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**LOK SABHA DEBATES**  
**(Part II—Proceedings other than Questions and Answers)**

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**LOK SABHA**  
*Thursday, 7th April, 1955*

*The Lok Sabha met at Eleven of the  
Clock*

[MR. SPEAKER in the Chair]

**QUESTIONS AND ANSWERS**

(See Part I)

12 NOON

**MOTION FOR ADJOURNMENT**  
**SALES TAX ON INTER-STATE TRADE**

**Mr. Speaker :** I have received notice of an adjournment motion.

The subject is:

“The situation created in all States of India as a direct result of the continued levy of sales tax on inter-State trade, as a consequence of which the ordinary trade channels between States are threatening to break down. This was reflected in yesterday’s demonstration and hartal of the merchants in Delhi and throughout India, which is likely to continue.”

May I know how this comes within the principles on which adjournment motions could be tabled, and which I have so often stated in this House?

**Shri A. K. Gopalan** (Cannanore): I know that sales tax is a State subject, but I would like to make this submission. The Federation of Delhi Trade Association has said in the memorandum that was submitted that there was an agreement between the Central Government and the State Governments. But notices have been sent to them contrary to the agreement; notices

have been sent to them saying that within sixteen days from the date of the issue of the notices just as in the case of land revenue these taxes will also be collected. The Central Government, it is said, have made some arrangements with the State Governments in this respect, and there was some agreement between the Central Government and the State Governments. It is as a result of the failure of or non-implementation of this agreement that this thing has occurred.

Secondly, not only in Delhi, but in other parts of the country also, there was hartal and other things. So, it is the responsibility of the Central Government, if there has been such an arrangement; and if it has broken down, we would like whether there has been really such an agreement, and what the position of the Central Government is in this matter.

**The Minister of Revenue and Civil Expenditure (Shri M. C. Shah):** Shall I explain the position?

**Mr. Speaker:** Yes.

**Shri M. C. Shah:** The position is this. As the House is well aware, sales tax is an item under the State List. It is item No. 54.

With regard to inter-State transactions, there is article 286. There was some doubt with regard to the interpretation of the explanation to article 286(1), and the matter went to the Supreme Court. And the Supreme Court has decided that a State can tax non-resident dealers with regard to the delivery of the goods made in that State. Taking advantage of the Supreme Court’s judgment, the States wanted to tax non-resident dealers with regard to the goods delivered in

[Shri M. C. Shah]

those States. There was a great deal of harassment as a result of this. Those non-resident dealers had to get themselves registered in those States. They had to take their account-books there to show to the sales tax officers, and there were so many other harassments like that.

These things were brought to our notice. We called a conference of the representatives of all those States, and we just came to an interim arrangement whereby certain harassments were eliminated.

In this case, when the matter was brought to our notice, we immediately enquired whether there was any breach of the interim arrangement. So far as the facts ascertained are concerned, the position is that an officer of the U.P. Government is posted here, who asked those non-resident dealers to file returns with him; they did not; he issued notices to those non-resident dealers and when the non-resident dealers did not co-operate with the officer, the officer had to report it to the superior officers to pass orders.

As a matter of fact, the Central Government cannot give any directives. It was because of this interim arrangement that the States agreed to it, before a permanent solution can be arrived at. The matter was referred to the Taxation Enquiry Commission also and the Taxation Enquiry Commission have made certain recommendations. If hon. Members go through those recommendations in Vol. III of the Report of the Taxation Enquiry Commission, they will find that certain measures have been asked to be taken. That requires amendment of the Constitution also, besides requiring Central legislation.

That matter is under the consideration of the Central Government. We had already informed them that as the matters stand, and as the judgment of the Supreme Court stands, it is a right that is claimed by the States to tax non-resident dealers for the goods delivered in their States. We are just

looking into that matter, and we propose to bring in legislation before Parliament, after considering the recommendations of the Taxation Enquiry Commission.

So, the facts stated are not correct in the first place. And secondly, there was no breach. We have already enquired, and there is no breach of the interim arrangement. They were not bound to come to this arrangement, but they were good enough to agree to this interim arrangement, in order just to remove the hardships caused to the traders.

So far as the non-resident dealers' hartal in Delhi is concerned, the information elicited so far is as I have stated just a little while ago. We shall enquire further, and if there is anything, we shall request the State Governments to see that no harassment is caused to the traders.

That is the position.

**Mr. Speaker:** I am now concerned only with the admissibility of the motion, and not about the merits of it. It is clear that the subject of sales tax is a matter for the States. It also appears that the situation has been continuing for a long time. Nothing suddenly has arisen to justify an adjournment motion.

I have already fully explained that it is a wrong thing to try to introduce a new subject in the daily order of the business, unless there is something very emergent and of all-India importance that has arisen. I do not find any such urgency in a matter of this type where questions of law, and even an amendment of the Constitution are concerned.

Further, hon. Members will have an opportunity of discussing this subject if they like, when the Demands of the Finance Ministry come before the House. So there are ample opportunities of doing that. If they want anything further, they can table questions, get further information and proceed in the matter.

I do not think I could give my consent to this adjournment motion.

**Shri Nambiar (Mayuram):** The hartal may continue. That is the difficulty.

**Mr. Speaker:** May be; let us not try to help to continue it by raising questions here again.

**Shri Nambiar:** It is there...

**Mr. Speaker:** Order, order.

**Shri K. K. Basu (Diamond Harbour):** One question please.

**Mr. Speaker:** Not now. The Deputy Finance Minister has not given information for any other purpose than the purpose of enabling me to decide the admissibility of the motion. The motion is not there for discussion.

**Shri K. K. Basu:** I am not challenging that.

**Mr. Speaker:** Whatever it may be, the purpose of what was said was to give the Chair some facts and information to enable it to judge about the admissibility; and the subject is not open now for further discussion.

**Shri Amjad Ali (Goalpara-Garo Hills):** Can the agreements take the place of law not made?

**Mr. Speaker:** I do not propose to answer all these questions on merits.

#### PAPER LAID ON THE TABLE

#### RATIFICATION OF ILO CONVENTION ON FORCED LABOUR

**The Deputy Minister of Labour (Shri Abid Ali):** I beg to lay on the Table a copy of the statement regarding ratification of ILO convention (No. 29) concerning Forced Labour. [See Appendix IX, annexure No. 61.]

DEMANDS\* FOR GRANTS FOR  
1955-56

#### DEMANDS re. MINISTRY OF HOME AFFAIRS

**Mr. Speaker:** The House will now resume further discussion of the Demands for Grants relating to the Ministry of Home Affairs. Out of the 8 hours allotted for the Demands of this Ministry, about 4 hours were availed of yesterday, and 4 hours now remain.

I think the hon. Minister will reply, and he will require some time: he may wish to have about an hour or so.

**The Deputy Minister of Home Affairs (Shri Datar):** Yes about an hour.

**Mr. Speaker:** That means that three hours will be available to the other hon. Members.

**Shri Datar:** In the course of the debate yesterday on the Home Ministry's Demands, a number of points were raised by hon. Members. In particular, I am happy that some Members of this House appreciated the efforts that were being made by the State Governments as also by the Centre, so far as the various subjects under discussion were concerned; especially, so far as the law and order situation was concerned, it was very good on the part of some Members to have appreciated the efforts made by the State Governments in this regard.

There were a number of other points also which were raised, and in respect of some of them, I should like to enlighten the House so far as the real position is concerned. These points deal very briefly with Tripura, the Andamans, Delhi and Kutch, and they have also some bearing on the question of the Scheduled Classes, the Scheduled Tribes and the Services. These, therefore, are the various points, and I should like to place the correct picture before this House, so that the House will know what Government have been doing so far as all these questions are concerned.

\*Moved with the recommendation of the President.