia Distt.—West): Find the value of the faggots and the charcoal, etc., etc.!

Shri N. C. Chatterjee: Everything. Then there is (f), moneys payable under policies of life insurance effected by the deceased on his life for the purpose of paying estate duty. Sir, I wanted to help the revenue authorities. I am sorry I tried to do it. I thought it will be doing great good to the State. In the ordinary course there will be considerable trouble.

Supposing a man has got no cash. There must be forced sale and a forced sale would always be very very undesirable and the State may have to take upon itself some properties which it does not want to take. Therefore

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we were suggesting this. It was my suggestion. When this life insurance policy is incorporated in section 32, then that is brought in for purposes of aggregation. I say it is unfair. It is only building up a fund for the purpose of helping the State in realising the estate duty.

Shri Algu Rai Shastri: It was a very good suggestion!

Shri N. C. Chatterjee: But it is a bad suggestion now, because they are taking it into account for the purpose of aggregation.

Shri Gadgil: It is right.

Shri N. C. Chatterjee: It may be right for Mr. Gadgil but it may not be so for any right thinking man. Supposing a man sees that he will have to pay two lakhs. He actually goes in for an insurance policy. He says, 'I have got money, I can spend it or I can give it for some charity or I can give it to relations. Why can't I invest this money for the purpose of ultimately benefiting the State?' Therefore it is good if he has invested it in a policy. It will be saving a lot of litigation, enquiry and so on. I submit this should not be aggregated, for it is meant to pay the death duties. As a matter of fact, I submit it to the Finance Minister for his consideration, and I hope that a man of his experience would realise that there is force in my observation. The expenses and the worry that will be involved in going through the valuation of the wearing apparel etc., the little paintings or pictures which may be worth two, three or five rupees or even less will be too much. Sir, there may be even horoscopes. You may bring them in. I do not know. Anything may be brought in, Sir. I submit that all those should be left out of the aggregation.

Sir, I have taken up so much time. Lastly, I am pleading that there should be some appellate tribunal, in this case, also, as you have in the case of income-tax under the Income-Tax Act. This is the first kind of levy you are imposing in India which is bound to affect savings, which is bound to have some influence on capital formation. It may divert, if not dissipate, capital from business channels at this critical moment when you want the private sector to play an important part in the Five Year Plan. What is the good of the Five Year Plan if you destroy the private sector and if you remove or curb initiative for capital formation. Therefore, Sir, it is very desirable that you should do justice and convince people that you are doing justice. Immediately a man dies, his family people would be subjected to a very rigorous investigation, inquiry and so on. Therefore, it is essential that there should be some kind of appellate tribunal which will deal justice before the valuation is finalised.

Shri Gadgil: I have heard with the greatest respect the speech of Shri N. C. Chatterjee and I propose, to the extent it is possible for my humble abilities, to meet some of his arguments, though it is possible for me to meet all the arguments that he has advanced. I am quite willing to concede that he has undoubtedly placed certain aspects of the Bill as reported by the Select Committee in a manner and with some reasonableness as to necessitate some further consideration of the provisions. But, what I am surprised at is that all this advocacy is for whom? Is this the House of the People or is this the House of the Princes and Money Barons and Cotton Kings? Let us first understand how many people in this country with a population of 34 crores will be brought within, so to say, the mischief of this Act. And having assessed it to the extent possible, let us see how much mourning is justified if that small class is wiped out as a class and becomes one with the commonalty in the country.

Now, there are in this country seven lakhs of individuals who pay income-tax. That is out of a total population of 34 crores. Then we are told that it

is all right so far as the income-tax aspect is concerned, but there are agriculturists in this country who will be affected by this. Undoubtedly they will be affected. But let us see what percentage of the agricultural population is affected by this Bill. If the House kindly looks to the Planning Commission's Report, at pages 200 and 201, they will find that almost 80 to 85 per cent. of the holdings are between zero and five acres and the percentage of holdings above 50 acres is less than one per cent. If we value land at the rate of Rs. 1,000 per acre, then a holder of 50 acres and above perhaps may be included in the jurisdiction of the Bill. Now, for example, in U.P. the number of holdings above 25 acres is just one lakh and fourteen thousand in a population of 5 crores. There are figures for all the States. I do not want to go into the details of all those figures of other provinces. But the conclusion that one can with justice and justification draw is that not one agriculturist in about 600 will be brought within the mischief of this Act. Even this is subject to a further qualification: many of these holders may be members of joint Hindu families and subject to the law of coparcenary. In case of death of any such member, his share is bound to be covered by the exemptions limit. I have made some rough calculations and my humble submission is that one man in six hundred will have to pay something by way of estate duty. Why should five hundred and ninetynine people cry hoarse here in this House, outside, in the press and on the platform? Are we really doing justice to the poor? Are we really doing anything actually to implement what we have been preaching for generations? You talk of a widowed daughter and a gift being made by the father. But how many widowed daughters are there without a living place and without a father rich enough to donate them anything?

Shri S. V. Ramaswamy (Salem): As many as there are.

Shri Gadgil: Thousands and thousands there are in the villages and in the urban areas who have no inheritance, except that of poverty, except that of ignorance, except that of handicaps which they have inherited from generation to generation.

It is an obligation on us—not mere talk or platitude—under our Constitution, both as expressed in the Preamble and expressed in those articles which lay down the directives, that whatever be the colour of the Government, whether it is *Bhagwa* under Mr. Chatterjee or Dr. Khare or whether it is Red under Prof. Mukerjee, every Government is bound under the Constitution, if they want to function in terms of the Constitution, to remove inequalities as early as possible. If the argument is that because England took about sixty years to gradually develop the law relating to the estate duty, we must go through all those sixty years, it only means that we refuse to learn by experience.

Therefore, let us consider this matter in the context of our constitutional obligation and also in the context of the social circumstances that now exist. May I, Sir, with your permission speak of a little experience I had only three weeks ago when in connection with the work of a certain committee, of which I am the chairman, I had the opportunity to visit Alirajpur and other backward areas populated by the Bhils. In a meeting which consisted of about five thousand Bhils I asked them: Is there anyone who has got no tattered cloth on his body? Please stand up. Not one. Is there anyone without any debt? Stand up. None. Is there anyone who has been fortunate enough to have two square meals everyday? None. On the other hand, they showed me leaves which they mixed with a handful of rice and somehow or other they are delaying the day of their death. This is poverty. It is not only in Alirajpur. I saw same conditions elsewhere in Rajputana, near about Jaipur. In Bikaner people do not get drinking water. For miles and miles they have to walk and wait

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for hours and hours till a water tanker of the railway passes that way. What facilities have you provided for them? There are no schools. This is poverty; this is ignorance. The downtrodden have been crying for generations. How can you remove this? How can you finance the social services? How can you finance programmes of development, unless you raise money?

When it is a question of income-tax you say: "Oh! you are raising it so much—fourteen annas in a rupee? You will discourage capital formation." I am reminded of what a Labour M.P. said in the House of Commons. When a certain capitalist got up and said, "You are demanding 16 shillings in a pound;" he got up and said; "Give me a pound, I will give you not only 18 shillings, but one more. After all, I will be left with one shilling." Similarly those who have wealth by the sanction of the social institutions, the judicial institutions, the inheritance institutions, which are functioning because we are accepting them. If today this House decides that there shall be no inheritance what will happen to you? What we are suggesting is not very radical. It is such a water and milk sort of proposal that it is really in a sense making you happy for a few years to come. But if you do not accept this, if you further water down what has been reported by the Select Committee, I have not the slightest doubt that all over the country there will be a feeling that this House of the People, so-called, does not mean business. It is a citadel of the rich.

Someone asked: Have you consulted the constituencies? Well, between the last session and the current session, at least at twelve places I have spoken on estate duty and I am happy to tell you that by and large they have accepted it generally. There may be a few things here and there which they have not accepted. But the few things here and there which are not acceptable let us consider in a calm atmosphere. Some of the points made out by Mr. Chatterjee undoubtedly are worth consideration. But Dr. Khare said this is not the time. Was it the time, I ask him, in January 1946, when the Government, of which he was a member, introduced a similar Bill? If it was in time in 1946, it is too late today. Government should have done it much earlier. In fact, I would say that Government should have passed this measure before zamindari was abolished. In that case Government would have got much more than what they would be expecting now.

In regard to exemptions, people say: "What have you done? You have only given exemptions to policies to the extent of Rs. 5,000." I have before me the Indian Insurance Year Book. The number of policies in this country is 34,14,000. The sum assured is 792 crores and 94 lakhs. The average is about Rs. 2,322. But I am told that about 40 per cent. of the policies are below Rs. 1,000. What have we done here. We have given exemptions to the extent of Rs. 5,000—Rs. 5,000 for each daughter and for each female of a family the responsibility of whose marriage is on the deceased. The more the daughters the better for him! I am in that category. It is all to the good. But the point is that we are advocating this as if the whole country is interested in it, a substantial portion of the population is going to suffer and something terrible unheard of, unknown in Indian life or religion is coming. Nothing of the kind.

The other day a representative of the Ram Rajya Parishad said something that this is against the genius of Hindu Dharma. Probably he knows that in Ramayana it is stated that:

"इक्ष्वाकूनामियम् भूमि सस्यौपवनकानना"

That is, the whole land belongs to the Raja or *Rajya*. In fact the final legatee of the whole property is the State. If there is nobody to succeed, it is the King who succeeds. There is nothing novel in this idea. Nothing

has been done which is contrary to law—nothing unheard of. As Mr. Deshmukh has said in 43 countries estate duty or death duty in one form or other is to be found and in no country has capital formation been affected? I want to draw the particular attention of the mill-owners and capitalists who are here in the House of the People to this fact.

Now, in U.K. and U.S.A. the death duty is functioning in one or the other forms and yet industrialisation is going on by leaps and bounds. They do not know what to do with their capital and hence are trying to give foreign aid to unfortunate, underdeveloped countries. So it is wrong to say that estate duty will affect capital formation or will affect the incentive to save. After all, what is the motive of a man to save? Provision for children. If he desires a particular standard of life for his children which is not possible because of the estate duty, he will work more, earn more and save more. The effect would be all to the good. There will be greater incentive to put in more work.

Now, I will come to some of the points raised by my esteemed friend, Mr. Chatterjee. He mentioned the inequality between *Dayabhaga* system and *Mitakshara* system of laws. It is not an inequality created by this measure; it is the existing inequality which we are accepting. This measure does not pretend to affect the personal law either of the Hindus—whether they are governed by *Dayabhaga* or by *Mitakshara* law—or Muslims governed by this *Shariat* or that *Shariat*, or of the Christians or other people. We are accepting the personal laws as they are. If there are inequalities, well, the forum undoubtedly is this but the time is not today for changing these inheritance institutions and laws relating to them. We are all anxious to do away with inequalities. As a matter of fact, I was one of those who supported the Hindu Code Bill including a provision for doing away with the *Mitakshara* law of inheritance and doing away with the joint family system. Some of those who were then opposed to this idea happen to be the very people who now say, "Why don't you first change the inheritance law and then come with this taxation Bill?" When the taxation Bill is brought up, they say, "Why not have the Hindu Code Bill?" When the Hindu Code Bill is brought up, then they say, "Why not have this or that?" I think that these are legislative die-hards and it is better to neglect them.

Now, as I said, inequalities are there. If you compare the Hindu law of succession with the Mohammadan law and the Parsi law you will find that these inequalities are there; we are not adding anything to it. The taxation measure can only take into consideration certain facts—ability to pay, its incidence and certain other things, such as the case in actual collection. Those factors are certainly relevant and I have not the slightest doubt that the Finance Minister will certainly take them into consideration.

There are advantages both in *Mitakshara* law and *Dayabhaga* law. I do not want to go further into that question. A *Dayabhaga* father has full right of disposal over his property. He can dispose of the whole property and the sons can go to dogs. They may inherit nothing. There are limitations on the father governed by the coparcenary law.

Another point which you must remember and which was also referred to by Mr. Chatterjee is that when a son dies in a joint Hindu family, obviously his share, whatever it is, will be subject to duty. In a *Dayabhaga* family where a father has four sons and all of them die, the property is not affected.

Thirdly, in a joint Hindu family governed by the coparcenary law a son's estate can be alienated, attached, mortgaged and sold. That is not the case in a *Dayabhaga* family. But I have agreed in the Select Committee that undoubtedly there is some appa-

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rent injustice to the *Dayabhaga* people. It is not open for me to say what happened in the Select Committee except that with your kind permission I would say that those who are not governed by the *Mitakshara* law.....

Shri S. S. More (Sholapur): Can you permit him, Mr. Deputy-Speaker, to reveal what happened in the Select Committee?

Mr. Deputy-Speaker: Apart from that, the hon. Member has not waited to hear further. He cannot refer to what happened to X, Y or Z because it will lead to controversies outside. When one is so liberal and the other so die-hard, all that will create complications. I would urge upon the hon. Member not to refer to any individual's suggestions if they were made in the Select Committee.

Shri Gadgil: I appreciate what you say. The only motive that prompted me to make a reference was because of the fact that I was the target all along until the House adjourned yesterday, and today I am feeling that I am considered almost the villain of the piece. So in sheer self-defence and to show that I am not so inflexible, wooden, or hard-hearted, I wanted to say something which I won't say now.

The Select Committee has taken that fact of apparent injustice into consideration and has stated that so far as the exemption limit is concerned it will be Rs. 75,000 for properties other than coparcenary property. I am further prepared to give my support if some more appealing arguments consistent with equity are placed before this House that the exemption limit should be raised just a little. I shall certainly consider it. I have kept an open mind and I also feel that the hon. the Finance Minister has also kept an open mind. So instead of pointing out the inequalities in the two systems—for which none of us is responsible—things are there for generations and we have accepted them as they are—let us agree that in order to see that the initial injustice is done away with some other *via media* should be found out. If you go theoretically into that question you will find in the joint family that if one death occurs, the share is taxed but the property remains one integral whole and at the next death the whole property is taken into consideration for purposes of ascertaining the share of the then deceased, whereas in the other case the property is divided and what is left is only the share and again what is left is further shared, and the property has completely disintegrated and been divided. But as I said, this is a measure in which we should take the sentiments of the people to some extent into consideration. This measure is not unknown or anything out-of-the-way but because it is introduced for the first time everything should be considered from every possible aspect. As far as possible the Government should try to meet the points of view and make concession here and there subject to the overwhelming necessity of removing the inequalities and earning such revenue from this tax as is possible. I have been accused of being revenue-minded and I plead guilty to this charge. I have known what is to be on the unemployment list, not in the sense of political unemployment. I can never be politically unemployed.

Incidentally, I may refer to my friend Mr. Khardekar who said that politics was the last resort of Mr. Gadgil. I can assure him that it has been my first love and it will be my last love. So far as my friend Mr. Khardekar is concerned he started as an indifferent barrister, then sojourned into the academic sphere and when politics became safe in this land he joined it as his last resort!

Mr. Deputy-Speaker: I was not here when eulogies were showered upon the hon. Member now on his legs by the other hon. Member. Possibly those remarks brought forth these

other remarks also. But I would suggest that both these remarks seem to be a little too personal. Unfortunately I was not here when the other hon. Member was speaking. If he has said all that is attributed to him, he need not have said that. All right, the one cancels the other now. What can I do? The hon. Member may continue.

Shri Gadgil: Sir, I was referring to the fact that if after living 35 years of hard life of a politician I am not able to do something, at least shout for the poor, the down-trodden, I feel that the purpose of my life has been completely frustrated. People tell me, "You are against the rich." Certainly I am. On the one side on Malabar Hill there are rich people with study rooms, bed rooms, lounges, reception halls and garages, there at the other corner in Bombay, in a tenement 12' x 12' live 5/6 people on an average. That is the latest report. You go to Bombay, Calcutta, any big city, just visit the slums and see how the labourers live. Is it not a shame to everyone of us, Members of the House of the People, that we have not tried to put our shoulders together and bring down the rich, constitutionally and by legislation, deprive them of the wealth which they do not need or which they spend in an anti-social manner? It is, therefore, necessary that this must be done.

Now, Sir, suddenly everybody has become charity-minded!

Shri U. M. Trivedi (Chittor): Sir, on a point of order. You, Sir, did not allow anybody, to speak against the principle of the Bill—because the principle had been accepted. Is it right that anybody should speak to praise the principle also?

Mr. Deputy-Speaker: The hon. Member may go on with his speech.

Shri Gadgil: I think everybody has become charity-minded. It is asked: why should not this man donate for charities even a minute before his death? My own humble submission is that we have come to a stage in our social evolution where private charity is not going to solve any public problem much less of poverty. You cannot remove poverty or ignorance or other ills in this country by a few thousands from a gentleman here and a few hundreds from a gentleman there. Whatever economic surplus an individual has in his hand must be controlled and regulated by the State as such. Only on that level will these problems be solved, and solved completely. I know that there are well-intentioned people who would like to part away with part of their estate. I make an offer. Let them, before a minute of their death, give the property in charity to the Government for the purposes of general expenditure on certain lines. Why should they appoint private trustees? The mischief is, if the property is given in charity the corpus of the property completely escapes any further duty—not only then, but thereafter in the future. It is quite possible that the rich people, offended as they are, may in the next four or five years, in order to spite the Government, give their properties to certain charities, the beneficiaries under which will be some other people here and there, a section here and a section there, but not the population as a whole. And after all, why should the wishes of a dead person be allowed to control the lives of the people living? Why should he lay down in the will: this must be for *go raksha*, this for *fakirs* this must be for this and that! After all, society is a dynamic thing. It is not static. It moves from time to time. New ideas come, they have to be clarified, and in the light of what happens in the world all around we should proceed. Why should a person be allowed to donate a sum with the object of feeding certain Brahmins or doing *abishekh* of a certain kind? I respect their sentiments. But society has changed and even the conception of God has changed. God now, according to Rabindranath Tagore, lives in the houses of the poor, in the cottages, and walks in the street bare-footed. Now, here is a revolution in the conception of God him-

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self, in the conception of *puja* and public service. Why should we tie down our property for purposes which are no longer valid, I may say, even legitimate?

Therefore, this talk of charity must be restricted. I know of an incident in which a great gentleman spent a crore and a half in a certain village in Rajasthan. All to his credit. But he directed the flow of the money for a certain purpose. The social necessity may be different. When we are thinking of reorganising our society after certain ideals. when we are thinking of reconstructing our economic life, will these silver bullets (I call them) be allowed to sabotage our plan in any way? Because, they will do it. Some will do it on a design. Some will do it indirectly. Therefore, whatever has been provided for in the Bill as reported by the Select Committee is reasonable and all to the good. Do not go further than that and allow private effort and private sharity to make the task of social reconstruction and economic reorganisation of life somewhat more difficult.

Then there is the question of gift and *bona fides*. The arguments advanced by my friend Mr. Chatterjee are good from one point of view. I remember Mr. Aneurin Bevan wrote that the death duty has failed to give the expected result because of the exemption of trust and gift. That is the vulnerable point in the whole system. I appreciate that certain gifts are made out of love, relationship, duty, etc. But I urged a five year period. I agreed to two precisely because this was a new measure. But like Alice in Wonderland some people want to ask for more—one year and so on. Then why one year at all? You can say that all gifts should be exempted!

The question of *bona fides* is not so difficult. If the time that intervenes between the date of the gift and the date of death is longer, obviously there is a greater presumption that the thing has been done *bona fide*. But if it was done just on the eve of the passing of this Act, or if there was any transaction of gift done after January 1946 when this Bill was first introduced in the House, then known as the Central Assembly, you have to consider it. Any gift before that may be exempted, you need not challenge the *bona fides* of these gifts.

I am in a position to tell my hon. friend, Mr. Chatterjee, that during the last 12 months in the Bombay Registry more gift deeds and trust deeds have been registered than they were ever registered during a period of 12 years prior to that. Already princes and other people are so to say, moving from one solicitor to another; from one lawyer to another—eminent lawyers—requesting their advice as to how to avoid this duty. In these circumstances, actually you should have a period of five years, from the date of death. It makes no difference if the document is well written, the stamp is properly affixed or is attested by two witnesses—all these formalities are there—but the *bona fides* are to be proved not by the formalities but by some other circumstances which will clearly and conclusively prove that the intention was not to defraud the exchequer of its dues. But, here I need not dilate on that point. On the line of argument of my hon. friend, Mr. Chatterjee, undoubtedly the secondary motive may be to escape the estate duty but what Mr. Chatterjee calls as secondary motive I call as primary motive and the primary the secondary. In matters of crime *bona fides* are irrelevant if the act itself is legal but in a measure of taxation, especially in this country where the mercantile community and the rich people have reduced the non-payment of taxes to a fine art, it is absolutely necessary for the exchequer and the treasury people to visualise all possible consequences and try to provide for them. You know, in spite of the best efforts of

the Government, the Government was not able to collect more than a few crores of concealed and underground profits made during wartime. I think Government should be more cautious for which purpose what I would suggest is that the word '*bona fide*' must remain there.

Mr. Chatterji said that if the father divided his property among his sons by way of gift, why that gift should be subject to duty? If the man died without dividing, the sons will inherit the property; it will be shared by them. What is the harm if they pay a little by way of estate duty? You have earned because of the social institutions. The law of the land gives you the opportunity of earning crores of rupees. You must think that if the exchequer demands of you only a small share of that wealth, it is a very good bargain. Is it not your duty then to pay that tax as a good Hindu? I know it is. According to Hindu culture, you have three debts. देवऋण, ऋषिऋण और पितृऋण and I did राज्य ऋण. By उपासना, यज्ञ and सन्तान you discharge the first three debts. राज्यऋण you have to discharge by payment of estate duty. The point is that, so far as this question of gifts and their *bona fides* are concerned. I am firm on this that if you remove the expression "*bona fides*" and merely say "any gift made before two years of death", then it is much better not to pass this Bill because I can tell you in confidence that some Members of this House have already parted with their property, by way of gifts because they hope to live for more than two years. This is what is happening when the Estate Duty Bill is on the anvil All that you will be getting will be nothing you will have only incurred expenditure on collection machinery. I therefore warn you that if you really want revenue, no concentration of wealth in a few hands and removal of inequality, it will be a dangerous thing if we accept the logic of Shri N. C. Chatterjee and do away with the proving of *bona fides*.

Then about some gifts during marriage in the course of two years before death. This point has escaped my attention and did not occur to me and I am quite ready to consider it. Then, Sir, about the dwelling houses. So many people spoke about this and grew eloquent. If the dwelling house is so great a matter of sentiment, why not pay a little for it? After all, when we want to go to a temple we take the best thing and place it at the feet of God. If you feel that the dwelling house is something which must be retained, what is the harm in paying a little and retaining it? It is valued at the market rate and it may be two per cent., three per cent. or five per cent. duty,—whatever it is if you want to live there, you must give something.

Another gentleman claimed exemption of jewellery to the extent of Rs. 5,000. Who has got jewellery to the extent of Rs. 5,000 except the upper middle class and rich people? Are we for them or are we for the poor the 99 per cent. of the population? I shall make a note of every person who votes against this measure and shall visit their constituencies and tell the constituents: "Here is a man who is against the interests of 99 per cent. and so please take care as to who should be elected next time." Rs. 5,000 for Jewellary, 25,000 for a dwelling house, another 15,000 for insurance if we agree to these exemptions, there will be just a few persons here and there to pay estate duty. Most of us are poor people. Why worry about the rich? Sir, we should avoid all further amendments and pass this Bill. It is not possible to make it much stronger now because constitutional propriety requires that the Bill as reported by the Select Committee should not be radically altered. Subject to this, if any substantial point is made out, the House will surely consider it.

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The last thing I want to say is this. Some people ask: what will be the yield from this? The yield, according to some of us, will be anything from 12 to 14 crore of rupees. If some people are anxious to help Government and want to increase its revenue they can do it by accelerating death and I am sure, neither the society nor the Law Minister will consider such acts as crimes! I ask every rich man—I do not want to go into the genesis of his riches, they are always bad—to do at least one thing towards the end of his life, whatever may be his doings, his deeds or misdeeds. Before he leaves this world, let him list honestly whatever he has earned, and ask his successors to pay the honest share from it by way of estate duty. If he does that, I as a good Brahmin, promise him safe passage to Heaven!

Shrimati Jayashri (Bombay—Suburban): I thank you for giving me this opportunity to speak on this Bill.

After hearing the speech of Shri Gadgil, I think that much ground has been cleared. As he also informed the House, the Estate Duty Bill was considered a hurdle in passing the Hindu Code Bill. And now, I think, most of the Members are in favour of passing this Estate Duty Bill, I expect that there won't be much difficulty in the way of passing the Hindu Code Bill.

I welcome this measure as a non-violent weapon of reducing inequalities of income and wealth in our country. A non-violent system of Government is clearly an impossibility so long as the wide gulf between the rich and the hungry millions persists. We expect that as we have got *swaraj*, the welfare state, our people should be given all the social amenities like free education, free health services and many other social benefits. *Swaraj* won without sacrifice cannot last long. If our people are *Dan*-minded, charitable-minded, they should not grudge the Government which also should be looked upon as a sort of coparcener in the joint family. A father is willing to gift away four parts of his property to four sons. Government also should be looked upon as one of the sons, and a coparcener in the family, and it will be the duty of this Government to look after his children, and the father should also die satisfied that the Government will be there to look after the children. I am really glad that now there is a chance of getting some money for all the social services which are suffering for want of finance.

I would like also to request the Members of this House that after this Bill is passed, no difficulty should be brought in the way of passing the Hindu Code Bill.

However much I would like not to bring the legalistic approach to this Bill. I can say that the widow's position in our society is still the same, and unless it is improved, I am afraid she may have to suffer due to lack of sympathy from the coparceners in the family. Clause 31 deals with "Exemption of interest of a Hindu widow dying within seven years of her husband's death". I don't understand why this exemption is necessary. The widow has no absolute right, and her death should not be considered a second death. She has no right to will away the property or give it as a gift. So, I don't understand why this clause is necessary.

Mr. Chatterjee was kind enough to explain about the difficulties of a daughter. He took up our point, and explained that if a father wants to give a house to the daughter and if he is staying with her as a guest, he has to pay in order to show that he is not in absolute possession, but it is a gift.

The next point I would like to request the House to consider is about the gift of Rs. 5,000 which is exempted for the marriage of the daughter. I would like to know

whether this money can be spent as bride money, which will not be kept in trust for the daughter. As you are aware, some of us have brought Dowry Restraint Bills, and I would oppose if this money is to be spent away by way of bride money. I would request that some words should be added that this money should be kept in trust for the daughter whether for her marriage, or till she gets inheritance in her father's property.

Some of these points, I hope, will be taken into consideration, and with these remarks, I support this Bill.

Shri S. V. L. Narasimham (Guntur): I rise to support the Bill as reported by the Select Committee, but at the same time, I feel constrained to make a few observations on this Bill.

Mr. Gadgil has drawn the attention of the House to the directive principles of State policy as embodied in our Constitution. Separation of the judiciary from the executive is one of the directive priniciples of State policy. When a new legislation is sought to be passed, and it is sought to be administered, I asked: "Is it not just and proper that we should make a beginning to implement this principle?" Instead of allowing an appeal by an assessee to fight before the Central Board of Revenue, will it not be consistent with the spirit of the Constitution that we have an appeal heard by an appellate tribunal? The judgment of an appellate tribunal can be taken as final. That, I would respectfully submit, will avoid the cumbersome procedure that has been incorporated in the Bill to get relief by an assessee if he is aggrieved. The Bill, as it has emerged from the Select Committee, to my mind suggests that payment of estate duty shall be in the form of money. The Select Committee also took into consideration the difficulty of securing money in time to pay the duty levied by Government. That is why they have also recommended that the controller can give option to the assessee, and allow payments to be made in instalments. But I may ask the House to consider whether an option may be given to the assessee to offer a moiety of real property equal in value to the amount of duty levied, especially when, for the purpose of levying a duty, the controller himself has assessed the property. I would urge upon the Finance Minister to accept this suggestion of giving an option to the assessee to pay the duty by way of offering a real property.

I have got some serious misgivings about this Bill. In our country we find a large amount of foreign investment. Foreign firms have been operating within our territory, and making huge profits, which are practically carried away from our country into their own respective countries. In fact, most of these concerns are registered not in Indian territory, but in foreign territories. As such, most of the properties which have been acquired in our territory by the foreigners do not straightaway belong to them directly, but are owned by companies which have been registered outside our country. I would like to know from the hon. Finance Minister, whether in the case of death of persons who hold interest in those properties; the estate duty is to be levied or not. I shall seriously request the hon. Minister to answer this question in a categorical manner.

With these remarks, I would urge the acceptance by the House of the Bill as it has emerged from the Select Committee.

Shri Raghavachari (Penukonda): I rise to support the main provisions of the Bill and the principles and policies on which it is based, as a member of the Select Committee. I have listened to the arguments that have been so far advanced and the objections raised by hon. Members, as regards particular provisions as well as general policies.

In the Statement of Objects and Reasons of the Bill, it was stated that the property would, by this measure, be enabled to equally distribute it-

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self. That is only a claim that has been made, and not a thing which can be realised in practice. My hon. friend, Mr. Gurupadaswamy, the other day quoted the experience of foreign countries where the existence of an enactment of this kind for over decades has not materially affected the equalisation of property distribution. Even if it was there, it was negligible. I would further go and say that even that small increase was not necessarily the consequence of an enactment of taxation of this kind, but it might be because the people might have put in a little more activity and accumulated their wealth. Therefore, to my mind, the record of the experience of those countries, as well as our reasoning indicates that this reason for the Bill is really non-existent. But that is no reason to object to the passing of the Bill. The other reason is that the State must get some income. Certainly that objective is going to be realised.

There has been adverse criticism that the Government have been very clever in reserving the rates to be levied under this Bill for a supplementary Bill. This fact has no doubt had an effect favourable on the psychological approach of the entire House not knowing exactly what the rates will be. Everybody agrees that this Bill should be passed, in principle, even though the rates have not been indicated, and possibly the attitude of Members would not have changed even if the rates of duty had also been given. The reason, as I understood it, was that these rates must be subject to variation every year, or as often as the budgetary position requires it. To my mind, it appears that that argument is not available for not including the rates within this Bill itself, for the net budget of the Central Government is not going to be affected one way or the other, by the income that is derived as a result of the coming into operation of this Bill. The money raised under this new taxation goes only to the States. The real intention, however, seems to be that the rates may require revision often. But I am not aware what difference it will make, if the rates are included in a separate Act or in this Bill itself; for, every time it is only the Parliament that has the right to change the rates. So, the rates might as well have been included in this Bill itself, and thereby the criticism could have been avoided that the Government have cleverly withheld the rates from the Members, until after the passing of this Bill.

In fact, we made some attempts to know the position, and the hon. Finance Minister has given us an assurance that a Bill containing the rates would be introduced before this enactment is actually passed. Even yesterday I put a question to him, and drew his attention to the assurance he had given on the day when he introduced a motion for the consideration of the Bill; in reply to a question of mine he stated, 'After this Bill is passed'. I corrected him, and he said he would verify. I went to the library and verified the statement of assurance. I find that he has said, "Even before this is passed." When that is the position, the objection that the rates have not been given has not got much force, except that even the criticism of having managed the affair very cleverly could have been avoided.

I am a lawyer myself, and I found that many of the provisions incorporated in this Bill have been bodily lifted from the U.K. Act, or sometimes the Acts of other countries. The result is that oftentimes, even the spokesmen of the Bill are unable to comprehend the Bill or explain the provisions of the Bill. I have devoted some time and attention, and I find myself unable to explain the scope of the provisions of the Bill clearly. It is likely to lead to some confusion. Apart from that, this will also lead to some dangers in its enforcement.

I would then like to examine the arguments that have been advanced

against the Bill, and the hardships which it will result in. I would, for instance, take this question of the difference between the *Dayabhaga* and the *Mitakshara* families. Considerable arguments have been advanced in this connection. Broadly speaking, there is no doubt that the two systems of law do differ, and in one case only a fraction of an estate is liable to tax, whereas in the other case, the whole estate comes within the purview of this Bill. But it must also be conceded that in this country the rate of mortality and the incidence of deaths is such that they expose the estate in a *Mitakshara* family to frequent taxation. Supposing there is a father of a *Mitakshara* family and he has two or three sons any one of whom dies, then a fraction of the property becomes subject to tax. In the other case, if the sons or one of the coparceners die, the estate never entails the consideration for taxation at all. The real thing that must be taken into account in this connection is the rate of mortality. It is on that basis that we have to see whether the measures that has been envisaged is equitable or not. I for one feel that the estates in *Mitakshara* families are more often subject to taxation. In the other case, it is only when the older man dies, that the estate is liable to taxation. We also know by the experience recorded that when a person lives for forty or forty-five years, he generally survives till sixty or even seventy, whereas in the case of the younger aged, the incidence of mortality is more.

Therefore, that is one thing that makes a difference. Again, the exemption limit has been raised by about 50 per cent. in the other case. Therefore, though something can be said in isolated examples where you can say, by numerical figures, 'working out the mathematics, in this case there is some inequality', we must take the whole of the estates that come to be taxed and probably on the whole it may not be so much hardship as is imagined.

Again, Mr. Gadgil was referring to a point and I will only mention it and leave it at that. In the case of the *Mitakshara* family, there is always a restraint on alienability and the property is tied down. It cannot be dealt with as one pleases. Therefore, there is property preserved for taxation while in the other case it need not be preserved. I will only say that absolutely speaking, there is no inequality in the incidence of taxation between one estate and the other, but there are other considerations which really make some difference. Probably, as one Member suggested on the floor of the House, a preferential rate on the property in the case of the *Dayabhaga* would work to prevent this inequality. That may be considered.

Then, there has been some argument about the hardship and difficulty in not exempting a dwelling house. At one time, I was one of those who thought that it was necessary to insist upon the exemption of a dwelling house from taxation. But when we see that the exemption limit has been fixed at Rs. 50,000 and 75,000 and things that are exempted from taxation are again taken into consideration by way of aggregation, it matters little whether a dwelling house is exempted or not. For it is only in cases where the only property consists of a dwelling house and that house is to pay tax and the owners are compelled to live in that house and that house is to be sold or a portion of it is to be sold for tax realisation that difficulty or hardship does arise. But in cases where that happens to be the only property,—generally we do not expect the dwelling house would be worth more than Rs. 50,000. Mansions may be worth more than Rs. 75,000 and those who are possessed of such mansions will also be possessed of some other property from which they can pay the tax. Therefore, the non-exclusion of a dwelling house does not really affect very seriously or cause hardship except probably in very very

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solitary cases where the entire property consists of a dwelling house and it is really worth more than the exemption limit and they have no other means to pay the tax. In such cases probably if it is provided that whenever that house or a portion of it is to be let or to be sold, the proceeds are subject to the liability of paying the tax. That would meet the point. But such cases may not often happen.

Then one other thing I wish to submit is this. It was dealt with in the Select Committee and I have dissented on that matter. The appeal against the decision must necessarily be left to an independent judicial body and not left in the hands of a body under the control of the Board. After all, in an administrative machinery of this kind, when officers act under the control and instructions of a Board of the same Government, though I am not suggesting that because of that they must necessarily act prejudicially against the assessee and in favour of the State, nevertheless it more often makes for a good amount of confidence in the administration if an independent tribunal of appeal is provided for.

Then, there is one small point which I dare say has been missed and for which in due course an amendment will have to be moved. It is in regard to the costs of an appeal—line 15 of page 29, clause 61. The idea agitated in the Select Committee was this. When a person filed an appeal and succeeded in the appeal the original provision was that the man who filed the appeal and even succeeded must pay the costs; it was intended to alter it to the effect that the costs in such circumstances must be payable to him. I am reading from line 15:

> "Provided that where the appellant has been wholly or partially successful in any reference made at his instance, the extent to which costs should be borne by the appellant shall be at the discretion of the Board".

It should be 'the extent to which costs should be payable to the appellant' and not 'borne by the appellant'. That is a matter for amendment with which I dare say the Finance Minister would agree and accept to bring it in conformity with what the Select Committee wanted it to be rather than take advantage of a mistake in the draft or print.

Then the other and more important point which I wish to state is this. This is, no doubt, an extraordinary piece of legislation which runs or purports to run, against the clearly established conventions of law dealing with the rights of people who have property. A person has absolute rights over his property under the law as it exists in this country. It is also fundamentally guaranteed that he can deal with his property as he pleases. But there are a number of provisions in this Bill which take away those rights in a way. Of course, as a lawyer I really feel that many arguments that were advanced with respect to this, namely, that these are cases in which the gift itself is stated to be void or bad in law; but all the transactions must in law be as valid as it can be. But only they will be subject to the charge of paying the tax due to the State. Otherwise, a lawyer cannot understand that this legislation can take away all those rights and then say, 'All these gifts are null and void'. Certainly then this Act would be exposed to the charge of not being within the competence of this House as opposed to the fundamental rights guaranteed elsewhere. Therefore, all this objection of some provisions affecting the rights of people to make gifts and charities is not valid as it is always subject to this one limitation, namely, the liability to pay the tax. Therefore, all those other laws and rights under them are not seriously affected at all.

Then one thing more. We know, that in the case of many enactments which in their working and execution

affect the lives of people intimately, as in this case when the house of a deceased is examined and property is to be inventoried, the administration must necessarily find that with the best of honest intentions a number of opportunities and occasions may arise when people to be taxed are irritated. That is the case even in the best method of administration. But, as we know, in the usual course all and sundry officials will have to deal with it. More often occasions do arise, not necessarily want only but in the process of determination of disputed points, and then there will be a lot of irritation, and displeasure will come into play. I am sure the Central Government which has taken the responsibility of controlling the whole collecting machinery and of its administration has nothing to gain except the risk of exposing itself and its department to the continuous criticism that it has turned out to be a machine of oppression. That is one thing which, in practice, more often we might probably have to contend against. I would only urge that when rules and other details are to be thought of in the matter of determining the day to day administration of this enactment very great care should be taken to avoid opportunities for generating that kind of adverse criticism. Otherwise the Central Government will by an enactment of this kind in trying to earn something for the States take all the odium on itself which would hurt its popularity. That is what I wish to stress.

The exemption limit of Rs. 50,000 or Rs. 75,000 has also been the subject of criticism here. Some people have taken the extreme view and say that the exemption limit is too high and others who have more property and know the value of money now say that it is too little. Of course, we have tried our best to arrive at a conclusion which is fairly acceptable to the country as a whole; though nowadays when every property has appreciated as much as three-fold and four-fold, people who have property might feel that this is a measure contemplated for the only purpose of getting more revenue to the State. This exemption limit which affects a fraction of the total population of the State in comparison with the propertyless persons who are a multitude, may still be left to stand. The exemption limits are reasonable. I agree with Mr. Chatterjee that some of these clauses on the exemption limit in section 32 must really be excluded from aggregation under section 34. Otherwise, as he suggested, it might lead to no benefit but simply, as I have said before, to a lot of irritation; particularly so, when there is the wearing apparel for which we have given no value at all. But, if in the case of aggregation you have to value that also then it will create a nuisance to the people of this country. So also about books, pictures and other things. I would urge upon the Minister in charge not to include those things put under the exemption limit under section 32 in the latter clause regarding aggregation under section 34. It will otherwise mean that everything will have to be valued. There is no man who dies without a wearing apparel. Some of these matters should certainly be excluded from the aggregation.

Then as regards taxation of agricultural property. There is only one State, I think, which has not agreed to its agricultural property being the subject of this enactment there Naturally, residents of that State would have this difficulty when the agricultural property, where it is not subject to taxation, is included in the total value of the assessable property.

Shri Achuthan (Crangannur): It is an inducement to that State.

Shri Raghavachari: It may be. I am only concerned with how it works out. There is no question of argument that it is included in one State or another. But, so long as such a State might exist, the argument of taking the value of the agricultural property into the aggregation and then a higher rate of duty being fixed on it is really very bad. To

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avoid this also the Central Government might by putting such inducements or permissible pressure to make all the States fall in line.

I have submitted what I feel. Certainly amendments will have to be considered on their merits as they come in. I have suggested only one amendment and that is with regard to costs and I think there will be no difficulty for the Government in accepting it.

Dr. Krishnaswami (Kancheepuram): The Estate Duty Bill has had a long and chequered career and no one will grudge the Finance Minister a tribute for having preserved so long with such patience and succeeded at last in bringing a finished product to this House. We have now reached a stage, almost the penultimate stage, in this House when we will have the opportunity of suggesting amendments and modifications to this measure.

I should like at the outset to raise certain questions of principle; it is important from many points of view that we should find answers to these questions. What is the purpose of this measure? The inequalities which are due to inequalities in capital ownership and which consequently lead to inequalities in earning power have led many civilised States, many enlightened people to suggest that, there should be estate duties for the purpose of mitigating, if not removing, them. Society decides to salve its conscience once a generation by levying a capitalised income-tax on an individual's property. Accepting this to be the aim behind this measure, I cannot, however, adopt the view put forward with enthusiasm by my friends that the Estate Duty Bill achieves the objective of promoting significantly equality of incomes in our society. Recent researches have shown that the income-tax and super-tax have promoted more significantly equality of incomes, than death duties.

There is another misconception that has to be cleared at the outset. That the expectation of having to pay death duties has a repressive effect on savings and thus tends to diminish the national dividend aspect is an argument that has gained great currency. While there is some validity in this argument it is possible to over-emphasise it and to draw a gloomy picture of a decline in the savings of the community and a consequent diminution in our national dividend. Now the savings effected by individuals are due to a variety of causes—some rational, some irrational and other non-rational. Where individuals accumulate capital beyond a point, the prospect of property having to pay death duties does not lead to its being diminished; in other words, the accumulation of capital tends to be autonomous. Only when rates are very high, death duties have a confiscatory effect on large properties. But even here the men with large fortunes in order to avoid death duties make gifts *inter vivos*.

My hon. friend Mr. Gadgil who spoke with great emotion and propagandist zeal this morning referred to the fact of men with large fortunes being in a position to evade death duties by making large gifts during their lifetime. I should have thought that if he wished to clutch at the fortunes of these men the only alternative open to him was to have suggested gift taxes and a ceiling on the property which an individual could hold. His eloquence was misdirected and not all his attempts at making death duties high will help him to achieve that which he says he has in view.

The main argument against death duties that it diminishes the savings available to the community has not that force which it had thirty years ago. Thirty years ago no State would have considered seriously the proposal to utilise taxation measures for promoting the growth of public savings. Today we have come to realise that the

savings of the community can be augmented by individuals as well as by the State, and both have a part to play particularly in a Welfare State where a mixed economy is accepted and there is room for the public and the private sector. Today in estimating the effect of death duties on savings, we cannot afford to give a simple answer as in the past. If we ignore the effect of death duties on the small and middling concerns then, as the National Union of Manufacturers recently pointed out in a memorandum to the Chancellor of the Exchequer in the United Kingdom, there is a sharp decline in productivity, enterprise and savings which, although not large compared with those accumulated by established institutions and agencies, represents the result of individual effort and initiative. It would be a sad day, the Union points out, for the United Kingdom if private initiative declines appreciably in a mixed economy. I am mentioning these facts because in our zeal to adopt the Estate Duty Act of the United Kingdom we may ignore the small and middling businesses which in our country are likely in the near future to play a greater part in promoting productivity than even in the United Kingdom. If we ignore these facts, the community will come to grief and will have learnt no lessons from the experience of other countries.

The operative sections of this Bill range from section 5 to section 16. Sections 6 to 12 deal with property which is deemed to pass on the death of a person. Necessarily according to these sections, property which will not pass under the ordinary law is brought within the compass of the new Act. Sections 7 and 11 concern interests that "under the ordinary law will be deemed to cease", but which under the present Bill would be available for duty. Sections 8, 9 and 10 deal with gifts, while section 17 deals with companies.

I shall straightway proceed to deal with section 9 as this section is bound to arouse considerable controversy.

What is the purpose behind this section? What is the purport of the section as it has emerged? The purpose is to prevent individuals from making dispositions with a view to evading payment of estate duty. In the United Kingdom it was originally fixed at a 12-month period prior to death in 1894, and later on it was fixed at what was known as a three-year period and now it has been fixed at a five-year period. Today the five-year period is known as the 'vulnerable' or the 'statutory period'. In our Bill we have the two year period as the vulnerable or the statutory period for declaring gifts which have not been made *bona fide* to be the property of the deceased and hence assessable. I want the Finance Minister to go into this clause with some care. I shall, with the permission of the House, read the clause:

> "Property taken under a disposition made by the deceased purporting to operate as an immediate gift *inter vivos* whether by way of transfer, delivery, declaration of trust, settlement upon persons in succession, or otherwise, which shall not have been *bona fide* made two years or more before the death of the deceased shall be deemed to pass on the death;
>
> Provided that in the case of gifts made for public charitable purposes the period shall be six months."

I have looked up the corresponding provision in the English law and there it will be found that while the period is five years it is not "five years or more before the death of the deceased shall be deemed to pass on the death." There they have considered the five-year period to be the vulnerable or statutory period. There was no question of saying 'five years or more', because obviously those who had framed that clause came to the conclusion that if they put the period five years or more they might just as well have said that there was no vulnerable period and the vulnerable period stretches from the

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beginning to eternity. But if we are inclined to have a period let it be determined; let it be six, let it be eight or ten. But do not try to have a vague period so that you might rope in even gifts made outside the vulnerable limit.

What is the purport of this provision? Here we come to the question of *bona fides*. If a settlement is made beyond two years or more where does the question of *bona fides* come in at all? What does *bona fides* mean? If there is no settlement it is an absolute sham and becomes automatically assessable, because in the case of a gift which is not real and operative, irrespective of the fact whether it is *bona fide* or not, it becomes part of the property of the deceased. If it is real and operative beyond the two-year period, what else is required to make it *bona fide* and what is the test or consideration with reference to which the authority has to decide? Thirdly, what is the rationale of having a 'two years or more' period before death? If we are to give Estate Duty Controllers the power to rip open any transaction on the ground of its being faked even beyond the two-year period, why not substitute 'five years or more', because the same meaning can be given to 'five years or more' as to 'two years or more.' It would be vexatious to the ordinary tax-payer. This provision can be a formidable engine of oppression in the hands of the Estate Duty Controllers and whatever some of my friends might say about rules being observed, about certain regulations being enforced, we ought to bear in mind that if the statute gives inquisitorial powers to those who are in charge of collecting the duty, they will not hesitate to employ them. The debates of this House will not be perused by Estate Duty Controllers for finding out what the intentions of this House are on the matter. What will be perused by the Estate Duty Controllers will be the provisions of the statute.

Mr. Gadgil in the course of a powerful speech indicated those who evaded payment of taxes and demanded a tightening up of provisions of law. But the people who evade taxes are not the middle classes but those who are in affluent circumstances and who have the advantage of requisitioning the best legal aid to draft deeds and conveyances. Of them Viscount Simon has remarked appropriately in Latilla V. Inland Revenue Commissioners 1943.

"Judicial dicta may be cited which point out that, however elaborate and artificial such methods may be, those who adopt them are 'entitled' to do so. There is, of course, no doubt that they are within their legal rights, but that is no reason why their efforts, or those of the professional gentlemen who assist them in the matter, should be regarded as a commendable exercise of ingenuity as a discharge of the duties of good citizenship. On the contrary, one result of such methods, if they succeed, is, of course, to increase *pro tanto* the load of tax on the shoulders of the great body of good citizens who do not desire, or do not know how, to adopt these manoeuvres". But just because a few seek to evade payment of taxes we should not incorporate provisions in a statute which tend to penalise large sections of our countrymen, and work hardship and injustice on them. The evaders of taxes—evaders who take advantage of statutory loopholes—may not be many and in any case, the change in social climate would lead even our courts of law to adopt a construction of the statute more favourable to the community than to the evader.

Let me, however, deal with certain other provisions of this Bill which are closely related to section 9. Section 13, for instance, deals with joint investments. Where joint investment has been made and the person dies, the property which passes is assessable.

This section is meant to hit survivorship. If it is, however, one of devolution, the transaction cannot be touched by law. But even if it is treated as a survivorship, it must be considered to be essentially a gift at the time of joint investment. Then why not add it as an explanation to section 9 instead of having a separate and independent section? I would like the Finance Minister—both from the point of view of clarity and from the point of view of justice—to consider whether joint investments are not a form of gift and whether the same rule should not apply to joint investments as apply to other types of gifts. It is customary after a person's death for the survivor to get the whole property. If this money can be considered to be a sort of gift then why not put it under section 9 instead of having an independent section where there is no time-limit fixed?

Shri A. M. Thomas (Ernakulam): Is it absolutely irrevocable?

Dr. Krishnaswami: It is absolutely irrevocable; at any rate according to section 13, the whole transaction is considered to be irrevocable. If it is revocable then, of course, no question of a gift arises.

Let me proceed to deal with section 11. Here I would like to point out to those who have taken some trouble to peruse this section that this is the most difficult and incomprehensible section in the whole Bill. I tried to find out what the meaning of the section was. I tried to find out what the legal sense of that section was but, in spite of my having tried so hard, I must regretfully confess my inability to interpret it. Keenly conscious of my inability to understand either the grammar or the legal sense of the clause and aware of the duty that I owe to this House I decided to send an amendment to the effect that the clause be deleted altogether. A legislator cannot be privy to passing that which is un-understandable. But I am quite willing to revise my attitude if any of the legal luminaries in this House or outside can throw light on this clause and the grammatical meaning of it.

Let me now consider section 21. Section 21 is one of those sections to which strong exception has been taken by several citizens and on legitimate grounds. The explanation to this section covers clearly two classes of cases. I wish many of my friends, when they have time and leisure, to read it carefully. There are very many legal consequences arising from that section which require to be pondered over carefully. This section and the explanation cover two classes of cases. Firstly, we may envisage a third party creating a trust but constituting himself a trustee and the beneficiary having a lawful guardian other than the settlor. Secondly, there is the case of the settlor being himself the lawful guardian and the trustee under the settlement. It is not clear whether the explanation is intended to apply to the latter category as well. If it is, it is inconceivable and next to impossible to understand what is meant by *bona fide* assumption on behalf of the beneficiary. Obviously there cannot be physical delivery or transference of possession. By the very creation of a trust, the possession of the erstwhile owner becomes automatically converted into possession of the beneficiary by the trustee on his behalf. Therefore, the words *bona fide* assumption of possession will in practice enable the estate duty authorities to refuse to recognise settlements where the settlor, guardian and trustee are the same person. What social policy is promoted by penalising such transactions, I cannot for my life understand. In fact it looks as though a guardian must be in search of a trustee—a stranger who in many cases will not have anything like the interest which the guardian has in the welfare of the beneficiary.

But assuming that this policy is justified, what justification is there in insisting on a five-year period in the case

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of third party settlors acting through the medium of a trust and when there is *bona fide* assumption of possession by the guardian? What is the rationale in insisting on a five-year period, especially as a trust is in essence a gift or settlement? Why should the mere form make any difference especially when reservation of benefit is excluded? I suggest that the five-year period be deleted and the section added as an explanation to section 9.

Whenever hon. friends either on this side or on that side talk of *Mitakshara* or the *Dayabhaga* system of law I am reminded of the great animation and heat that was developed in Wonderland over the question of who was the superior—the Duchess or Alice. So far as the *Mitakshara* system is concerned, it is accepted that the moment an individual is born into a joint family he acquires an interest. An individual has the power to separate from the joint family and so long as the amount of disposable interest which he acquires on separation can be identified, I do not think that we are making a very serious mistake in levying an estate duty on his share.

So far as the *Dayabhaga* system of law is concerned it depends on what Lord Watson described in the Privy Council as 'obstructed heritage'. Here it is a case, not of survivorship, but of succession.

Clause 31 deals with what is facetiously termed as 'exemption of interest of a Hindu widow dying within seven years of her husband's death'. The marginal note is most misleading. There is no exemption of the interest of a Hindu widow. The Hindu widow acquires a life interest, and on that life interest we are called upon to levy the same duty as on absolute interest. I think it is manifestly unjust, and the Finance Minister should look into the matter and find out whether the life interest may not be totally exempt, or, if that cannot be done, whether at least a half-duty may not be levied on it.

Secondly, on the widow's death it is not her interest that passes. So her interest is not exempted.

Now, in considering this clause I want to point out to the Finance Minister that here what is sought to be done is to see that when a Hindu widow dies within seven years of her husband's death and the interest devolves upon persons who were members of a coparcenary immediately before or after his death or any of them, no estate duty shall be leviable. I should like to know why it should be necessary that the exemption should be narrowed only to the cases of Hindu widows in a joint family. Particularly in view of the fact that the clause starts with the words "where on the death of any person governed by any school of Hindu law", in view of this preface I think that the concession should be extended to all who take under any system of Hindu law whether it be the *Dayabhaga* or *Mitakshara* system of law or *Aliasanthanam*, or even where it is a case of self-acquired property passing to the survivor. Because, if it is a concession that is to be given, it has to be given all round and not given only to one particular section.

I now proceed to deal with a threat made by Mr. Gadgil. The hon. Member challenged those who did not toe the line with him to face the people. I accept the challenge. He threatened to expose us. But I hope he realises that this measure contains many flaws and that no legislator worth his salt could afford to remain silent. Nor can it be maintained with any show of reason that this measure is likely to promote an egalitarian society. What we have got to decide is not as to whether we believe in some philosophy, but whether this measure is fair, whether it promotes justice and whether it is likely to affect incentives in our community. On the subject of exemptions he was most eloquent and denunciatory of the upper classes. But

the exemptions that we plead for may benefit the community and the middle classes for whom we profess sympathy but whose interests we neglect. There is, I believe, considerable force in the contention of numerous chairmen of Insurance Companies, that the exemption limit is how and that this measure is likely to hit the savings of the middle class. To the Finance Minister who is gifted with a keen prescience on economic matters I suggest a reconsideration of certain aspects pertaining to exemptions. He at any rate is not as wooden as my friend Mr. Gadgil the unofficial sponsor of this measure.

In the Income-Tax Act, as we know, the exemption limit granted by the taxing authority for insurance policies is one-sixth of the income up to rupees six-thousand. If we take the working life of an individual at 25 years; the maximum exemption that he obtains would work out at Rs. 1,50,000. Here the amount that we are intending to give to the individual would be a niggardly pittance of about Rs. 5,000.

Shri Gadgil: It is because he is given so much in life. He has already cashed in.

श्री टी० एन० सिंह (जिला बनारस —पूर्व): अन्तिम संस्कार के बाद ।

Dr. Krishnaswami: I should have thought that there ought to be some sense of proportion in fixing the amount which you give in a case of, what I would call, capitalised income-tax. I do not suggest you should fix the upper limit at Rs. 1,50,000. But there should be some relation between the amount exempted and the value of the estate. I have suggested in an amendment that the exemption limit might be fixed thus; one fifth of the principal value of the estate or rupees fifty thousand, whichever is less, may be exempted. Now the purpose of my suggesting this amendment is to encourage the saving habit between the ranges of income of Rs. 50,000 and Rs. 2,50,000. So far as savings going into insurance companies are concerned, they stand on an entirely different footing from savings effected in the shape of jewels and such other articles. The savings in insurance companies are available to the public sector in an emergency. They would be useful at any time. They would be available for financing capital development projects. Besides, you would also have the satisfaction of giving an incentive to the individual to save and make those investments available for the community.

I now pass to the aggregation clause over which there is controversy. The section to which some of my friends took exception was that relating to aggregation and here let me read the clause for determining the rates of estate duty to be paid:

> "For determining the rate of estate duty to be paid on any property passing on the death of the deceased, all property so passing excluding property on which no estate duty is leviable under section 34, but including property exempted from duty under section 32 and agricultural land situate in any State not specified in the Schedule shall be aggregated so as to form one estate and the duty shall be levied at the rate or rates applicable in respect of the principal value thereof....."

Now why should we include the exempted articles for purpose of aggregation? It may be pointed out that so far as the income-tax is concerned that is what is being done and the same practice must be followed in the case of estate duty. But there is this vital difference. In the case of income-tax assessment the beneficiary is the same as the assessee whereas in the other case the assessee and beneficiary need not be the same. Therefore, it is not right or proper that we should have these exempted things aggregated together. Besides, agricultural land, which is not mentioned in the Schedule should not also be brought in because

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you have no legislative power to tax it. You cannot get it by any indirect method and, therefore, that also ought to be omitted from the aggregation clause.

I have considered certain aspects of the measure that has been presented by the hon. the Finance Minister at length. But it is not possible to deal with all the complicated provisions of this Bill. It is a new measure. The Bill has been introduced with a view to achieving a social purpose. Not revenue but minimisation of economic inequalities is the main objective. I ask, therefore, whether it would not be better if the rates of duty could be part of this Bill, and not part of the Finance Act. I believe it would be advantageous to have the rates included in the Estate Duty Act; each time we seek to change the rates we would have an opportunity of reviewing our social policy. That concentration of attention on social policy would not be possible, if it is part of an annual financial enactment. Furthermore the exemptions granted under this measure are not subject to annual changes as import duties, income-tax and such fiscal measures. They are varied as to take account of economic changes. Here no changes can take place since estate duties are a capital tax. Also the income realised from estate duties is a fraction of the annual receipts from other taxes. Both from the point of view of quantum and considerations of social policy, the rates need not form part of an annual measure. This measure when passed will, however make a milestone in the progress of our country and all of us irrespective of party will, I hope, co-operate in making it a success.

Shri Mohiuddin (Hyderabad City): There has been a long controversy over the provisions of clause 9 regarding gifts. Some hon. Members have suggested that the period for exemption of gifts from the assessment of duty should be extended while others have expressed the contrary view. Now, what is the purpose of gifts? The hon. Member opposite, Mr. Chatterjee, has explained and given quotations from decisions made in England that even if the intention is to evade the duty it is a legitimate and permissible intention. Now, the expression "*bona fide*" that has been introduced in the clause will lead to unlimited litigation. As the purpose of this Bill is to reduce inequality, in wealth, I suggest that the scope of the exempted gifts should be reduced as much as possible. Gifts have been allowed in the Estate Duty Act in England as well as in America but the American experience has been that in order to evade the duty there has been a large number of gifts given to heirs, sons, nephews and so on. In order to minimise the inducement to evade estate duty by giving away the property as gifts before death, the American Act was amended in 1935, and it was provided that gifts up to 30,000 dollars may be exempted from the estate duty, and gifts beyond 30,000 dollars should be assessable at three-fourths of the rates that are levied for the rest of the property. In order to avoid this unlimited litigation that may arise from the use of the word "*bona fide*" in clause 9, I suggest that some such amendment may be introduced under which gifts will always be, without regard to the party to which they are given, assessable at a reduced rate, whether three-fourths or half. That, of course, is a matter for consideration. This suggestion I make because gifts are intended only to evade the tax, and as the primary object of this measure is to reduce the inequality in wealth, such an intention to evade the tax should be counteracted.

Dr. Krishnaswami has just mentioned that joint investment should be treated as a gift. I am afraid joint investment is only a convenience. I do not think that joint investment has ever been treated or could be treated as a gift. Shares are held in the joint names of the wife and the

husband only as a matter of convenience, so that if one dies, the other has not got to go to a court of law for a certificate of inheritance to show that the surviving party has the right to draw on it. Similarly joint names in bank accounts, securities and shares are only a matter of convenience, and unless they are given as a gift, they should not be and could not be treated as a gift.

A suggestion was made yesterday, and also it was made before, that a provision should be made in the Bill that immovable property like houses and lands should be accepted in payment of duty by the Government. It has been suggested that this provision should be included in the Bill as a protection against over-valuation of the property by the controller who administers the Act. Providing that the property should be accepted in payment of the duty does not solve the problem of over-valuation or under-valuation, and I am afraid that if such a provision is made, every unsaleable house will be offered to Government in payment of duty on the ground that it has been over-valued. The purpose of the tax-gatherer is to get the money, and if there are any suitable palaces or grounds or lands which some department of the Government or some State wants to purchase for their use, they can do so; they can purchase it and hand over the money to the Government in payment of the estate duty. This under-valuation and over-valuation has been causing some excitement among some Members—that it may be a sort of oppressive measure, that people may have to suffer from it unless some necessary provisions are made to protect them. Although the investment habit has not yet made very great progress in India, yet I am sure that the difficulties that may arise in valuation will be only in respect of a small proportion of the total assets, that is to say, in regard to household property, furniture, carpets and so on. If the suggestion that has been made, that for purposes of aggregation the exempted property like the utensils and apparel should not be valued, be accepted, the difficulties about valuation will be still reduced. In England, over 90 per cent. of the property consists of that kind of property which can be easily valued. I was surprised that of the property assessed for estates duty in England in 1951-52, 71·73 per cent. consisted of shares securities (Government and Municipal), insurance, money lent on mortgage, cash and so on; and 18 per cent. consisted of land and houses; and only about 10 per cent. of other kinds of property like trade assets, household goods, jewellery etc. There will be a large source of evasion in India in the form of jewellery, gold and silver. These household assets may bear a larger proportion in India. There will be considerable evasion in these items of property. I do not know how this evasion can be avoided or checked. In the present Bill there is no provision in this respect.

I am glad that Mr. Gadgil has to a certain extent agreed to consider the arguments put forth on behalf of those who are pleading for persons belonging to non-*Mitakshara* school of inheritance. It has been claimed that in the long run there will be no discrimination between the two schools, the *Mitakshara* and the non-*Mitakshara*. Whatever arguments might have been put forth for and against the provision, I wish to suggest that one of the fundamental principles of taxation is that a tax-payer should feel that the tax is just. In the case of non-*Mitakshara* inheritance, there is no doubt that the person who is on his death-bed, or the person who has got to pay the tax, has no consolation from the hon. Finance Minister's assurance that in the long run there will be no discrimination between these two schools of inheritance. That in the long run there will be no difference which can justify the discrimination that is bound to arise out of the exemption limits which have been proposed in the Bill for *Mitakshara* and non-*Mitakshara* families. I would like to suggest that the proportion of the limits for exemption should be changed.

[Shri Mohiuddin]

I wish to draw the attention of the hon. Finance Minister to one likely difficulty that may arise in regard to the assessment of the value of the land for the purpose of aggregation. I entirely agree that the value of the land should be included for purposes of assessment. But the tenancy laws in the various States are still in their formative stages, and are not yet complete. For instance, in Hyderabad according to the existing tenancy law, a landholder is the owner of the land, but his right to dispose the land is restricted. The restriction is so stringent that as a matter of practice, though he is the owner of the land, he cannot sell it. If after the Bill is passed, a land holder with a large area of agriculture land in his possession dies, it should be seen that the rights to dispose of are interpreted in the spirit in which they have been enacted, and the tenancy laws in force in the various States are also taken into consideration.

With these few remarks, I support the Bill.

Shrimati Kamlendu Mati Shah (Garhwal Distt.—West *cum* Tehri Garhwal Distt.—*cum* Bijnor Distt.—North): Sir, I thank you for the opportunity you have given me. Since so many learned hon. Members have already studied and scrutinised all the important points of this Bill, and after doing so, have submitted necessary amendments to improve it, I find there is very little for me to say. However, keeping this in view, I will try to be as brief as possible.

To improve the economic conditions of our country, the idea of reducing disparities in wealth is a very sound one, but it is only fair to examine this aspect from other angles as well.

This Bill is quite new, and is of vital importance to our people; so great care will have to be taken, not to handicap the interests of the general public. It is difficult for even educated people to understand the complicated meanings of this Bill, what to say about uneducated women and minors who may not have the means to get legal advice. Further, according to clause 34, it is going to seriously affect many of them, who may be deprived of even a shelter over their heads, having nothing else but an ancestral house, beyond the exemption value limits.

Considering clause 9, it will be unfair to insist upon a limit of six months, for making gifts in charity and in such other manner, especially when death occurs due to fatal accidents or unforeseen calamities, where there is no chance of a person making a gift to escape death duty. Similarly, the time-limit for making gifts for charitable purposes, as well as the amount-limit of that charity, is very low indeed. It is not advisable to hinder and discourage a person from doing a good deed, like making gifts to such institutions as always thrive on the private philanthropy of the rich. It is not right to deprive these institutions of their donors who work for the good of the needy, especially in view of the fact that many of these institutions are running at a loss, and are in need of more and more money and, moreover, the Government are not able to provide the necessary finance. It should be the Government's policy, in their own interests, to encourage and foster such donations instead of letting these institutions suffer, by limiting the donor's activities, apart from touching the sentiments of the deceased at his death-bed, as will happen, if this Act were to come into force. I feel, therefore, that it would be only right to exempt all the above cases from duty, excepting in the case of clause 9, where the limit should be made one year.

Then there is, in clause 30, quick succession relief to property on second and successive deaths. Here, the limit of three months is very low, whereas in other much more advanced countries, with a much lower rate of mortality than in our country, like the U.S.A., Japan and Chile, the limit is five, and even ten years respectively.

It will also be helpful, in most cases, to accept duty in kind, instead of insisting on cash, as it will be simply impossible for the assessee, chiefly a minor or a widow, to find a market for his or her property, with the result that, it will have to be given away even for less than half the price. The Government should also consider the question of exempting dwelling houses, in clause 32, for sentimental reasons, or at least, to save the family from being forced to live under a tree, or in a park, under the bridges or on the pavements.

I understand that this Bill has been introduced to catch the very rich few, such as princes and others. If they are caught, well and good, but I am afraid, and I am sure about it that instead of the rich, the middle classes will be affected by it. These will suffer extremely with the result that they may begin to feel that they are being wronged by the Government. So, if we are to copy and follow the much more advanced countries by introducing this Bill, we must, in my opinion, copy and follow the other parts of their policy as well. It is good to copy things, but then we must copy them in every way. I understand that even other countries are not finding this Act very satisfactory now. To make this Bill a success, and to gain people's confidence and goodwill, we must provide them with comprehensive advantages for economic and social security against unemployment, old age, sickness, widowhood, infirmity, and other such positive benefits that are made available to every man, woman and child in those countries. When such security and amenities are guaranteed, our people will not think of merely making money and keeping it for a rainy day. They will become less corrupt and miserly, more honest and useful to the society, and will be able to serve their country and kind with greater enthusiasm. I have noticed in other countries people easily cooperate with their Governments and are helpful, sacrificing, considerate, etc., towards their country, and abide by their laws, in spite of paying more than half their income in different forms of taxes. It is simply because they are made to feel secure by being given the above-said facilities. If a man's mind is free from anxiety for his own and his family's security, he will naturally be a more useful and better citizen, and less of a money-hoarder. So it is very necessary to make provisions, on the lines followed by Great Britain, the United States of America and even Russia, so as to enable those who will be reduced to a miserable plight by means of this Act, to keep their body and soul together. Otherwise, it will be like putting the cart before the horse.

I want to point out one more thing that I find other Members have not touched. We have to consider the security of our culture and traditions, relics and monuments also. With such a low exemption limit, as in clause 34, there will be no chance of augmenting or even maintaining them. We already hear of the fate that our fine libraries and treasures are facing today. This Bill will completely cripple them, as no one will be rich enough to take interest in the heritage we once were so proud of and which was greatly admired even by the foreigners. All of these will tend to become a thing of the forgotten past.

Today we are rehabilitating the homeless, but those with some land and a home are being deprived of what belonged to them since generations, with the result that people are becoming desperate, with no security or surety of any kind, which is not a healthy sign for a free country and a secular State with self-rule. So great care will have to be taken all along about what laws we introduce to avoid an unpleasant result of not paying heed to people's reasonable demands and grievances.

Shri S. S. More: Sir, this particular measure, which even some of the Members from the Opposition welcome and support, has a two-fold object. One is the fiscal object, and the other the social object. In the Statement of Objects and Reasons it has

[Shri S. S. More]

been stated that the existing inequalities in the distribution of wealth have to be corrected or rectified to some extent by this particular measure. We feel that taking into consideration the conditions and the experience of other countries where such measure has been in operation for more than half a century, this particular social object of reducing the economic inequalities will not be so successfully achieved. We feel that Government ought to have taken courage in both hands and gone further. At least, I am one of those who feel that in the light of our Constitution which promises equal opportunity for all, even inheritance ought to be discontinued, so that the sons of a rich man with colossal property and the sons of a poor man at least shall have equal opportunity to begin their life. But, unfortunately, inheritance is maintained. The rich people are allowed to inherit the property of their ancestors, subject to certain restrictions as provided by this particular measure.

But I do not want to be rather extreme in my expectations about the present Government. I do recognise that the Congress had promised in the preamble of the Karachi Resolution that when political freedom came, that political freedom must ripen into economic freedom and political equality must develop into economic equality. In the light of that promise, this is an attempt to go in that direction, though not to our satisfaction, and to that extent I welcome this measure.

As far as the rates of levy under this measure are concerned, clause 34 provides that they will be fixed subsequently by an Act of Parliament. Of course, many Members have been insisting that Government ought to have placed their cards on the table and even in this measure incorporated the rates of assessment as far as estate duty is concerned. But I know the Finance Minister is a shrewd gentleman who wants to make this measure as acceptable to all the sections of the House as possible. If he really came out with his rates, possibly some of his present supporters would disappear, and, therefore, he is not prepared to take that risk. I am also reminded of a proverb: 'A dog barks ere he bites'. Of course, the Finance Minister will excuse the analogy, but he is just showing his teeth by bringing in this measure. Possibly the biting will have to be done by another piece of legislation and possibly then many Members will realise the sharpness of the teeth.

Mr. Deputy-Speaker: There is what is called *Heenopamana* in Sanskrit. There are many ways of having analogy. But, as far as possible, hon. Members will try to raise the level of the analogy.

1 P.M.

Shri S. S. More: A dog is a very faithful animal. Government members are also supposed to be very faithful. In that respect, Sir, my analogy is very apt.

Shri V. G. Deshpande (Guna): It is very watchful.

Shri S. S. More: Then I suppose to address my remarks to some of the provisions. But before I go to the particular clauses, I must again refer, and try to refresh the memory of the Finance Minister, to the points which I raised when I first spoke, when this measure was taken up on the floor of the House. On that occasion, I was particular to refer to the case of the privy purses of the Princes and their colossal property. I was also particular to refer to some of the articles of the Constitution and to some of the covenants which the Government of India were forced to enter into with these Princes in order to secure the merger of their different States. But much water has flowed since then. When I spoke first on this particular measure, I expressed my apprehension in as clear terms as possible, that in the light of the particular articles of the Constitution and the different terms of the agreements, the privy purses and the private properties of the Princes would not be

amenable and would not be subject to this particular taxation. So in this Bill as has emerged from the Select Committee, though to a query by one of the members the Finance Minister was kind enough to say that the Princes would have to be subject to this levy, unfortunately that point is not made out so as to leave no room for any doubt. They should have had a specific clause at the relevant place in this particular measure saying that for the purpose of removing doubts, it is laid down that the privy purses and other private properties of the Princes will also be property in the sense in which it has been defined in this particular enactment. Possibly, the Treasury Benches may say that it is a matter for interpretation. As far as we are concerned, we are clear in our mind that this particular measure is comprehensive enough to embrace even the Princes. But I think it is much better to err on the safer side, and particularly when there is the fearful possibility of the largest fish—I mean the sharks—escaping from your hands, it is much better to err on the side of superfluity and be very specific in your declaration that we do intend to subject all the Princes to the imposition of this particular levy. This sort of declaration has been made by Government on one particular point—I refer to the explanation to clause 7 on page 5:

> "For the removal of doubts, it is hereby declared that the holder of a *Sthanam is* neither the holder of an office nor a corporation sole within the meaning of this subsection".

If they thought it advisable and necessary to make such a declaration in the case of a *Sthanam,* why do they not do the same thing and make a similar declaration in the case of *Samsthanams*? They ought to make a similar declaration and if that sort of declaration is made we shall be on more secure ground. I do appreciate the apprehensions of the industrial magnates. Of course, they are doing their best to wriggle out of the whole thing. If we read the minute of dissent which has been appended to this report by Shri Tulsidas Kilachand we can very well see how they are fighting tooth and nail to sabotage the whole scheme of estate duty. But, at the same time we must give an assurance to the industrial magnates that we are not discriminating only against them. We are also equally anxious to rope in other fat rams and our knife is not only meant for the industrial or commercial interests but our knife, the sharp knife of the Finance Minister, is also designed and sharpened to go against the fat rams of the feudal lords.

Shri V. G. Deshpande: Now, he says that the Government is a butcher.

Shri S. S. More: Then I would come to the particular clauses. Before that, I must preface this discussion of the Bill with a general demand. Our eminent lawyer, Mr. Chatterjee, has very frankly confessed that some of the clauses are very terse and they defy easy interpretation. Simplicity is not their virtue. I can at least confess the same way. Take for instance clause 11 which has been pointed out by Dr. Krishnaswami. I need not go to other clauses. I think if anybody wants sure headache he can go to the clauses and his desire will be satisfied. I have done my best to fathom into it but it is as difficult to fathom the meaning of these clauses as it is difficult to fathom the smiles of the Finance Minister. He smiles in an inscrutable manner and on many occasions he legislates also in an inscrutable manner. I believe he seems to be briefed by the lawyer class. If this measure is brought on to the Statute Book.....

Mr. Deputy-Speaker: The hon. Member belongs to that respectable community.

Shri S. S. More: So, Sir, I can speak with better experience and authority. My fears are that if this Bill is placed on the Statute Book, a crop of cases, a bumper crop of cases would be the result. This measure is designed against the rich and the rich people

[Shri S. S. More]

have long purses enough to purchase the best intelligence in the country as far as the interpretation is concerned. Every time we will have to go to the English statute. Possibly, the result will be that after a protracted trial extending over years, possibly the Supreme Court or the final tribunal as visualised in clauses 62 and 63, will come to the conclusion that the meaning of property is not clear and that a particular species of property is not covered by the definition of property. Some of the clauses will have to be redrafted and recast. It is no use bodily lifting the clauses from the English Statute Books because there they have become the subject of a long line of judicial decisions. We are treading on new ground. Therefore, I would rather request the hon. Finance Minister to recast these clauses and not to keep them in the terse form in which they are. They should be recast with simple human meaning which we, with our limited intelligence, can grasp completely. This legislation is not meant only for legal luminaries or legal practitioners. The average man who is likely to be subjected to the imposition of the levy must know where he stands. If he reads these provisions, he will not know what particular property will be subject to imposition and what will be exempted. Therefore, simplification of the language is the first requisite that I would urge upon the attention of the Finance Minister.

Then, in clause 5 it is mentioned:

> "In the case of every person dying after the commencement of this Act, there shall, save as hereinafter expressly provided, be levied and paid upon the principal value ascertained, as hereinafter provided, of all property....."

The word 'property' has come in this clause. Now, in the definition clause property is defined as follows:

> "'property includes any interest in property, movable or immovable, the proceeds of sale thereof and any money or investment for the time being representing the proceeds of sale and also includes any property converted from one species into another by any method."

This definition, barring the amendment made by the Select Committee is taken from the English statute. If we go to the case law there, this definition of property has been extended to include even future actionable claims. Supposing, a man dies not on account of natural causes but by meeting with an accident; he is knocked down by some motor and the motor happens to be a rich man's car and the driver of the motor was negligent in driving and therefore, the death was due to an actionable tort. What will happen? The man dies and the right of suing for the death caused survives to the heirs. What will happen to this sort of right? Will it be treated as an actionable claim in the interest of the deceased or will damages secured by the successors after fighting in the courts be treated as their own acquisition? For ready reference, I would rather refer the Finance Minister to Green, Volume I, where he has given different species of properties.

There is another definition, as far as the word 'property' is concerned. Under the Transfer of Property Act we have got some limited definition of property but that is not enough for our purposes. Therefore, I would again bring to the notice of the Finance Minister a definition given under the English Conveyancing Act which is more comprehensive than the definition that we have in this particular enactment.

> "Property includes real and personal property and any debt and anything in kind and any other right or interest in the nature of property whether in possession or not."

I believe that this definition given under the English Conveyancing Act is much more comprehensive and it covers a larger area and even actionable claims which I mentioned. But, if we allow the present definition to go unamended and made without being more elastic and comprehensive, possibly the particular instance that I have quoted above, a sort of actionable claim or claim for damages will not be covered by this particular definition.

Then, I come to clause 7. Clause 7 is also a bit difficult to interpret. This complaint about its resistance to easy interpretation will be a common complaint and I have to say that under this and some other provisions the Finance Minister and the Government should see that proper illustrations are given in order to elucidate the meaning of the enactment.

In the British Parliament it is not the practice to give illustrations in any enactment. But, on certain occasions, even they have gone beyond their usual practice, particularly under the University Elections Regulations when the single transferable vote had to be explained. They were particular to give illustrations to throw more light on the actual meaning of the particular section. As far as Indian legislation is concerned, we do not observe any such taboo. Our Evidence Act, for instance particularly the first few sections up to 33 or 35 are very terse and no one can understand the significance of these sections, the scope and ambit of these sections unless illustrations are also studied. Even under the Penal Code some illustrations have been given to clearly specify and distinguish the offences contemplated in the body of the sections. I will frankly confess, Sir, that when I could not follow particular clauses in the report of the Select Committee, I had to go to the original Bill. The notes on clauses where some of the illustrations are given were very useful and enabled me to grasp the exact meaning of the section. If apt illustrations are given under particular sections, we shall be in a position to get more light on the abstruse form of that particular section.

Mr. Deputy-Speaker: The hon. Member may continue his speech tomorrow.

The House then adjourned till a Quarter Past Eight of the Clock on Wednesday, the 12th August, 1953.