

The question is:

"That the consideration of the motion be postponed till the 12th December, 1956."

Those in favour will please say 'Aye'.

Some Hon. Members: 'Aye'.

Mr. Deputy-Speaker: Those against will please say 'No'.

Several Hon. Members: 'No'.

Mr. Deputy-Speaker: I think the 'Noes' have it. The motion is negatived.

Shri Kamath: The 'Ayes' have it.

Mr. Deputy-Speaker: I am ringing the bell.

There is Shri Altekar's motion for the vacation of the seat of Shri Mahapatra, and there is Shri Kamath's motion on it. I shall now put Shri Kamath's motion first.

The question is:

"That the consideration of the motion be postponed till the 12th December, 1956."

Those in favour may please say "Aye".

Some Hon. Members: "Aye".

Mr. Deputy-Speaker: Those against may please say "No".

Several Hon. Members: "No".

Mr. Deputy-Speaker: The "Noes" have it. The motion is lost.

Shri Kamath: The "Ayes" have it.

Mr. Deputy-Speaker: Those in favour may please rise in their seats. There are 12.

Now, those against may please rise in their seats. I see a large number. By an overwhelming majority this motion is lost.

The motion was negatived.

Mr. Deputy-Speaker: I will now put the main motion.

The question is:

"In pursuance of clause 4 of Article 101 of the Constitution of India the seat of Shri Sibnarayan Singh Mahapatra, Member of Lok Sabha who has been absent from all meetings of the House for a period of more than 60 days is hereby declared vacant.

The motion was adopted.

CENTRAL SALES TAX
BILL—concl'd.

Mr. Deputy-Speaker: The House will now resume further consideration of the motion relating to the Central Sales Tax Bill.

Shri L. Jageswar Singh (Inner Manipur): Mr. Deputy-Speaker, I was saying in my speech yesterday that certain essential items such as foodstuffs, kerosene oil and salt should be included in the Bill, as they are of very great special importance to the community. The reason for including these essential items is that there are certain States which generally impose exorbitant rates for certain foodstuffs. I consider that if these items are brought under the purview of the Central Government, they should be in a position to ensure a uniform policy.

to the notice of the House is that there should be some sort of a Taxation Board. As a general rule we find that all taxation will only affect the poor people and I am not in favour of taxing them. I am in favour of taxing the rich people and I am in favour of taxing the luxury goods. I do not, of course, mean that all goods should be exempt from all taxation.

In order to have a uniform policy all over the country, so far as Sales Tax is concerned, my suggestion is that there should be a Sales Tax Council and this organization should co-

[Shri L. Jogeswar Singh]
ordinate the activities of the Sales Tax organizations existing in different States.

There should also be set up the Sales Tax Board for Sales Tax. I mentioned only yesterday in my speech that there are many difficulties, many anomalies, many discrepancies in the matter of Sales Tax in certain States. Small dealers do not know even how to keep their accounts. If you set up Sales Tax Advisory Boards in the States as well as in the Union territories, then these would be very helpful in the matter of giving advice to the small dealers.

With regard to the exemption of goods from Sales Tax, the Government amendment reads as follows:

"Notwithstanding anything contained in this Section, the Central Government may, if it is satisfied that it is necessary so to do in the public interest, by Notification in the Official Gazette, direct that in respect of such goods or classes of goods as may be mentioned in the notification, no tax under this Act shall be payable by any dealer having his place of business in any Union territory in respect of the sale by him from any such place of business of any such goods in the course of inter-State trade or commerce or that the tax on such sales shall be calculated at such lower rates than those specified in sub-section (1) or sub-section (2) as may be mentioned in the notification."

This amendment, to my mind, does not completely give exemption to all goods mentioned in the Bill in the Union territory. According to this Government amendment it may give exemption to the goods mentioned in this Bill.

Also it may not give exemption to the goods mentioned in this Bill. To my mind, it appears that it should be

clearly stated in the Bill that the specific goods of importance will be exempt from this tax. I want it to be clearly stated in this amendment.

There is one point with regard to the movement of goods from one Union territory to another or vice versa or from one Union territory to one state or vice versa. This position has not been clarified in the Bill and I should like to ask the hon. Minister to mention it clearly.

There is another point which is not so much or wholly relevant to this Bill.

Mr. Deputy-Speaker: Why mention that point if it is not relevant and the hon. Member himself feels that way?

Shri L. Jogeswar Singh: Of course it has got a certain amount of relevancy; it also relates to sales tax. I am talking of the general sales tax, not the Central Sales Tax Bill under discussion. That is more or less relevant. There are differences between taxable limits in the Union territory and the States. I may cite an example. The taxable limit in Assam is Rs. 7,000 while in Manipur territory it is Rs. 5,000. The Union territory of Manipur is commercially and economically backward and so here too the limit should be raised from Rs. 5,000 to Rs. 7,000. If that is done, a large number of small and petty traders will be benefited and they will not be in trouble with regard to the payment of sales tax. This was mentioned by me in my speech on the last Budget and the then hon. Finance Minister was kind enough to say that he would go into this. I have mentioned some of the important matters.

Mr. Deputy-Speaker: Not only some but all must have been covered now.

Shri L. Jogeswar Singh: I have covered all the points.

Shri Heda (Nizamabad): Mr. Deputy-Speaker, this Bill has come none too early. The first Supreme Court's decision was on 30th March 1953. More than three years and eight

months have passed and this Bill is before the Parliament today. I wish that it gets through both the Houses in this session because I am eager that the State Governments should no more be deprived of a very vital source of revenue—the inter-State sales tax.

While moving the motion, the Minister gave us some figures about the expected income from this source in the next five years. But I think that those figures include all the sales tax—not only the tax coming under the purview of this Bill but also the tax which the State Governments are able to levy. That big figure of about Rs. 190 crores or something like that is not, I hope, the revenue that the States may get from this inter-State sales tax alone.

The period that has lapsed in between has created certain anomalies. When the States were not able to levy inter-State sales tax, I think that in certain commodities of inter-State trade, there was more encouragement to trade in those commodities than in the sales commodities within the State. For instance, in the former Hyderabad State, the Marathi-speaking area grows enough cotton and oilseeds. When the traders wanted to send their articles to the industrialists or businessmen of the Bombay State, it was called an inter-State trade and therefore, no tax was levied. But, after reorganisation on the 1st of November, this area became part of the Bombay State and therefore, they have to pay State sales tax. A long period has lapsed. The traders have started feeling that if the same thing would continue, they need not pay any tax. They felt that it would have been much better if the present arrangement could continue. That is why they are raising a hue and cry that so much of hardship would be experienced by the levy of this tax, I think it is not so. Before the Supreme Court's decision, there was this tax and no particular hardship was experienced. Much has been said about the uniformity in the sales tax.

I do not think that it is under the purview of this Bill. However, I may also join my voice to the general proposition that the States may be advised that, as far as possible, they may levy sales tax on some uniform basis throughout the country. If we believe that this country is one and if we believe that trade should be free, different rates of tax in different States become a hindrance. At times this hindrance is very big. Many States exploit the situation. Take for instance the ground-nut oil-cake that was exported from the former Hyderabad State to the North India. Because it was exporting, the State was levying a very high rate of tax on it.

Thereby the producer was getting a lower price than he would have otherwise got. Therefore, if the producers throughout the country are to be encouraged and it is the desire that they should get better prices for their goods, the sales-taxes in different States should have some uniformity. A slight variance may be there but there should not be any big variance in the quantum of the tax.

Another point is about the source where this sales-tax is to be collected. It is the general experience that there is evasion of this tax. If we go to any market, whether it be in New Delhi or any other town or city, and make certain purchases, we find that the merchants make a gesture by not charging the sales-tax. Thereby the customer feels happy because he is not made to pay something extra by way of sales-tax, and the merchants are also satisfied that the customer may visit them again. Thus we find that evasion of sales-tax is taking place on a very large scale. How to stop it? It is very difficult because both the trader as well as the customer are interested in this evasion. They are benefited by this evasion. Therefore, the only effective remedy would be to charge this sales-tax, whatever may be the quantum, at the starting point. If a commodity is grown somewhere we must have some control over the start of the commodity from the place of production to

[Shri Heda]

the market. In other cases where commodities are imported or manufactured the starting point can be easily found out. If the sales-tax is collected at the place of manufacture or at the place where a commodity is imported, then there is no scope for any evasion of sales-tax. I am quite sure that even by levying lower sales-tax, we may be able to collect a much higher revenue than we do at present.

If this sales-tax is levied at only one point it also creates a smooth dealing in handling that article; otherwise, if it is a multi-point sales-tax it again creates certain difficulties. I think it gives more room or scope for the traders as well as to the customers to avoid it. Therefore, if we bring certain measures into our machinery of collecting sales-tax by which the collection becomes easier and the hardship is not felt particularly by the customer or the consumer, the collection may be more effective and very little evasion may take place.

One other point that I would like to refer in this regard is about the stage where the inter-State sales-tax should be levied. Many times it so happens—I am not talking of speculative transactions, I am talking of hedge contracts or genuine transactions—that if a commodity is purchased from Hyderabad by a party in the Bombay market, before the party in Bombay has actually taken delivery of the commodity he sells it again to a party in Hyderabad. In such cases two transactions have taken place without the commodity being transferred from the actual place.

Now the question is whether these are two inter-State transactions, or there is no inter-State transaction at all. Then again, many times it so happens that a party from one State purchases a commodity from another State and sells that commodity to a party in yet another State asking the party in the second State to deliver the goods direct to the party in the

third State. Such triangular transactions also may take place. My point is that the inter-State sales-tax should be levied only when the commodity actually changes the place, the commodity has been taken delivery of. I hope this will be borne in mind. If that is done then the business community will not feel greater hardship than otherwise.

I now come to the matter of goods of special importance. If you go through the list—as the hon. Minister himself has stated—you will find that all those six categories are raw materials. It is a very nice thing that raw materials have been included in this. The sole purpose of this, as the hon. Minister himself has admitted, is to see that the manufacture takes place smoothly and the cost of the manufactured goods does not rise high. That is a very nice objective. But the point is, what about the consumer? I am not talking about only these articles; there are other articles which we generally call the 'essential articles'. There was also a law in that regard. When we amended the Constitution at that time, there was a good deal of talk about this, about food-grains and other essential commodities. I do not say that a definite promise was given, but a very good indication was given by the then Finance Minister that this House may consider that proposition when the second Bill, that is the present Bill, comes up before it, and may include certain essential articles. Take the case of small articles like kerosene or salt. They are consumed practically in every part of the country, in every village, in every house, in every hut. They are manufactured or obtained only in certain places, in some parts of the country. Therefore, they have to go from one State to another and many times they have to pass through more than two States. With the communications as they are sometimes, they have to pass through some border places. If these articles are to be charged more than one sales-tax the result is that they become costlier.

and thereby the consumer, the poor villager, is the sufferer. Therefore, when we are giving consideration to the manufactured articles and we say that the raw materials should be available to all the manufacturing concerns at the same level and, therefore, no sales-tax or inter-State sales-tax are levied on them, the same argument may hold good so far as essential articles are concerned. I do not think that much would be lost by this. As I have stated, if there is a uniform, or even a higher sales-tax at the starting place itself, at the place where salt or kerosene is produced, and there is no further sales-tax charged on the commodity, Government may not be deprived of a good source of revenue. At the same time, a man living in a remote village may be able to obtain these commodities at a better price.

The other question is whether, when certain articles are already charged import for excise duties should they be charged the different sales-taxes? As I have stated earlier, why not we combine all those taxes. If we do not combine the taxes, at least let us collect the taxes at one place only. That will avoid certain hardships to the consumers as well as the traders.

These are some of my suggestions and I hope the Government will look into them. So far as one suggestion that was given by an hon. Member here about the inter-State Sales Tax Commission is concerned, I think, if we look after the uniformity of sales-tax, if we take care of that aspect, no need for this Commission would arise. In the same way, if we increase the list of items in clause No. 14, what we call as goods of special importance, then again there would be no need for such a Commission. The argument given by the Government was that they consulted the State Governments and the State Governments were not agreeable to expand the list.

How can we expect the State Governments to agree to expand the list? It is not possible. It is for this

Parliament, this sovereign House which directly represents the entire population of the country to look after this problem in spite of the wishes of the State Governments. One cannot expect the State Governments to agree to expand this list and thereby deprive themselves of the revenue. This is particularly so in the case of certain States which are in an advantageous position, States which have got ports, or big manufacturing or distributing centres. Take the case of Delhi, for instance, which is a big distributing centre. When it levies a sales tax on commodities, it is not charging its own population, but the population of other States, backward States which import goods from it. Such States stand to gain more than they deserve and would not under any circumstances agree to expand the list. But we have to remedy this state of affairs.

13 hrs.

Let us for a moment take the question of Bombay versus Hyderabad. Bombay is a big distributing centre for two reasons: it is a port city; at the same time it is also a manufacturing centre. Most of the articles manufactured in the country, or in Western India or imported from abroad are distributed through Bombay. Hyderabad and other parts of the country get their articles from or through Bombay. When the Bombay Government imposes a sales tax, it is not only charging the consumer in the State, but the consumer in some other States also.

This is definitely an anomaly and to overcome this there should be some uniformity in sales tax and expansion of the list under clause 14, particularly certain commodities which are essential for the consumption of the population.

Shri Raghavachari (Penukonda):
Mr. Deputy-Speaker, Sir, I rise to support the volume of opinion which has been expressed in favour of including under clause 14 some of the

[Shri Raghavachari]

food-stuffs. I know the delicate position in which Government are; they have to carry the States with them and can do something only after consultation with them. Nevertheless I rise to express my opinion in that regard for this reason and with this belief that the volume of opinion in favour of this must increase in this country and the Central Government must be compelled to respect the volume of opinion and restrict the powers of the States. It is purely with that idea that I rise to speak. Otherwise all these arguments will remain on paper and the Bill will become law in a few hours.

Nevertheless I take it that when the old Essential Articles Act was on the anvil as well as during the discussion on the Constitution (Amendment) Bill there was a sympathetic attitude towards this aspect; that possibly in the list of Essential Commodities some of the foodstuffs might also be included. The language of the Constitution certainly permits of such a thing; there is no legal obstacle in the way. The language is "goods of special importance in inter-State trade or commerce." There is no doubt about the fact that food-stuffs are important items of inter-State trade and commerce. Government have included several items in the list on the ground that they are of importance for commerce and ultimately the consumer will be affected. The same argument is applicable to food-stuffs also. I am, therefore, unable to appreciate this preference to commercial goods and lack of sympathy for food-stuffs, beyond the argument that the States' revenues must be augmented. We do not want to put restrictions in their way; they are to be free to impose any amount of taxation on food-stuffs.

I do not wish to elaborate the argument already made by several hon. Members that this is a matter to be decided by this Parliament composing of representatives from all States. It is our duty to stress the importance

of this matter and to see that each individual State in its anxiety to augment its finances should not go about taxing to any extent materials which are essential for the life of the community. Therefore, in spite of the delicate situation of the Centre to carry the States with them, it is our duty to stress the importance and the need to have uniformity. Therefore we want to include some of the articles, particularly food-stuffs under clause 14.

I wish to say a few words about the new amendment which was circulated yesterday. There was some objection raised against that. To my mind it looks that the new amendment which is proposed is simply to clothe the Centre with powers to exempt certain goods from taxation in the Union Territories. That is a power which is now enjoyed and exercised by the States. I do not, therefore, see any ulterior purpose in it: it is a simple matter of providing for a right which is being exercised in the States. But apart from that I would once again seriously urge upon the Government to appreciate the volume of opinion in favour of uniform taxation so far as important food-stuffs are concerned, though it might individually affect the income potential of particular States. Andhra Pradesh for instance produces a lot of rice: the other parts of India must necessarily take large quantities of it from there. It thus becomes an item of inter-State trade. Food-stuffs is not one in respect of which no restraint is permissible. Of course, each individual State can exercise its powers of taxation only with the consent and the approval of their representatives in their Legislatures. They are certainly responsible; not that I say they will go on exercising this right mercilessly. Nevertheless, in their anxiety to augment their revenues from particular items of food-stuffs they may go on taxing them. Therefore it is essential that the food-stuffs should be included in the list of declared goods under clause 14.

लेठ अचल सिंह (जिला अग्रर—पश्चिम) :
उपाध्यक्ष महोदय, सेल्ज-टैक्स (विक्रीकर) का अग्रर देश की आम जनता-अमीर गरीब सभी पर पड़ता है। कंट्रोल के जमाने से खास तौर पर हमारे देश की आर्थिक स्थिति और आर्थिक स्तर बहुत गिरा हुआ है। जब भी कोई टैक्स लगाया जाता है, तो लोग उससे बचने की कोशिश करते हैं। ऐसे टैक्सों में से एक सेल्ज-टैक्स है। हम देखते हैं कि दिल्ली से काफी माल बगैर सेल्ज-टैक्स दिए, बगैर परची के, जाता है और दूसरे शहरों में बेचा जाता है। उन शहरों में भी वह माल बगैर परची के और बगैर सेल्ज-टैक्स दिए बेचा जाता है।

इस तरीके से स्टेट सरकारों को सेल्स टैक्स का नुकसान होता है और साथ साथ सेंट्रल गवर्नमेंट को इनकम टैक्स (आय कर) का नुकसान होता है। जो माल इस तरह से आता है उसका कहीं बही खातों में जमाखर्च नहीं होता।

पिछली मर्तबा जब यहां छटा कान्सटीट्यूशन अमेंडमेंट बिल (छटा संविधान संशोधन विधेयक) पेश किया गया था तो मैंने यह ऐत-गज उठाया था, और उस समय रेवेन्यू और सिविल एक्सपेंडीचर पर मंत्री जी ने और हमारे भूतपूर्व वित्त मंत्री जी ने विश्वास दिलाया था कि वह आयन्दा एक ऐसा बिल लायेंगे और कोशिश करेंगे कि जहां तक हो इनडाइरेक्ट (अप्रत्यक्ष) टैक्स हो और स्टेट्स में जितने टैक्स हों वे यूनीफार्म (एक समान) हों। लेकिन हम देखते हैं कि इन में से कोई बात इस बिल में नहीं है। इसलिए यह बहुत मुनासिब मालूम पड़ता है कि यह बिल सिलेक्ट कमेटी को जाये ताकि हम में जो कमियां हैं वे दूर हो सकें।

मैं आपको मिसाल के तौर पर यह बताऊँ कि किस तरह से लोग सेल्स टैक्स देने से बचते हैं। यू० पी० में कपड़ा मिलें हैं और सूत की भी मिलें हैं। वहां कपड़े पर एक आना रुपया और सूत पर दो पैसा रुपया सेल्स टैक्स लगता

है। होता यह है कि लोग उस तमाम माल को ड्रकों में लाकर दिल्ली ले आते हैं और उसको बेच देते हैं क्योंकि दिल्ली में कपड़े पर दो पैसा रुपया सेल्स टैक्स है और सूत पर कोई सेल्स टैक्स नहीं है। इस तरह में वे लोग टैक्स से बच जाते हैं। इस तरीके में यू० पी० सरकार को लाखों रुपया माहवार नुकसान होता है। अग्रर सरकार चाहती है कि लोगों का नैतिक स्तर ऊंचा हो तो इनडाइरेक्ट टैक्स लगाये जहां पर कोई चीज पैदा होती है वहीं उस पर टैक्स वसूल कर लिया जाये।

मेरा सुझाव है कि अग्रर सरकार को सेल्स टैक्स लगाना ही है तो स्टेट्स इस टैक्स को न लगावें बल्कि स्टेट्स का भी सेल्स टैक्स सेंटर वसूल करके उनको दे दिया करे। इस बिल में एक परसेंट (प्रतिशत) टैक्स रखा गया है। मैं चाहता हूँ कि इस १ परसेंट के बजाये तीन परसेंट टैक्स लगा दिया जाये, जिसमें से एक परसेंट तो सेंटर ले ले और २ परसेंट राज्य सरकारों को दे दे। ऐसा करने से जो टैक्स की चोरी होती है वह भी रुक जायेगी, तमाम टैक्स भी वसूल हो सकेगा, और इसमें खर्चा भी कम होगा। साथ व्यापारी व दूकानदार हिसाब रखने व नकशे दाखिल करने से बच जायेगा। इसलिए इस बिल में यह बात होना बहुत जरूरी है। मेरा यह ब्याल है कि अग्रर यह बिल सिलेक्ट कमेटी में जायेगा तो इसकी जो कमियां हैं वे पूरी हो जायेंगी और साथ साथ सेंटर की और राज्य सरकारों की आमदनी भी बढ़ जायेगी। हम देखते हैं कि आजकल सेल्स टैक्स की काफी चोरी होती है और इस वजह से सरकार को इनकम टैक्स भी बहुत कम मिलता है। इसलिए मुनासिब है कि जहां तक हो सके एक्साइज ड्यूटी (उत्पादन शुल्क) के जरिये से जहां कोई चीज पैदा होती है वहीं उस पर टैक्स लगाया जाये और इनडाइरेक्ट तरीके से वसूल कर लिया जाये। ऐसा करने से गवर्नमेंट का भी फायदा होगा और साथ ही साथ जो जनता के मोरेल्स गिर रहे हैं वे भी नहीं गिरेंगे। जो बातें कंट्रोल के जमाने

[सिधू अचल सिंह]

में चलती थीं वे ही बातें इस टैक्स की वजह से चल रही हैं।

मेरा सुझाव है मिनिस्टर साहब इन बातों पर विचार करें।

The Minister of Finance and Iron and Steel (Shri T. T. Krishnamachari): Mr. Deputy-Speaker, Sir, I am afraid a very thin House hardly enthuses anybody, but I do not think any hon. Member who spoke on this particular Bill was even enthusiastic about the suggestions that he made.

The main point of attack was that there should be a Select Committee for the purpose of expanding the list contained in clause 14. My friend Pandit Thakur Das Bhargava, who opened the attack, took the House through all those years when we discussed this question in the Constituent Assembly and later, during several stages, in this House and in the predecessor of this House. I quite agree that this is a matter which has been debated at length in the Constituent Assembly, and my hon. friend Pandit Thakur Das Bhargava was a person who did not like to give a large measure of autonomy in regard to taxation to the State Governments. He made his position very clear then, and that position still obtains so far as he is concerned. He thinks that the State Governments do not exercise that responsibility properly and that therefore the Centre should take up that responsibility. Unfortunately in the set-up in which we are now functioning, I am not in a position to accept that as a basic ideal which this Government should adopt, because we are functioning under a Constitution which is a federal Constitution where certain spheres have been allotted to the States and certain spheres to the Centre. Undoubtedly, for the purpose of planning and for better economic management, Central control gives a certain amount of power which perhaps will ultimately accrue to the benefit of the common man, but that power goes right against the principle of the Constitution under which we are functioning.

So far as I am concerned, I do not propose to go back to the days when we discussed this subject in the Constituent Assembly or thereafter. So far as this particular motion is concerned, the Bill has been generated because of certain specific recommendations made by the Taxation Enquiry Commission, and that is where I have to begin. So far as I am concerned, my Bible happens to be the Taxation Enquiry Commission's report. The Commission has dealt with the question of essentiality at page 51, paragraph 11, of Volume III of its report. In categorising certain commodities as being essential and restricting the number which has been done in clause 14, we have merely accepted the recommendations of the Taxation Enquiry Commission. Government have no objective in this matter, either to benefit the agriculturists or to take away the benefits, they now enjoy or to benefit the industrial class or to take away any benefit which it now enjoys.

The way in which the Taxation Enquiry Commission has discussed this question of essentiality, in the context of internal trade of the State, is worth-while being read again. I do not want to take up the time of the House by reading much of it, but I might quote the following:

"On the other hand, the restrictions rest upon a concept of 'essentiality' which makes no distinction between the 'community' as represented by the people of the particular State and the community as represented by the nation as a whole. In regard to the impact of the sales tax of a particular State on the people of that State, it seems to us unnecessary that the Central Government should exercise, through Parliamentary legislation, a jurisdiction which, in terms of the State's own powers, is at once concurrent and over-riding. There are good reasons why the State legislature and the State Government may be left

to decide for themselves the intra-State aspects of their sales tax law and regulation”.

The essentiality comes in regard to these goods in the determination of the tax on which the ultimate consumer has no voice at all. These are, basically, raw materials as my friend Shri Raghavachari suggested. The raw materials go into the industry; the industry produces finished goods, and ultimately they are sold to the consumer far away from the area where they are produced. Any question of adding up taxation on these raw materials from stage to stage ultimately makes for the determination of prices of those articles which might become costly, but for which the manufacturing unit or the trader who is in control may not be responsible. Some of these articles are in the basic industries class. Some of them are being progressively owned by the State. For instance, the raw materials needed for the steel industry are primarily and progressively being owned by the State. So, the essentiality rests on the limited number of goods affecting basically all industries. There is no intention of benefiting the industrialists at all by this measure.

So far as the industrialist is concerned, he works on the basis of a costing system. If the cost goes up, it is charged to the consumer, where the consumer has really no say in regard to the determination of the cost which is increased by taxation. The presumption of the Taxation Enquiry Commission is further expanded in paragraph 14 at page 55 of the report. It reads as follows:

“Subject to the above considerations, each State should be free (so far as Central control is concerned) to evolve the system of sales tax best suited to its conditions. Where the State is in effect taxing its own consumer, it should not be open to Parliament to exercise concurrent power in regard to the declaration of certain articles as exempt from sales tax”.

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The real thing is the question of bringing up the responsibility of the State to the consumers in the area.

That is where the Commission has recommended that we should not include foodgrains in the scope of its exclusion which is contemplated by clause 14.

The point made by Shri Raghavachari is that even in regard to foodgrains, there is an inter-State element. Because Andhra produces more foodgrains then it requires it is a surplus area and the surplus has to go to the deficit area. That is where the control over inter-State taxation comes in; that is limited to 1 per cent. It is also true that U. P. is a surplus province and it does export. We are limiting it again to 1 per cent. and that is what Government itself considers fair for the consumer of that State to pay. If the Government of a State determines that the consumer of that State should pay 4 per cent. and they take the responsibility for it, we are not asking them to absolve the consumer in every State of bearing this burden, but any extra burden thereto should be limited to 1 per cent. It should be left to the particular State consuming the surplus produce and the producing State to determine what is going to be the further tax burden to be improved.

The issue is very plain. I understand the point mentioned by my hon. friends. As the Finance Minister in charge of the economic affairs of the country, I might even say I see a great deal of validity in what they say; but, we are bound by the circumstances in which we are placed. This is a federal Government and here is a very responsible body like the T.E.C. which has said that so far as the State is concerned, the Centre shall not by any way detract from the primary responsibility of the State towards the consumer. If they tax foodgrains, they take the chance. They go to the ballot boxes and are thrown out. I do not want them to say, “the Centre has determined this

[Shri T. T. Krishnamachari]

and that and therefore the responsibility is not ours." I think a lawyer of the eminence of Shri Raghavachari does appreciate the fact that I should not make the Central Government act as a smoke-screen, so far as the responsibility is concerned. That position is very clear. We have a federal constitution and even here the Finance Minister of the union is the person who controls the economic destiny of the country, the Plan and various other things. We are going to discuss the Finance Bills and I am sure hon. Members will ask about the price policy of the various States. I recognise the difficulty in exercising control, but unfortunately, I cannot cut right through the basic principle of the Constitution of separation of powers and autonomy of each region. I would not like to disregard the advice of a very responsible body presided over by a very eminent predecessor of mine; I would not like to say, "No" to what that body has said. After all, all laws are made by Parliament. Powers are not taken away from it by this legislation and anything that the Parliament might pass today does not act as an estoppel so far as any revisely legislation is concerned. If conditions become bad and if there is enough justification, I think there might be a need in future for augmenting the list.

I would also like to say that we have not ignored the commitment of my predecessor who gave the assurance to the House that he would consult the States before setting the machinery in motion. We have consulted the States and one and all. They resist any idea of expansion of the category of goods covered by clause 14, particularly in the region of foodgrains. There is a State like Saurashtra which has now been merged with Bombay, which does not charge sales tax on foodgrains; but nevertheless, would not like the imposition of Central control even when they do not charge this tax. That seems to show a sense of responsibility and at the same time a desire to

reserve their own power. So, if that is the main reason, as Pandit Thakur Das Bhargava has put forward, for referring this matter to the Select Committee, I am afraid the Select Committee cannot alter the facts to sum up for one thing I am bound by the report submitted by a responsible body like the Taxation Enquiry Commission. The second thing is, the consultation which was undertaken by Government as a result of the assurance given by my distinguished predecessor to the House has resulted in the States digging their toes in and saying "No change". So, I must plead that I am not competent to revise or expand clause 14 of this particular measure. If that is disposed of, I think the question of convincing the Government across the table in a Select Committee, I think, loses much of its force.

So far as the other provisions of the Bill are concerned, I must explain the two amendments that I have given. In regard to one amendment, I could not have got better support than the support which Shri Raghavachari gave. It is essentially a lacuna. Where this Act is going to operate in a State under the aegis of the State's administrative control and where the benefit is going to the State, we will have to leave it to the States to do what they want. But where it is the primary responsibility of the Centre, in a Union territory, as my hon. friend has pointed out, there is a lacuna. We do have to take the power to exempt or vary the rate of taxation according to the need. For instance, in a city like Delhi which hon. Members have referred, it is a matter to be gone into. I cannot at the moment say I am going to exempt everything that is being sold in Delhi. The question as to what types of commodities go into inter-State trade, which are the commodities for which Delhi is the distributing centre etc. has got to be gone into. I am perfectly sure the Home Ministry which controls the affairs of Delhi would ask the local authorities to go into the matter and give me proper advice.

It is a matter in which I have to be advised by the Home Ministry. So, all that I have done is I have taken the power to vary the taxation or to exempt, so far as the Centrally administered areas are concerned, where the primary responsibility for the collection of tax is that of the Centre and where the benefits of the tax go to the Union administration.

The other amendment is a verbal amendment in regard to the question of processed goods relating to iron and steel. So long as we have not defined "processed goods", I am afraid we will have to omit these words and I leave it very largely to administrative discretion to determine the changes that would occur in the content of iron and steel articles, before they embark on taxation. As far as these amendments are concerned. I am happy to say that I have the support of a large section of the House.

So far as the other points raised are concerned, they are beside the issue. My hon. friend from Agra has suggested excise duties to replace Sales Tax. There are certain types of commodities where perhaps, if the State concerned recognises that single-point taxation is better, excise duties will be a better way of collecting the money due to the State. We have put forward a proposal in regard to certain commodities, but the States are again chary with regard to their powers, even though it may lead to augmentation of income. I am perfectly certain in my mind that if an increase in the excise duty on, say, cloth is asked for and collected by the Centre and the sales tax is done away with by the State, all that I have collected will be only a fraction of what the State would have collected. I have no doubt in my mind my taxation will be half and that even if I am more liberal I give whatever I got to the States, the States are chary and they say, "the present position has to be safeguarded; future must be safeguarded" and so on. This argument is really going on and I do hope that sometime be-

fore long the States also will think of the economy of the country as a whole and the need for more resources and allowing less loopholes, and the suggestions that have been made by hon. Members will be accepted.

There are also questions about definition of sales and turnover. So far turnover is concerned, I am afraid it is now an accepted term in sales tax Acts. In fact, I recall, not with great pleasure, that in 1939 I had a lot to do with finding a proper definition for "turnover" in respect of the first Sales Tax Act that we started in Madras and I think the definition is satisfactory.

I would like to tell the House that, though I have no claim for infallibility, in this matter I have some special knowledge and this can be reasonably accepted.

A point was raised whether this particular measure will not give room for litigation. Nobody can say. The Constitution being a written Constitution and individuals being what they are, and lots of them have money, who would perhaps test disputes in a court of law, nobody can say whether this particular legislation of ours or amendment of ours to article 286 will not again be challenged. I would like to recall, any way, the amount of difficulty that we had in framing article 286 at the time when we were making the Constitution. I had no doubt in my mind in the manner in which we framed it we had to provide for certain interests in certain States and the explanation would be a bone of contention. It was, it gives one little satisfaction. All we can say is that to the extent that we have been advised, we have tried to make this measure before the House as foolproof as possible. Considering that there is an element of folly in every human being, I and my advisers are no exceptions to this general rule. These provisions might be challenged.

The questions of uniformity, of Sales Taxes, Sales Tax Commission and co-ordination were mentioned.

[Shri T. T. Krishnamachari]

All are very good suggestions. I would not say that these suggestions should not be accepted. Again, the question is, how can we co-ordinate except by consent of all the States. In a Constitution which is a written Constitution, where the States have definite powers, if they are agreeable, we can certainly do something. In fact, I do not mind telling the House that we have now a forum in which we can sit down and discuss such matters. We tried before to get a meeting of Finance Ministers—I think my predecessor tried it—and I think one experiment was good enough for him. He never tried it again. It became so difficult. Every State Finance Minister started attacking the Centre. We thought it not wise to repeat the experiment. The Planning Commission, for the purpose of discussing the Plan and the economic implications of it, has devised the idea of a National Development Council in which all State Chief Ministers are members and in many cases, the Finance Ministers also come with them. We have an opportunity to discuss these matters. It is my hope that I should place before the Chief Ministers and the Finance Ministers such as they come, to the next meeting, the entire question of the resources of the country. The question of raising the other resources in the country where necessary, and strengthening of collection machinery where necessary will all be discussed. I see no objection to make this question of Sales Tax a specific question for discussion in one of these meetings. I think some discussion will probably take place even as it is today. I think we will have to wait for some time and see how this consultative machinery that we have evolved in the way of National Development Council could be utilised or augmented for the purpose of some kind of inter-state or Union versus State consultation in regard to taxation matters. The Taxation Council that has been prescribed by the Taxation Inquiry Commission is also a kind of inter-

state Commission that has been contemplated in the Constitution, with which idea both my hon. friend Pandit Thakur Das Bhargava and myself had something to do. It seems at the present moment not strictly necessary. It may be necessary in future. Government have no intention of standing in the way of the formation of such a body if it becomes necessary.

So far as co-ordination is concerned, attempt will be made to draw the attention of the various State Governments when their taxes are high and tell them that, as far as possible, there must be some uniformity. That is all that could be done. We cannot and we do not have the necessary amount of power to see that the States fall in line. If we should use that power against their wishes, in the case of a responsible government, we are detracting from the federal aspect of the Constitution and they are likely to rebel against it and they do rebel.

That brings me to the close of my remarks in respect of the various suggestions made by hon. Members. So far as the administration of the tax is concerned, we can advise the State Governments. I think we certainly have the right to advise them because this is Central legislation. We shall bear in mind all the points mentioned by hon. Members. Whether in actual practice, it will come into being, is a different matter altogether. I will repeat this once again. If my hon. friends feel that we have gone back on our word that was given by my predecessor to expand the scope of clause 14, I will say that it is not a matter of our will. So far as I am concerned, I see the logic of the argument of my hon. friends. We have a planned economy. But, there are certain basic factors which cannot be ignored in a federal set-up. That is primarily my excuse for seeming, at the moment, not to accept a very valuable suggestion made by hon. Members in this House.

Shri Achuthan (Cranganur): May I ask one question? The hon. Minister said that all State Governments do not agree with regard to the inclusion of foodgrains, cereals, etc., in clause 14. May I know in which State at present is there a sales tax imposed by the State Government on food articles? May I also know, when consulted, how many States accepted the suggestion that the Centre must interfere and how many States opposed the suggestion? Are the surplus States opposing and the deficit States supporting?

Shri T. T. Krishnamachari: My hon. friend does not expect me to divulge that this State supported and that State opposed the proposal. By and large, they have resisted the idea. If I am going to give individual names, I am exposing particular Governments to attack within the State. My hon. friend must forgive me if I am not able to give the detailed information that he asks.

Shri Achuthan: Is there any sales tax in any State on foodgrains?

Shri T. T. Krishnamachari: The Taxation Inquiry Commission has dealt with this question and it has practically gone into all the sales tax regulations in India.

Mr. Deputy-Speaker: The question is:

"That the Bill be referred to a Select Committee consisting of Shri Shree Narayan Das, Shri Fulsinhji B. Dabli, Shri Jhulan Sinha, Shri U. M. Trivedi, Shri N. B. Chowdhury, Shri C. P. Gidwani, Shri N. P. Damodaran, Rajmata Kamalendu Mati Shah, Shri-mati Uma Nehru, Shri Sarangadhar Das, Shri Resham Lal Jangde, Shri N. C. Chatterjee, Shri Krishnacharya Joshi, Shri P. T. Punnoose, Shri B. P. Jhunjhunwala, Shri Mohanlal Sak-sena, Shri K. S. Raghavachari, Shri G. L. Bansal, Shri S. S. More, Shri T. T. Krishnamachari and the Mover with instructions to report by the 12th December, 1956."

The motion was negatived.

Mr. Deputy-Speaker: The question is:

"That the Bill to formulate principles for determining when a sale or purchase of goods takes place in the course of inter-State trade or commerce or outside a State or in the course of import into or export from India, to provide for the levy, collection and distribution of taxes on sales of goods in the course of inter-State trade or commerce and to declare certain goods to be of special importance in inter-State trade or commerce and specify the restrictions and conditions to which State laws imposing taxes on the sale or purchase of such goods of special importance shall be subject, be taken into consideration."

The motion was adopted.

Clauses 2 to 7

Mr. Deputy-Speaker: There are two amendments 6 and 7 to clause 5. I find the hon. Member absent. So, there are no amendments to clauses 2 to 7. Is any hon. Member desirous to move any amendments to clauses 2 to 7? None. I expect hon. Members to exercise their right of voting so that I may proceed. The question is:

"That clauses 2 to 7 stand part of the Bill."

The motion was adopted.

Clauses 2 to 7 were added to the Bill

Clause 8

(Rates of tax on sales in the course of the Inter-State trade or commerce)

Mr. Deputy-Speaker: There is a Government amendment.

The Minister of Revenue and Civil Expenditure (Shri M. C. Shah): I beg to move:

Page 5, after a line 39.....

Shri T. T. Krishnamachari: I am sorry to interrupt my hon. friend.

[Shri T. T. Krishnamachari]

I want to make a very small addition. I beg to move:

Page 5 after line 39, add:

"(5) Notwithstanding anything contained in this Section, the Central Government may, if it is satisfied that it is necessary so to do in the public interest, by Notification in the Official Gazette, direct that in respect of such goods or class of goods as may be mentioned in the notification...."

Then I would like these words to be added:

"and subject to such conditions as it may think fit to impose", after the word "notification".

".. no tax under this Act shall be payable by any dealer having his place of business in any Union territory in respect of the sale by him from any such place of business of any such goods in the course of inter-State trade or commerce or that the tax on such sales shall be calculated as such lower rates than those specified in sub-section (1) or sub-section (2) as may be mentioned in the notification."

I only wanted that small amendment to be made.

Mr. Deputy-Speaker: Amendment moved:

Page 5—

after line 39, add:

"(5) Notwithstanding anything contained in this Section, the Central Government may, if it is satisfied that it is necessary so to do in the public interest, by Notification in the Official Gazette, direct that in respect of such goods or classes of goods as may be mentioned in the notification, and subject to such conditions as it may think fit to impose, no tax under this Act shall be payable by any dealer having his place of business in any Union territory in respect of the sale by him from any such place of business of any

such goods in the course of inter-State trade or commerce or that the tax on such sales shall be calculated at such lower rates than those specified in sub-section (1) or sub-section (2) as may be mentioned in the notification."

Shri Radha Raman (Delhi City): The hon. Minister has placed before this House this amendment. Yesterday in my speech also I said that this provision has certainly met partly the objection that we had raised, more particularly because it affected very greatly the traders of Delhi. I now see that as the amendment stands, the Central Government wants to keep the power of levying the inter-State sales tax on goods sold and purchased to themselves. I somehow feel that it does not actually satisfy the requirements of Delhi.

As we all know, Delhi is primarily a distributing centre, and some of the businesses carried on in Delhi are totally dependant on export. After the goods are imported here, 80 to 90 per cent of the goods are exported to neighbouring States. My idea was that if the hon. Minister was agreeable to have this amendment modified in the manner I shall point out, it will meet the wishes of the traders in Delhi and also remove a lot of hardship. The object of the Government is to avoid evasion of payment of taxes, and at the same time to allow the traders to carry on their business in the same manner as they were doing previously. I feel that if the registered dealer is allowed to be exempted from the effect of the clause 8, it will certainly mean a lot of relief to the traders of Delhi. Here in the amendment proposed it is said "in respect of such goods or classes of goods as may be mentioned in the notification". This makes it discriminatory. That is, the Central Government may decide in the case of some goods to levy sales tax, while on others they may decide not to levy the tax. This will be a sort of discrimination between one class of goods

and another which discrimination, I think, is not intended by the Government.

Then again, in this amendment the Government says that it may decide that no tax under this Act shall be payable by any dealer. If you put in the words "any dealer", you exempt all the dealers. What we think is proper and would be helpful is that those who are registered dealers should be exempted, because if there is a registered dealer, he keeps proper records, and the tax is levied at the place where the goods are sold to the consumer. That is, the tax is realised from one point, and not from dealer to dealer, or from exporter to exporter or from wholesale dealer to retail dealer.

Then again, I feel if you say that such conditions as it thinks fit may be imposed, that also will make the amendment less effective. So, I think that the amendment should be so modified as to enable the Government to recover from such dealers who are registered dealers the sales tax that is intended. Such a modification also takes into account the special position of Delhi, which has a long history, and the centuries old trade it is carrying on. I therefore appeal to the hon. Minister to change the amendment in such a manner as would satisfy the first demands of the local traders who are mostly distributors. Such a gesture on the part of the Government will create more confidence among the traders of Delhi who feel that the present provision of Inter Sales Tax in the present Bill will be a great hardship on them.

श्री वि० घ० देशपांडे (गुना): उपाध्यक्ष महोदय मैं भी वित्त मंत्री महोदय से प्रार्थना करता हूँ कि वह इस में एमेंडमेंट (संशोधन) करें और वह संशोधन इस प्रकार से किया जाना चाहिए कि दिल्ली के जो रजिस्टर्ड डीलर्स (पंजीबद्ध व्यापारी) हैं उनपर यह टैक्स (कर) न लगे। एक बात को तो मैं स्वीकार करने के लिए तैयार हूँ और वह यह है कि आप यहाँ पर जितने धर्म नियंत्रण के कानून बनाते हैं और

इस पालियामेंट ने पिछले चार वर्षों में जितने भी विधान बनाये हैं, उन सब में एक सूत्र मैंने अभी तक देखा है। वह सूत्र यह है कि किसी चीज को नेशनलाइज (राष्ट्रीयकरण) किया जाता है या किसी की सम्पत्ति को बिना मुआवजे (प्रतिकर) के लिया जाता है तो उस समय पूरा जो कानून है वह बनाया नहीं जाता है बल्कि एग्जिक्टिव (कार्यपालिका) के हाथ में या सरकार के हाथ में सत्ता दी जाती है कि वह डिस्क्रिमिनेशन (असमानता) कर सके। असल बात तो यह है कि पालियामेंट को ही इस बात का फैसला करना चाहिए कि किस चीज पर उसे नियंत्रण रखना है और किस चीज को उसे माफ करना है। लेकिन होता यह है कि एग्जिक्टिव को यह अधिकार प्रदान कर दिया जाता है कि वह इस चीज का निश्चय करे। कम्पनी कानून में मीनेजिंग एजेंसी के विषय में हमने यह चीज देखी है और इसी चीज को हम यहाँ पर भी देख रहे हैं। सच बात तो यह है कि दिल्ली एक ऐसा शहर है जहाँ से अनेक प्रान्तों को चीज भेजी जाती है और यहाँ पर उनका वितरण होता है। यहाँ से यू० पी० में माल जाता है, पंजाब में जाता है, राजस्थान में जाता है और थोड़ा बहुत मध्यभारत को भी जाता है। इस कारण से यहाँ इस टैक्स का बहुत बोझा पड़ने वाला है। मैं समझता हूँ कि सरकार ने अपने संशोधन के द्वारा यह स्वीकार कर लिया है कि इस टैक्स से इन लोगों पर ज्यादाती जरूर होगी। इस ज्यादाती को पंरहार करने के लिए कोई उपाय सोचा गया है उस उपाय में भी हम को यह शक है कि पक्षपात होगा और आगे के लिए अन्याय चलता रहेगा और कितनी आपत्ति आयेगी इसका हमको ठीक ठीक पता नहीं है। ऐसी अवस्था में दिल्ली के व्यापारियों की यह मांग बिल्कुल वाजिब (उचित) है कि जब एक रजिस्टर्ड डीलर से दूसरे रजिस्टर्ड डीलर को एक जगह से दूसरी जगह माल जाता है, तो उस पर यह एक परसेंट या अन्य टैक्स न बिठाए जायें—जो कि आप बिठाने वाले हैं। मैं समझता हूँ कि इस सेलज-टैक्स (बिक्रीकर)

[श्री वि० घ० देशपांडे]

बिल से देश भर के व्यापारी वर्ग में बड़ा असन्तोष उत्पन्न हुआ है। अकेले दिल्ली में असन्तोष है, इस प्रकार की कोई बात नहीं है। इस बिल में अन्य भी ऐसी बात हैं, जिनका केवल व्यापार पर ही नहीं, बल्कि कनज्यूमर्स पर, सर्वसाधारण ग्राहकों पर भी बड़ा भारी प्रभाव पड़ने वाला है। विशेषतया दिल्ली में, जो कि नार्थ इंडिया (उत्तर भारत) का सबसे बड़ा डिस्ट्रिब्यूटिंग सेंटर (वितरण-केन्द्र) है और जिसको एक शहर होने पर भी एक स्टेट बनाया गया है, इस बिल की आठवीं धारा के कारण व्यापारियों के साथ बहुत अन्याय होने वाला है। इसलिए मैं फिर से प्रार्थना करूंगा कि यह जो संशोधन है, इसमें इस प्रकार का संशोधन और किया जाय जिससे एक रजिस्टर्ड डीलर से दूसरे रजिस्टर्ड डीलर के पास जब माल आता है, तो उस पर बिल्कुल टैक्स न बिठाया जाय। इस प्रार्थना की श्री राधा रमण ने जो सूचना दी है, मैं उसका समर्थन करता हूँ।

Shri C. K. Nair (Outer Delhi): I support the proposal made by Shri Radha Raman. I think the amendment itself is really a sort of concession extended to the Centrally administered areas. That means that it has been conceded by the Finance Minister that some special consideration should be shown to these areas. There is no doubt that excepting perhaps, Delhi, all the other Centrally administered areas are backward, as Shri L. Jageswar Singh pointed out yesterday. Since most of the consumer goods are very costly in these places already, it is very essential that they should not be taxed further. That point has to be conceded.

As for Delhi, which is at the other extreme, and where things are so much consumed, it must be given special consideration, because the standard of living of the people in Delhi is perhaps the highest in India. Of course, there is no question of any benefit accruing or not accruing to

the traders. The trade may suffer, and naturally, the traders also may be affected. But ultimately it is the consumer who has to pay from his pocket. And Delhi being one of the places with a very high standard of living, the common man will be hit much more. So, in order that special consideration may be shown, the amendment may be made in such a way as to exclude all the Centrally administered areas from the operation of such taxes.

Shri T. T. Krishnamachari: I am afraid the suggestions that have been made arise out of a slight misconception regarding the scope of this legislation. My hon. friend from Agra, who spoke earlier, also claimed that Agra was a distributing centre. Bombay is also a distributing centre; there are very many parts of the country which happen to be distributing centres. We can do nothing at all in the matter, because this is a matter in which the States are going to get the benefit and they have to make such adjustments as they like. But they cannot interfere with the Central administration.

So far as this is concerned, the matter was raised that there might be some commodities and there might be certain types of dealers that might come into what we might call the distributive trade. But there might be some commodities which will go into consumption in Delhi. On that point, apparently, Shri C. K. Nair thinks that all goods in Delhi must be exempt. That is a matter in regard to which I must pay heed to the advice of the Delhi administration. All that we have done now is to see that in the case of Delhi—because we can do it in this case, and we cannot do it in any other case; I am not in a position to exempt the distributive trade in Agra or in Bombay or in Madras or in Punjab—we take this power to do it. As regards how it must be done, in what manner this exemption should be given, whether any variation in tax should be made, the commodities in which the exemption should be given, whether registered

dealers should get it or other dealers should get it, and so on, full power is there for the administration to exercise. As I have said while winding up the debate on the consideration motion, I shall certainly be guided in this matter by the advice that I get from the Delhi administration and my sister-Ministry, the Home Ministry.

What my hon. friend should do is to see them and tell them in what manner they think the variation should be made, and it is for them to examine these suggestions and recommend the incorporation of these variations in the notification. It does not mean that because I say I cannot accept his amendment—because this amendment has to be in the nature of an exemption, and we cannot go into the refinements of it—therefore, I am against what he says. But, at the same time, if my hon. friend Shri Radha Raman wants an assurance from me that all that he has in mind should be accepted, I am not in a position to give that assurance now. I have got to be guided in this particular matter by the people who are directly responsible, namely the Home Ministry and the Chief Commissioner of Delhi. I would suggest to my hon. friends that they should speak to them and convince them of what ought to be done. If any recommendations come from them, the financial consideration that I have in regard to the income from Delhi comes—which brings down a portion of the liability that I have to undertake, because there is a lot of deficit which I have to fill up—we would not ordinarily stand in the way. Hon. Members will note that I am using the words advisedly. That means that I shall give every consideration to every recommendation that is passed on to me through the administration of Delhi; and probably what they want can be done; more can be done; less can be done; but there is absolutely no limit up to which this exemption can be exercised by the administration. So, I am not tying up my hands, but at the same time, my hon. friends would forgive me if I refuse to tie up my

hands in the manner which my hon. friends are now suggesting.

Mr. Deputy-Speaker: The question is:

Page 5—

after line 39, add:

“(5) Notwithstanding anything contained in this Section, the Central Government may, if it is satisfied that it is necessary so to do in the public interest, by Notification in the Official Gazette, direct that in respect of such goods or classes of goods as may be mentioned in the Notification, and subject to such conditions as it may think fit to impose, no tax under this Act shall be payable by any dealer having his place of business in any Union territory in respect of the sale by him from any such place of business of any such goods in the course of inter-State trade or commerce or that the tax on such sales shall be calculated at such lower rates than those specified in sub-section (1) or sub-section (2) as may be mentioned in the notification.”

The motion was adopted.

Mr. Deputy-Speaker: The question is:

“That clause 8, as amended, stand part of the Bill.”

The motion was adopted.

Clause 8, as amended, was added to the Bill.

Clauses 9 to 13

Mr. Deputy-Speaker: As the hon. Members who have tabled amendments to clauses 9 to 13 are not present, I shall put these clauses together to vote.

The question is:

“That clauses 9 to 13 stand part of the Bill”.

The motion was adopted.

Clauses 9 to 13 were added to the Bill

[Mr. Deputy-Speaker]

Clause 14—(Certain goods to be of special importance in inter-State trade or commerce)

Shri M. C. Shah: I beg to move:

(i) Page 8, lines 23 and 24—

omit "without further processing or fabrication".

(ii) Page 8, lines 30 and 31—

omit "without further processing or fabrication".

These amendments are necessary to reduce the area of controversy in regard to the import of the term 'iron and steel' with respect to its use as raw materials. Some processing and fabrication take place in the rolling mills which produce this iron and steel as raw material. So, we have been advised that these words should be omitted. Otherwise, there might be some controversy whether these are raw materials or not, because in the rolling mills, this process is there.

Mr. Deputy-Speaker: The question is:

Page 8, lines 23 and 24—

omit "without further processing or fabrication."

The motion was adopted.

Mr. Deputy-Speaker: The question is:

Page 8, lines 30 and 31—

omit "without further processing or fabrication."

The motion was adopted

Mr. Deputy-Speaker: I shall now put clause 14, as amended, to vote.

Shri U. M. Trivedi (Chittor): I want to speak on this clause. This is the most important clause of this whole Bill. It was in respect of this clause that many speakers had pointed out

during the consideration stage, that some provision ought to be made for...

Mr. Deputy-Speaker: The misfortune is that not one of those who spoke remained inside to hear the reply.

Shri U. M. Trivedi: I thought this discussion would take the allotted seven hours and there would be further three hours tomorrow. That was why we practically absented ourselves during the lunch hour. The same thing must have happened to other friends also; they must have been taken in by this position.

14 hrs.

It is quite true that coal has been included and cotton has been included as of special importance in inter-State trade or commerce. Everything necessary is being put down, but I find that when controls were on and when essential commodities were declared under the Defence of India Rules or under the Essential Commodities Act, foodgrains were always included in the list of such articles which would be considered as of special importance in inter-State trade or commerce. The present Essential Commodities Act also includes in its list foodgrains. It would have been quite fit and proper in the circumstances in which this Bill is being passed if foodgrains had been included in the list as of special importance in inter-State trade or commerce.

The greatest amount of movement, if I am not wrong, takes place in foodgrains in India. There are many States where large amounts of foodgrains are grown and large amounts are always sent out. In some cases, tax is levied; in some cases, it is not levied. It would have been fit and proper if the amendment which had been suggested just now, and which we have adopted, granting exemption to certain goods or classes of goods so far as Union Territories are concerned, could be extended to cover all foodgrains. This is because it is a

very essential feature of our economy at present that we have always to depend upon the proper supply of foodgrains. The working of the sales tax has not been uniform all along so far as foodgrains are concerned. So it would have been quite in the fitness of things if this had been included and a provision was also made that there should not be any sales tax on foodgrains; not only foodgrains but all things prepared for purposes of supply which we may call eatables. Things which are supplied as meals ought not to be taxed in any manner whatsoever. When oil seeds, that is to say, seeds yielding non-volatile oils used for human consumption, or in industry, or in the manufacture of varnishes, soaps and the like, or in lubrication, and volatile oils used chiefly in medicines, perfumes, cosmetics and the like could be included as of special importance, whether they are included as of special importance, or not, the whole position would have been better still if the exemption which is now being granted to Union Territories by virtue of this provision, which has now been made—this itself is a discriminatory provision; I do not know whether it will hold water if challenged in a court of law—was also granted all along to foodgrains all over India. Then there would be no question of discrimination whatsoever and it would have been of very great help to the country large, for which people are damouring.

Shri T. T. Krishnamachari: I have dealt with this question before.

Mr. Deputy-Speaker: Yes, a reply has already been given to this question.

Shri M. S. Gurupadaswamy (Mysore): In anticipation!

Shri U. M. Trivedi: I would like to hear something about it, if you permit.

Mr. Deputy-Speaker: That would be difficult for me, if a Member remains absent and then comes and asks that

the same thing should be said again because he was not present at the time it was originally answered.

Shri Chattopadhyaya (Vijayavada): We may use the tape record.

Mr. Deputy-Speaker: The question is:

“That clause 14, as amended, stand part of the Bill.”

The motion was adopted.

Clause 14, as amended, was added to the Bill.

Mr. Deputy-Speaker: There are no amendments being moved to clauses 15 and 16.

The question is:

“That clauses 15, 16, and 1, the Enacting Formula and the Title stand part of the Bill”.

The motion was adopted.

Clauses 15, 16 and 1, the Enacting Formula and the Title were added to the Bill.

Shri M. C. Shah: I beg to move:

“That the Bill, as amended, be passed.”

Mr. Deputy-Speaker: Motion moved:

That the Bill, as amended be passed.”

Shri Achuthan: The hon. Minister, while replying during the consideration stage, explained the actual position why he found it difficult to introduce under clause 14 other important items like foodstuffs. But those Members who come from deficit States have a duty to express their feelings; otherwise, people may think that when such measures are brought before Parliament, the voice of States like Kerala, which is a deficit State and requires to import more than 50 per cent. of its requirements of food materials from other States, is not being raised. This would have amounted to a failure of duty on our part.

[Shri Achustan]

So far as my State is concerned, we have, as I said, to import a lot of food materials. Everybody knows that food is one of the essentials of existence. Then there is cloth. We see that with regard to cloth, the raw material—raw cotton—has been included. I appreciate the point made by the hon. Minister when he says that the States have got representative governments, they are responsible people and they will consider all these aspects. But the point is that there are surplus States. They may think that because those commodities would be essential commodities, they should raise sales tax on those commodities because a portion of those commodities goes to other States. Even though the provision regarding inter-State trade is there—that will be the only limitation here—still there may be other devices adopted by State Governments which are not deficit States but surplus States. They can so manage things that a tax is levied on those goods which go to other States. This will hit the people of the consuming States.

It would have been better for the Finance Minister to have called all the Finance Ministers or Chief Ministers of the States concerned and worked out a formula. Since cotton has been included in the list, foodgrains also should have found a place. Even now we have not lost hope. The Finance Minister has stated that the National Development Council is meeting and he will watch the repercussions; also Parliament will be sitting and we can raise our voice here and the matter can be decided.

But this is an important matter. I am not finding fault with the recommendations of the Taxation Inquiry Commission. They are quite right. But since the situation in India with regard to foodstuffs is not almost on the same level—though some States are excessively surplus and others are deplorably deficit—the Finance Minister must adopt an appeasing or softening attitude and assure the

people of the deficit States that the Centre will not shut its eyes when sales tax is levied on such materials which find a market in the deficit States.

Shri T. T. Krishnamachari: The point raised by my hon. friend is a point which I dealt with before. In so far as surplus areas are concerned, foodgrains or such other essential commodities will bear the same rate of taxation which the Government of that area imposes on its people. If some other State is getting the goods, they can certainly see that the people do not pay any additional tax which adds to this burden. It is for the consuming State to make a provision to that effect. But so far as the taxing State is concerned, it cannot tax the goods that go out at a rate higher than that levied on the same goods consumed in that State. So again the question of responsibility to the consumer in the State is the factor unless it be that the State is producing something which is not consumed in that State but is only taken out and that cannot be so, particularly in the matter of foodgrains. The question of the responsibility of the State to the consumer in the State is an effective guarantee against any arbitrary increase in the sales tax unless it be that something is produced which is consumed only far away from the State of production. So far as surplus States are concerned, the provision is already there and beyond that I cannot say anything.

Mr. Deputy-Speaker: The question is:

"That the Bill, as amended, be passed"

The motion was adopted.

REPRESENTATION OF THE PEOPLE
(FOURTH AMENDMENT) BILL

The Minister of Legal Affairs (Shri Pataskar): Sir, I beg to move:

"That the Bill further to amend