

**Shri V. P. Nayar:** We need not go to Norway.

**Shri Morarji Desai:** If we go to other countries, we may find that in countries which have been highly developed and which are, therefore, rich, of course, direct taxation is heavy and indirect taxation is less. We are a backward country and any amount of direct taxation is not going to give us what we want. We have got to take taxes from all people. Those who have less are to pay less and those who have more should give us more and that is what we are doing.

What has happened? Is the landlord of this country given more land? Are we not putting more taxes on the textile industry and giving help to handloom industry? We should look at concessions that are being given. Take the sugar industry. Five years ago, the production was 10 lakh tons. Today it is 20 lakh tons. Who is using this sugar? Not all of this is used by the rich because they are using the sugar that they were using before and if they use more they would not be living. It is only those who could not afford to use sugar before that are using this. Take even the case of grains that we are getting. All those who were not getting it before are getting it. I am prepared to admit that there are many people who must get more and who are not getting today. But it is not possible to bring in heaven in this country immediately within five or ten years. It will take some time. Even in the land of the patron-saints of my hon. friends this has not happened even after forty years. They are not getting all the consumer goods they want. Our people are getting more consumer goods than they in that country. That is a statement I am prepared to make. The costs are less and our people are getting much more consumer goods than in Russia..... *(Interruptions.)* Sir, I have nothing more to say because I find I am annoying them more and more.

**Mr. Deputy-Speaker:** The question is:

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

*The motion was adopted.*

#### GIFT-TAX BILL—contd.

**Mr. Deputy-Speaker:** We now resume discussion of the motion of reference to the Select Committee of the Gift Tax Bill. Shri Supakar.

**Shri B. Das Gupta (Purulia):** Sir, I had sent a chit.

**Mr. Deputy-Speaker:** I have received the chit of the hon. Member. He wanted some personal explanation. I have consulted the records and there is nothing that has been said against him and so, there is no personal explanation that is required. That would be conveyed to him.

**Shri Supakar (Sambalpur):** Sir, it has been said that the Gift Tax Bill is prevalent in many countries in west and that there is no tax in which the tax liability depends to such a large extent in an inverse fashion, on the ingenuity of the person involved.

From the Statement of Objects and Reasons of this Bill, it appears that it is to check evasion of Estate Duty. The main justification of the Gift-Tax is that it avoids evasion of the Estate Duty by means of gifts given two years before the estate passes on from the owner to his heirs. In 1953, when the Estate Duty Bill was passed into Act, it was provided that all gifts made within two years prior to death and within six months prior to death in case of public charitable trust were taxable along with estate and legacy. But it was soon found out that this was an unsatisfactory state of affairs because in that case though the Government may be very anxious to realise the tax in the shape of Estate Duty and even though the legatees and the heirs of the persons liable to

[Shri Supakar]

may Estate Duty were anxious for his death, death might not be obliging the Government or the heirs. So, we find Prof. Kaldor has occasion to say in his report about this and he comments on the vagaries of death in such cases and suggested that the taxability of gift should not be dependent on the fortuitous circumstances of the donor surviving or not surviving a prescribed period.

The present Bill does away with this particular difficulty by saying that every gift made every year will be assessable but the amount of Gift Tax will be determined according to the average of all gifts made during the preceding five years. This suggests to the future donors the idea of evolving several five year plans for gifts because by spreading out their gifts through several years by means of these five year plans, it will be possible to minimise the incidence of Gift Tax. If we compare this with the amendment in the Estate Duty Act that is proposed we find that it will be possible for persons to get a good deal of advantage out of the rate of taxation that is proposed. I calculated for instance the liability to tax in the case of a person who has an estate worth, say, Rs. 15 lakhs and what he would be gaining if he divided this amount into gifts of Rs. 1 lakh each year. From a rough calculation I find that a person with an estate worth about Rs. 15 lakhs is liable to pay an estate duty of Rs. 2,79,000. But if he converts this estate into gifts of fifteen equal annual instalments, his liability comes to about Rs. 1,56,750. So, he practically makes a saving of about 50 per cent of his tax liability. This has been harped on by all the economists and writers who have written on the comparative incidence of the duty as it is and the duty as it would be modified or mollified by the gifts made from year to year for a long term of period. I hope when the Select Committee goes into this question, it will take into consideration

these facts and will so adjust the percentage of tax for different slabs of estate duty on the evaluation of estate and the different slabs of gifts made from year to year. If it is the real intention of the Government to avoid evasion by means of imposition of gift-tax, the Government and the Select Committee should see that evasion by means of converting a part of the estate into gifts in annual instalments is reduced to the minimum.

Then next point that I would like to make in this connection is with regard to the exemption. I have no objection, Sir, to the rate of tax being made still higher, but I feel it is our duty to see that the exemption so far as gift-tax is concerned is much more liberalised, when it is not a gift to particular person especially to the heirs or to the relatives of the donor. Again, when a gift is made in favour of public charity—for charitable purposes or religious purposes—we must see that more exemptions are provided. Of course, we find in clause 5 of the Bill it is provided under sub-clause (1)(v) that gift-tax is not to be charged under this Act in respect of gifts made by any person to any institution or fund established for a charitable purpose to which the provision of section 15B of the Income-tax Act apply. Also, in sub-clause (1)(vi) it is said "for any charitable purpose not falling within clause (v), subject to a maximum of rupees one hundred in respect of each such gift".

15.44 hrs.

[MR. SPEAKER in the Chair.]

I submit, Sir, if the ideal of the State is to establish a socialistic pattern of society and prevention of concentration of wealth in the hands of a few particular individuals, it must be provided that the incidence of tax should not fall in those cases where gifts are made for charitable purposes, and thereby it should be seen that the welfare through charitable work is not hampered. In that

sense, I would urge upon the Select Committee to widen the scope of exemption in case of gifts for charitable purposes, and I feel that this provision in sub-clause (1) parts (v) and (vi) of clause 5 is not enough.

We know that in this country from very ancient times we have the idea of gift and charity which is substantially different from countries where gift-tax is being enforced. In recent times we have seen the development of, for example, the Bhoodan Movement, the Sampattidan and other gifts—cases where people are encouraged to give away a part of their property up to an extent of one-sixth or even more for purposes of the general benefit of the public. Therefore, it should be seen that in cases like Bhoodan and Sampattidan where the property or wealth passes from a particular individual to purposes of general public welfare, they are not subjected to this tax.

Regarding the other items, Sir, I would like to make some comments when the Bill emerges out of the Select Committee. But, I would, for the time being, say that the purpose that Government propose to serve by imposing gift-tax—realising a sum of about Rs. 3 crores through this tax—is equally served by charitable purposes. We know that a private person who builds a hospital or a college or any other work of public benefit can do it, and actually does it, at a much cheaper cost than when it is done through a governmental agency. That is an additional reason why charitable purposes should be exempted in a much wider scope under this Gift-Tax Bill.

I feel that this Gift Tax Bill should have been named *Dakshina* Bill, because we find that whenever a person makes a gift to another person he has to make some *dakshina* to the State. I feel that because there is no appropriate term for this word *dakshina* either in Sanskrit or in the local languages this Bill has been named as the Gift-Tax Bill.

श्री जायब (मालेगांव) : यह जो बिल सदन के सामने है इसके बारे में मैं कुछ शब्द कहना चाहता हूँ। इस बिल को जो सिलेक्ट कमेटी भेजने का रिजोल्यूशन सामने आया है मैं उसकी लाईट करता हूँ और जो बिल सदन के सामने रखा गया है मैं उसको सपोर्ट करता हूँ। इस बिल के स्टेटमेंट आफ आबजेक्ट्स एंड रीजन्स में यह लिखा है कि इस बिल को लाने का उद्देश्य यह है :

“...the integrated tax structure which the Government have been aiming at will be complete.”

इससे भी मैं सहमत हूँ। काल्डर रिपोर्ट में कहा गया है कि अगर हम अपनी पांच साला योजना को कामयाब बनाना चाहते हैं तो हमको डाइरेक्ट टैक्सेशन के बारे में बोलने का कदम उठाना पड़ेगा। हमारा जो आज डाइरेक्ट टैक्सेशन का तरीका है वह ठीक नहीं है। उसको ठीक करने के लिये हमको कदम उठाना पड़ेगा। देर से क्यों न हो यह कदम उठाया गया है इसलिये मैं फाइनेंस मिनिस्टर को धन्यवाद देता हूँ।

इस बिल की जरूरत हमको क्यों पड़ी। इसके बारे में काल्डर रिपोर्ट के पेज १०४ पैरा १८३ चैप्टर ६ में कहा गया है :

“Everyone is agreed that apart from manipulations of various kinds which are broadly classed under the term ‘tax avoidance’, there is a considerable amount of evasion in India due to fraudulent concealment of income secured through false entries on record books and the accounts. It is fairly generally agreed also that such evasions have become more widespread since the last war”.

टैक्स इवोजन के बारे में उन्होंने कहा है कि बीस पर सेंट से लेकर २०० और ३०० पर सेंट तक टैक्स इवोजन यहाँ होता है। इनकम-टैक्स के बारे में उन्होंने कहा है कि

[श्री जाधव]

२०० से ३०० करोड़ तक का टैक्स इवेंजन होता है। अगर हम अपने इंटरनल सोर्सिज का पूरा ध्यान नहीं रखेंगे और अगर इस बारे में ठीक कदम नहीं उठाया जायेगा तो मुझे डर है कि हमको अपनी पंचवर्षीय योजना के लिये जो पैसे की जरूरत है उस पैसे को हम वसूल नहीं कर पायेंगे। हमारे फाइनेंस मिनिस्टर साहब जब रईस लोग धावाज उठाते हैं तो उससे डर जाते हैं। एक्सट्राइज इयूटी के बारे में मैंने यही देखा है। एक समय वह एक बात कहते हैं और दूसरे समय दूसरी बात कह देते हैं। टैक्सटाइल इंडस्ट्री के बारे में मैंने देखा है कि जब वह कामर्स और इंडस्ट्री मिनिस्टर थे तो उन्होंने कहा था कि ज्यादा पैदा करने पर भी वह रियायत नहीं देंगे लेकिन जब उन लोगों ने इसके खिलाफ धावाज उठायी तो बैसा नहीं किया। तो गिफ्ट-टैक्स के बारे में भी मैं यह कहना चाहता हूँ कि अगर ठोस कदम नहीं उठाया गया तो हममें भी इवेंजन के लिये बहुत गुंजाइश रहेगी।

इस बिल में जो शिड्यूल दिया गया है उसके बारे में भी मुझे कुछ कहना है। यह ४ पर सेंट से शुरू होता है और गिफ्ट-टैक्स की रेट ४० पर सेंट के करीब तक जाती है। मैं सिलेक्ट कमेटी से दरखास्त करता हूँ कि यह जो रेट थ्रू गिफ्ट-टैक्स है इसको १० पर सेंट में लेकर ६० पर सेंट तक अलग अलग स्लैब में रखना चाहिये क्योंकि इससे हमको काफी आमदनी होने की उम्मीद है ऐसा मैं समझता हूँ।

तो मैं इस बिल की तार्जिद करता हूँ और चाहता हूँ कि सिलेक्ट कमेटी स्लैब की कम करने की कोशिश न करे।

Shri Raghunir Sahal (Budaun): Mr. Speaker, Sir, in the Statement of Objects and Reasons for this Bill, it has been stated as follows:

"Gifts from one person to another provide a convenient means

of avoiding or reducing liability to Estate Duty, Income-tax, Wealth-tax, and Expenditure-tax. The only effective method of checking such attempts at evasion or reduction of tax liability is by levying a tax on gifts. With the introduction of this tax, the integrated tax structure which the Government have been aiming at will be complete".

Now it appears that this Gift-tax Bill has been introduced presumably at the suggestion of Kaldor who issued a report named *Indian Tax Reforms—Report of a Survey* on March 30th. 1956, because he gave an additional reason for the taxation of inter-vivos gifts, namely, that the imposition of an estate duty itself stimulates the inter-vivos transfer of property to heirs and successors so as to avoid this tax. He also said that this gift-tax has been in existence in USA, Sweden, Canada, Australia and various other countries where they have introduced separate taxes on inter-vivos gifts to supplement the death duties. This opinion expressed by Prof. Kaldor is entitled to great respect.

But there is another opinion expressed by the Taxation Inquiry Commission. This matter of gift-tax was thoroughly considered by the Commission and they expressed thus:

"A gift-tax is theoretically an attractive proposition but it requires considerable experience of the operation of estate duty before it can be introduced. One of the prior requisites for operating successfully a tax of this nature would be to introduce the submission by the income-tax assesses of a statement of assets and liabilities. As more experience is gained in this type of work, the feasibility of introducing a gift-tax can be considered. Moreover,

the rates of death duties are at present low. The value of a gift-tax as a second line of defence for an estate duty is greater if the rates of the latter are suitably progressive. We are, therefore, not in favour of introducing the gift-tax at this stage".

This opinion was expressed in the year 1953-54. There are two weighty opinions on this subject—the opinion of Prof. Kaldor on the one side and the opinion of the Taxation Inquiry Commission on the other. As I said, they are very weighty opinions, but for mortals like us, who are not financial experts, these two opinions place us on the horns of a dilemma as to which opinion should be accepted, either the opinion of Kaldor or the opinion of the Taxation Inquiry Commission.

Now, one of the points that ought to be considered in this connection is that the working of the estate duty has not been considered for a fairly

long time. When the estate duty was imposed in this country it was thought that it would yield very large sums of money to the Government. But subsequent events have shown that all those hopes have been falsified. The Finance Minister, in his speech while introducing the budget, said that the "actual collections of estate duty have fallen short of even the modest expectations we had at the time of passing this measure". In that very budget speech, he proposed certain amendments to the Estate Duty Act which, if carried out, would bring in an additional revenue of Rs. 50 lakhs only. In this connection, we also have to consider what would be the yield of the gift-tax, because it is a very vital problem.

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

17 hrs.

*The Lok Sabha then adjourned till eleven of the Clock on Thursday, the 24th April, 1958.*