

though people have often criticised us for raising the price. I am trying to protect the price of cement so that when the price increases the demand for cement may show down and we may have a cushion. My friend of the Forum of Free Enterprise has stated that we are allowing blackmarketing and Government are blackmarketing. These are matters which my hon. friend does not know fully and he can ask questions. I am quite prepared, even though it is a portfolio of my friend, Sardar Swaran Singh, to satisfy him. We shall certainly satisfy him in these matters. But if you think that by making a speech here and making "lakhs" into "crores"—you have made a great effect and you made your party laugh, you made others also laugh. I do not grudge that—you have achieved something. I may tell you, you have not scored any particular point.

Now I come back where I began. We have full faith in the Plan. Any amount of eloquence on the other side to say that we do not believe in the Plan and they only believe in the Plan, which they seek to sabotage, is a thing which nobody will believe. We have been, more or less, hitching our wagon to this Plan and we propose to go on hitching to it and, as I said the other day, we propose to try our best to do what we can do to implement it. It may be that one Minister speaks with one voice and my voice might be a piping little voice and another Minister might have a stentorian voice. We cannot speak with the same voice because we have no voice culture or voice training. So, there is nothing in it. So far as an individual is concerned, he sometimes expresses a personal opinion. I might have some views about agricultural income-tax or land tax. It does not mean that because I am the Finance Minister in the Centre, every State should accept it I believe in diversity of views and unity of action and I do maintain that there is unity of action so far as the Government is concerned. I may be a very very minute

limb of this Government or, may I say, a lynch-pin? But still I will try my best to hold the whole thing together so that we may, God willing, be able to implement the Plan and whether it is the core of the Plan or whether it is pruned a little here and there, most of the targets that are to be fulfilled will be gone through.

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

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

*The motion was adopted.*

#### WEALTH-TAX BILL, 1957

**Mr. Speaker:** The Wealth Tax Bill has been allotted 9 hours and it has to be allotted to the various stages. Now it is 1-30 and we can go up to 5-30 I think we will allot 5½ hours for the first reading, 3 hours for the clause by clause consideration and half an hour for the third reading. Now the hon. Minister.

**The Minister of Finance (Shri T. T. Krishnamachari):** I beg to move\*:

"That the Bill to provide for the levy of wealth-tax as reported by the Select Committee, be taken into consideration".

As the House is aware, the Bill was referred to a Select Committee consisting of about 35 members on the 17th of July. The Committee submitted their report to the House on the 17th of August. They had 12 sittings in all, during which they deliberated upon not only the various provisions of the Bill, but also the general principles underlying the taxation of wealth in all its aspects, as envisaged in the Bill. The Committee considered the points raised by the hon. Members of this House, when the motion for reference to the Select Committee was under discussion.

\*Moved with the recommendation of the President.

[Shri T. T. Krishnamachari]

13.38 hrs.

[MR. DEPUTY-SPEAKER in the Chair.]

The Committee also took evidence from associations representing various interests and shades of opinion, who voluntarily came to give oral evidence before them.

The Committee have recommended a number of amendments, both substantive and procedural, to the original provisions. On the whole, they have approved of the general principles of the tax, as set out in the Bill and, in particular, the levy of the tax on joint stock companies as well as on individuals and joint Hindu families. The changes that have been suggested by the Committee in regard to the substantive provisions are, generally speaking, in the nature of concessions in particular directions, designed to avoid undue hardship in cases where it is otherwise likely to arise in the view of the Committee. I shall refer to these changes presently.

The principles of the Bill and its provisions have been briefly set out in the memorandum and the pamphlet explaining the taxation proposals for the current financial year, which were circulated to the hon. Members soon after the presentation of the budget. The important provisions of the Bill were already discussed in some detail in the earlier session of the House on the motion for reference to the Select Committee. I do not, therefore, consider it necessary to take the time of the House at this stage for going in detail through the various clauses of the Bill. I shall confine myself to explaining the changes made by the Select Committee in the more important clauses of the Bill.

I believe it will be convenient if I deal with these changes under two broad categories, namely (a) changes relating to the taxation of companies and share-holders, and (b) changes relating to the taxation of other assesses, that is individuals and Hindu undivided families.

Under clause 3 of the Bill joint stock companies, whether public or private and whether Indian or foreign, are liable to pay tax as separate units. Generally speaking, in the case of an Indian or resident company all its wealth whether held within India or outside is chargeable to wealth tax. In the case of a foreign company, that is a company not resident in India, clause 6 provides that only its Indian wealth is liable to tax.

Clause 45 of the Bill excludes totally from the purview of the tax certain types of companies which have special characteristics of their own. These exceptions are banking companies, insurance companies and certain financial institutions sponsored by the Central Government. These features of the Bill have received full support from the Select Committee.

I shall now summarise the changes made by the Committee in regard to taxation of companies.

During the discussion of the motion for reference to the Select Committee, I had expressed my intention to provide for the following, by way of tax concessions :

- (i) the grant of a wealth-tax holiday to industrial companies for five successive assessment years immediately following the date of their incorporation;
- (ii) shares held by one company in any other company, i.e., inter-corporate holdings to be exempted from wealth tax in the hands of the holding company.

These concessions have been approved by the Select Committee and the necessary changes incorporated in the appropriate clauses of the Bill.

The Select Committee have considered it necessary to provide for further concessions on considerations of equity, of the need for giving stimulus to companies which genuinely require finance for their development, and of avoidance of undue

hardship. They have accordingly made the following changes :

- (1) Shipping companies are also to be totally excluded from the purview of the tax. These companies will thus be placed on the same footing as banking and insurance companies.
- (2) Charitable institutions and institutions for the promotion of art, culture, commerce, etc., which are not established for the purpose of making profit but which are registered as companies for the sake of convenient administration, are also to be totally excluded from the purview of the tax.
- (3) The wealth tax holiday for five successive assessment years should not be confined to industrial undertakings newly incorporated as companies, but extended also to new industrial units of existing companies which are created by way of substantial expansion of the existing undertaking.
- (4) Wealth tax is not to be levied on a company in a year in which it suffers a loss, and where a company makes only a small profit in any year, the wealth tax payable by it in that year should not exceed the amount of its profits. For this purpose, the loss or profit in such cases is to be computed without allowance for development rebate or special depreciation allowance or the set off of earlier years' losses. Further, the concession will not be given if the company declares any dividends on equity capital for the relevant year.
- (5) In order to provide a direct incentive for investment in productive enterprises and as a corollary to the wealth tax holiday for new industrial companies, shareholders in such companies are similarly to be exempted on the value of their shares for the same period of five successive assessment years in which the

companies themselves will be enjoying the wealth tax holiday.

- (6) Rule 2 of the Schedule as it stood originally provided a ceiling of wealth tax for shareholders of private companies only. The tax on the shareholders was to be limited to 1.5 per cent of the value of the shares, taking into account the wealth tax paid by the private company itself on its own wealth. This ceiling is now extended to shareholders of public companies also on the same basis.

The amendments incorporating these changes made by the Select Committee will be found in clauses 5 and 45 and the Schedule.

So far as I have dealt with the changes in regard to the taxation of companies and shareholders. I shall now summarise the other important modifications made by the Select Committee which relate mainly to individuals and Hindu undivided families.

Clause 6 as it originally stood provided that in the case of individuals who were citizens of India, their entire wealth including their foreign wealth, would be liable to wealth tax even if such individuals were residing outside India, and that in the case of individuals who were not citizens of India, only their Indian wealth would be liable to tax. The Select Committee felt that this distinction based on citizenship was not appropriate and that it should properly be based on residence in India. They have accordingly amended clause 6. The effect of the amendment is that in the case of all individuals, irrespective of nationality, who are not ordinarily resident in India or not resident in India, only their Indian wealth will be liable to wealth tax. Similarly for Hindu undivided families also. Residence in India for this purpose will be determined on the same principles as are at present applicable for purposes of income-tax.

In the case of individuals and Hindu undivided families resident in India, the foreign wealth also would be

{Shri T. T. Krishnamachari]  
 liable to tax. The Select Committee have, however, provided that tax should be charged on the foreign wealth in such cases only at one half of the normal rates of tax. In order that foreigners should not be inclined to withdraw their Indian investments on account of the incidence of wealth tax, the Select Committee have provided that their Indian wealth will be taxed only at one half of the normal rates of tax. The Committee has also provided that in the case of foreign institutions or foreign residents, any assets represented by loans or deferred liabilities in India in respect of the supply of capital goods on long-term credit basis, will be exempted from tax.

No change has been made in regard to the exemption limit for individuals which remains at Rs. 2 lakhs. For Hindu undivided families, however, the Select Committee considered it necessary to raise it from Rs. 3 lakhs to Rs. 4 lakhs. This increase in the limit by Rs. 1 lakh is offset by the reduction of the next slab from Rs. 10 lakhs to Rs. 9 lakhs. No other change has been made in the rate schedule or the tax structure.

Clause 5 of the Bill provides for exemption from wealth tax in respect of a number of items of assets. These exemptions were carefully considered by the Select Committee, and while they have been substantially approved by them, they have made some important changes therein, and also made some additions to the list of exemptions.

Household articles, furniture etc., are now to be exempted fully without any monetary limit. For jewellery alone a separate monetary limit of Rs. 25,000 has been imposed. The limit for professional tools and implements has been raised from Rs. 2,500 as proposed in the Bill to Rs. 10,000.

In the case of Rulers of Indian States, their ancestral jewellery recognised as such by the Central Government, and which is not their personal property, is to be exempted. Also, one building for each Ruler,

which is declared by the Central Government as his official residence, is to be exempted. For others, exemption has been provided for one residential building in rural areas with a population of less than 10,000.

I shall now come to the important changes made by the Select Committee in regard to procedural matters. Clause 25 of the Bill, as it originally stood, conferred power on the Commissioner of Wealth Tax to revise assessments only in cases where such revision was advantageous to the revenue. Suggestions were made in the House during the discussion on the motion for reference to the Select Committee by my hon. friend Pandit Thakur Das Bhargava that the Commissioner should also be empowered to revise assessments in cases where such revision was in favour of the tax-payer. These suggestions have been accepted by the Committee and clause 25 has been recast accordingly.

The next important change is in regard to the composition of the Committee of Arbitration to settle disputes in regard to valuation at the stage of the appeals before the Tribunal. The Select Committee felt that it was most appropriate that the arbitration should come only at the Appellate Tribunal stage as proposed in the Bill, as it is only at that stage that all the issues in dispute between the tax-payer and the department will become crystallised. The Select Committee, however, felt that the following changes were necessary :

- (1) The Arbitration Committee should consist of two valuers only, and not a valuer and an adviser as proposed in the Bill.
- (2) The valuers on the Committee should be chosen one by the assessee and the other by the department.
- (3) The valuers should be empowered to settle disputes on valuation of not only immovable property but also movable property, if either party to the appeal so required.

The other changes made by the Select Committee relate to minor details of procedure and will become clear when the House takes up the relevant clauses for consideration.

Although I would have personally liked that the number and extent of the concessions had not been as large as they are, I cannot deny that the Committee had ample justification for the view that in an entirely new measure like this, it is desirable to proceed with caution. This measure of caution has been exercised in two respects—firstly, by granting concessions so as to avoid administrative harassment, a word that is often used; and secondly, by avoiding any imposition which may even by a remote chance affect development.

I myself do not share these fears. But I am prepared to agree that there is a possibility of having divergent views in a matter of this nature. I therefore would like to give this measure, as approved by the Select Committee, a fair trial and would claim the indulgence of the House in coming with suitable amendments, if experience shows that the law has to be tightened up.

Finally, I must refer to the estimates of receipts from this tax. These estimates are, at the present stage, very largely subjective. In fact, my department would not even take the responsibility of making these estimates. My original estimate was Rs. 15 crores made up of Rs. 9 crores from companies and Rs. 6 crores from individuals and Hindu Undivided Families. With the concessions now made for companies and for losing companies, the receipts from companies will come down to about Rs. 6½ crores. In regard to individuals and HUFs, it is possible that my original estimate is a conservative one. It will, however, take time to build up the revenue and for the current year I cannot take a figure higher than what I have previously mentioned. I expect, therefore, that for the current year the total revenue might be of the order of Rs. 12½ crores.

Shri Naushir Bharucha (East Khandedh): The pattern of the Bill, as it has emerged from the Select Committee, has been maintained intact, though important concessions have been made by way of exemptions. It does appear that a stage has been reached when all feel reconciled to the imposition of a wealth tax.

As was stated before, this wealth tax is inevitable as part of an integrated system of personal taxation. The fact that money is required for the Plan is a stark reality and adds weight to the argument that there is no escape from a wealth tax, though it may be modified in some respect.

It was originally estimated that Rs. 15 crores would be the yield from this tax. The hon. Finance Minister now says that it is expected to yield a couple of crores less. I am of the opinion that notwithstanding the very reasonable exemptions given to companies, the yield from the tax will not be less than Rs. 15 crores, and as time passes with experience gained, as the machinery of collection is tightened up, there is great likelihood of expansion of the yield from this source.

There has been some minutes of dissent wherein considerable opposition has been expressed to the levy of a wealth tax on companies, but for reasons which I shall specify later, this course is inevitable. The major changes the Select Committee has made relate, in the first place, to inter-  
corporate investment, secondly on the question of new units, thirdly with regard to a wealth tax holiday for all new companies, fourthly, to the exemption of shipping companies and others, fifthly, concerning companies which make losses, and sixthly, in respect of foreign investments. The Select Committee has, on the whole, made reasonable concessions which would encourage investment of capital in new companies and will limit disincentives to capital formation and help those companies which are making losses.

[Shri Naushir Bharucha]

I was particularly happy that exemptions had been given to charitable and religious institutions. While there must remain some differences of opinion with regard to the residential accommodation exempted, the other exemptions are more than generous. I for one fail to see why any objection should be raised to exemption of Rs. 25,000 in respect of jewellery. There may be some point of view expressed with regard to the implements of trade where the exemption limit has been raised from Rs. 2,500 to Rs. 10,000. I am really of the opinion that all implements of trade, which may very well include instruments and apparatus used by surgeons and others, should have no limit whatsoever on them. For instance, where the limit is Rs. 10,000, you do not expect a modern X-ray apparatus to be purchased for less than Rs. 10,000. Surely when scientifically developed more costly instruments are being used by experts, I am of the opinion that all these should be exempted. It is undesirable to consider these things as part of one's wealth.

Concessions with regard to deposits and joint Hindu families have been made. I agree with the opinion voiced by Pandit Thakur Das Bhargava with regard to the joint Hindu families, that the concession is extremely meagre, and I am still of the view that though the Finance Minister has said that the concession has been raised from Rs. 3 lakhs to Rs. 4 lakhs, still it falls far short of expectations. It is not desirable that ad hoc concessions should be made in a matter of taxation by conceding a lakh of exemption here or there. I think my hon. friend, Pandit Thakur Bhargava, suggested that a committee should be appointed to go into the incidence of taxation as it operates on joint Hindu families, and some sort of rationalised scheme should be formulated and some of definite principles with regard to taxation of joint Hindu families should be evolved and in future the Finance Minister, in devis-

ing the tax pattern, should take those principles into consideration.

**Shri B. S. Murthy (Kakinada—Reserved—Sch. Castes):** Are not joint Hindu families fast disappearing?

**Dr. Krishnaswami (Chingleput):** Why future?

**Shri Naushir Bharucha:** One cannot ignore the fact that joint Hindu families exist. My hon. friend probably does not understand that.

**Mr. Deputy-Speaker:** Future Finance Minister will act in future.

**Shri Naushir Bharucha:** The point does remain that joint Hindu families are very much in existence, and it will be ridiculous to close one's eyes to facts as they stand.

The Committee has also gone very carefully into the question of tax evasion through transfers and conversion of taxable items into exempted investment near the valuation date-line. The Committee has considered the question of time-limit for reopening cases and made certain changes with regard to non-resident principles.

I have gone very carefully into the minutes of dissent appended to the Report. The one coming from my hon. friend, Shri M. R. Masani, refers to arguments against the imposition of wealth tax on companies. Briefly, the arguments are: first, that Prof. Kaldor does not recommend such a tax on companies; second, there must be need to promote savings; third, wealth tax means either double taxation in case of richer shareholders or taxation on the small investors; also company taxes plus other taxes would lead to over 100 per cent taxation which is undesirable; it amounts to capital levy—and my hon. friend expresses his dislike at a recurring capital levy, much less an annual capital levy. Levy of a wealth tax without providing adequate rebates, it is also argued, tends to be more oppressive. It has also been argued by some friends who have appended

minutes of dissent that one can object to concentration of wealth in the case of individuals, but concentration of wealth in the case of corporate companies stands on a totally different footing.

My hon. friend Shri Minoo Masani has also asked that if the shipping companies have been exempted, why the cement and steel industries of equal importance should not be exempted and encouraged. These arguments may be answered as follows :

Just because Mr. Kaldor opines one way, we cannot get away from the stark realities of the situation that the Five Year Plan needs money and the only source which is open to taxation is that section of society which is in more affluent circumstances. And, I fail to understand, after passing Rs. 106 crores of taxation in a full year in the Finance Bill, the bulk of which must fall on the middle classes and poor classes, why should capitalists grudge Rs. 15 crores of taxes. I shall show that in reality there will be burden on them whatsoever with regard to wealth tax. Therefore, Mr. Kaldor's views must not be taken in isolation but must be taken in the context of Rs. 106 crores of taxation which has been imposed on the middle and poor classes.

New companies have been exempted. Therefore, the argument that 'savings require to be promoted and that new investments should be encouraged' does not hold good. If new companies are exempted for five years that is sufficient encouragement for any enterprise.

It has been stated that Wealth Tax is double taxation. I concede that it is. But in cases of the richer classes I am prepared to say that even if it is double taxation, the rich must not grumble. But I do appeal that in the case of the small investor there should be some provision made in the Wealth Tax Bill for refund of the tax on the same principle as in the case of dividends of small shareholders for whom there is refund of income-tax.

May I point out one important point on which my hon. friend Shri Minoo Masani has dissented that if we analyse the shareholders of a company—and he has analysed the shareholders of the Associated Cement Co.—we will find that the bulk of the investment is held by small men. And, going earning-wise, we find that not less than 60 per cent. of the shareholders have been earning Rs. 666 per month. Rs. 666 per month in terms of commodity value means Rs. 150/-. Yet 59 to 60 per cent. of the shareholders are in that category. Therefore, what is the actual position? The actual position is that so far as companies are concerned, so far as Wealth Tax on companies is concerned,—the hon. Minister expects to get out of it Rs. 6½ crores and I expect it to be Rs. 9 crores—nearly Rs. 5 crores will be paid by the middle classes. Let this point be clearly understood that Wealth Tax is not imposed on the rich only; it is being imposed very heavily on the middle classes. The middle classes pay the Wealth Tax—60 per cent. of it—and, therefore, I say that there should be a provision for refund. I do not care if the richer classes are taxed doubly.

Coming to another argument that over 100 per cent tax is collected and it becomes a capital levy, I ask at what stage 100 per cent tax is collected? It is collected when the individual has got Rs. 80 lakhs. At that stage, 100 per cent. of the income is taxed. I say when an individual has got Rs. 80 lakhs as taxable wealth, he owes a duty to society to give all his earnings to society and to live on his capital. Therefore, this argument also does not hold good.

It has been stated that there are no adequate rebates given in the case of Wealth Tax. This is, to a certain extent, true. But, after experience of the working is gained, maybe at a later stage, some concession may be made in this direction.

It has also been said that you cannot object to accumulation of wealth

[Shri Naushir Bharucha]

by a company because wealth with a company is for investment and production purposes and so it stands on a totally different footing from the concentration of wealth in the hands of an individual. But if companies are exempted, any number of bogus companies can be formed for the evasion of Wealth Tax. What difference does it make whether as a rich man I am told that it is wrong to have so much of wealth or as a shareholder I am subjected to the same criticism? If it is inherently and morally wrong for an individual to have accumulated wealth, then, it is wrong for a shareholder also, who is an individual, to have that. Therefore, there is no case for taking companies out of the purview of the Wealth Tax.

It has been pointed out that if shipping has to be excluded, why not cement and other industries. Shipping stands on totally different footing. Today we have inadequate tonnage of shipping and shipping is one industry on which the lifeline of the nation is dependent. For the import of food we have to take to the ships of other nations and we would be deprived of it in the event of war. Therefore, shipping stands on a totally different footing.

Coming to other exemptions with regard to the Wealth Tax, I have already stated that the Select Committee has granted several exemptions. With regard to accommodation in case of urban houses, I would suggest that some concession should have been given, not of the entire house but that part of the premises of a house in which the assessee dwells. For instance, if I have a building in Bombay—I have not one—worth Rs. 10 lakhs, and if I occupy a portion of the house or flat, not the entire Rs. 10 lakhs should be exempted but the cost of constructing that part of my premises where I reside, should have been exempted. That much concession should have been given.

Sir, with regard to other matters I may say that there are provisions in

the Bill which raise some doubt as to how wealth can be valued. The question of assessing the value calls for vast experience. I have been appealing to the House and to the hon. Finance Minister in the earlier stages that in the collection of taxes the most important thing is not how much you collect but what is the machinery for evaluation. Rough and ready principles would have to be employed. As I said, in the case of companies and firms we have the balance-sheets. We know that they do not disclose the correct position of the company or the firm. But that will have to be the basis for making the assessment of the wealth and the property of such a company or firm.

Similarly, in the case of immovable property, some rough and ready calculation may be had by classifying the property into 3, 4, 5 or even 6 categories and fixing the value as so many rupees per sq. ft., for this class of property and so many rupees for that. Maybe that you get a little less. Does not matter. But, once the value of the property is fixed, unless there are vast fluctuations in the property market, that valuation should be allowed to continue for a number of years. This may not meet perfectly the expectations that we entertain and I have no doubt that we may have to bring in amending Bills to the Wealth Tax Act as we gain experience of the operation of the measure. But, this is a measure which is inevitable and I do hope the Members will recognise this.

One last thing. In the higher levels of income-tax, the richer classes have given relief nearly to the extent of Rs. 7 crores. In the Wealth Tax the middle classes pay as much as Rs. 5 crores. Therefore the rich people will have to pay only Rs. 2 or 3 crores. Why should they grudge it, I cannot understand. I wholeheartedly support the measure.

**Pandit Thakur Das Bhargava** (Hissar): In regard to this Wealth Tax, I had occasion to speak previous-

ly also. I stated then, and with your permission I repeat it, that to my mind the Wealth Tax is a misnomer in this country. This country is full of poverty and if the Bill were named the Poverty Removal Bill or Five Year Plan help bill, I would welcome the bill.

I find from the objections made in certain papers to this bill that if a person has had Wealth above a certain amount, some part of his property will also be taken away. He will have to part with the entire income and some part of his property will also be taken away. I am afraid we never contemplated a tax of this nature when we framed the Constitution. So far as the question of property is concerned, we have got a provision, a specific article in the Constitution, article 31, so that if we want to take away the property of any person we have to give compensation to him. So far as taxes are concerned, the main tax is the income-tax which leaves a margin for the assessee also.

There are other taxes also. But I can't think of any tax in which the entire money is taken away and yet the liability remains and the person has to pass on some of his property to wipe of that liability. I, therefore, think that this is not an annual tax like the income tax. It does take away some property and that is in the nature of capital levy.

I would not mind even so far as this aspect is concerned, if for the purposes of fulfilling the Plan and for the removal of inequality some persons are asked to part with their property for the time being. I will not resent it, if in the interest of the general public, in the interest of the State, in the interest of national economy, in the interest of crores of people who are suffering from grinding poverty, if any sacrifice even of this sort is called for from rich persons. I would not grudge it even if it calls for some sacrifice from the middle class, because after all it is in the nature of an investment and

posterity or we ourselves will enjoy the fruits of that sacrifice.

But, in India we start with the presumption that India is a poor country. If any person from outside comes and finds a Bill of this nature, he will feel that there is too much of wealth in India and that is why there is the Wealth Tax Bill.

**Mr. Deputy-Speaker:** Absence of poverty would be wealth here.

**Pandit Thakur Das Bhargava:** We hear that in other countries people pay tax to the tune of several crores. So far as riches are concerned, we find that rich people have even found universities and paid fabulous sums so far as public utilities are concerned that we stagger to hear of their donations in public works etc. The average income of a citizen in America is I think something like Rs. 2,000 a month. If we find here Rs. 2 lakhs as the capitalised value of an income, the income will amount to about Rs. 600 a month. Can anybody earning Rs. 600 a month be called wealthy? If this is the way in which our Government propose to think, that a person getting Rs. 600 a month for which the capitalised value is Rs. 2 lakhs is a person who can be called wealthy then I think, in spite of our parading every day that we are out to see that the standard of living is increased, the people are apt to think that the Government wants to decrease it.

So far as this Bill is concerned, not only as Shri Bharucha told us that out of Rs. 9 crores which have to be taken from the company at least Rs. 5 crores will be subscribed to by the middle class, I should think that even so far as individuals and Hindu undivided families are concerned much of it will be subscribed to by the middle class, and perhaps by the poor class also.

So far as the Hindu undivided family is concerned, what do we find? Previously the limit was Rs. 3 lakhs and now it is Rs. 4 lakhs. I thank

[Pandit Thakur Das Bhargava]

the Select Committee for having made that change. But what is the change, I want to know. After all, in every Hindu undivided family, as I submitted yesterday, at least two persons must be there, and  $2 \times 2$  does not make 3, it makes at least 4. Then what is the concession that the Hindu undivided family has got? I am sorry I used the word 'concession'. Supposing there are 6 or 8 persons, the limit is Rs. 4 lakhs and a man having a property of Rs. 50,000 shall be asked to pay towards this tax. In fairness and according to the principles which the Government had accepted for the last eight years in regard to income tax, this amount should have at least been raised to Rs. 6 lakhs.

Again, in regard to jewellery Rs. 25,000 is the limit for the individual as well as the family. Everybody who knows something about Hindu undivided families knows that the ladies in the family keep jewellery. If there are six ladies in a family even then the limit is Rs. 25,000, and for an individual also the limit is Rs. 25,000. There is absolutely no difference. I am rather astounded at the fact that there were 35 Members who knew much about Hindu undivided families and they did not take note of this fact, and allowed the same amount to remain applicable, so far as jewellery is concerned, to an individual as well as an undivided Hindu family.

My main difficulty in accepting this Bill is not that it is a wealth tax. I feel, especially after reading the dissenting notes of my friends who have written notes elaborately and in such a nice manner, so far as capital formation is concerned it will suffer a great deal. I do not know what we shall gain in tax, but I am perfectly certain that in so far as production of wealth is concerned there will be no capital formation and no companies will be formed. Rich people from whom something shall be taken from the capital also would be so minded,

that they will never go in for investment.

The hon. Finance Minister gave us four principles at the time he introduced the Finance Bill. One was that there must be incentive to investment and incentive to saving. I cannot think, so far as this Bill is concerned, that there will be any incentive left in any person for investment. Poor people or middle class people, if the companies are taxed, will have no incentive to invest. The richer people also will not invest. Then, who will invest? Am I to think that the Government shall make all the investments from the savings of the poor men which they hope to get?

In the first instance my fear is that they will not get the amount that they propose to get by taxes. They have taxed almost all the necessities of life. Secondly, in my opinion the psychological atmosphere will be such that there will be no capital formation and this, I think, is most unfortunate. What we want to see brought about in the country will not be brought as a result of this measure

The third objection that I have got is that there will be double taxation. If the hon. Minister had made a rule as in the income tax that all those people who are entitled to refund shall be given rebate, I would have thought that some sort of justice has been done. Now, a person who is not taxed even shall have to pay through his nose this tax on wealth. This is very unfair and, at the same time, unheard of, that a person should be taxed twice for the same amount, and even those who do not directly come under it should be made to pay.

There are many other things in this Bill which are new to the law of taxation. One of them especially strikes me and that is this. The persons who will pay this tax will be persons who will be owning large amounts of money or owners of large property. What is the meaning of putting an embargo on their power to dispose of their property? Clause

34 of this Bill is a new kind of provision. Perhaps, just after the war or during war-time there was a measure like this. When it was proved to be very harmful it was withdrawn after some time. Clause-34 of this Bill says:

"Where any document required to be registered under the provisions of clause (a), clause (b), clause (c) or clause (e) of subsection (1) of section 17 of the Indian Registration Act, 1908, purports to transfer, assign, limit or extinguish the right, title or interest of any person to or in any property other than agricultural land valued at more than one lakh of rupees, no registering officer appointed under that Act shall register any such document, unless the Wealth-tax Officer certifies that—

(a) such person has either paid or made satisfactory provision for the payment of all existing liabilities under this Act, or

(b) the registration of the document will not prejudicially affect the recovery of any existing liability under this Act."

This practically means that any person who is an assessee will not be able to dispose of his property. I think, so far as the present trend of this clause goes, it is against the fundamental principles set in article 19, under which every person is entitled to hold and dispose of his property. I can understand, so far as the interests affected are concerned they may be safeguarded, but this is not the manner in which it should be safeguarded.

I have got the Income Tax Act in my possession. Take sections 46 and 46A. There is no provision like this one in the Income Tax Act also. We know that under section 53 of the Provincial Insolvency Act there is a provision whereby transfer of property may be avoided if certain things can

be proved against the man concerned, and property can be saved. We know that in proper cases under the Code of Civil Procedure there is power given to court to issue injunctions, to debar the persons and to restrain them from alienating property. But here, this is a blanket power. In every case, no person shall be able to part away with Rs. 1 lakh of property or more without getting a certificate. A certificate for what? It is to say that he has not made arrangements, etc., in respect of any existing liability.

We know that in income-tax, money is realised in advance. So far as the assessment of the next year is concerned, my income this year will be the basis and in fact I will pay in advance. Therefore, I submit that Government is already in possession of that money which is sufficient to cover the tax. I do not understand why the Government puts an embargo on the person who may be rich or who may be owning a crore of rupees so that they may not be able to transfer their property of more than Rs. 1 lakh. At the time when the person goes to the Registrar, the Registrar says, "all right, I cannot register your document". I do not understand in what spirit this has been made. Section 46-A of the Income-tax Act applies only to such persons as are going out of India and not to others. Therefore, I suggest that this is a very great drawback and it should not be agreed to by this House.

I submitted at the time when the Expenditure-tax Bill was being discussed in this House that so far as this tax is concerned, the assessee will be in greater numbers because you have lowered the limit of Rs. 3,000 also. One reform which is overdue and which the Government should make is that the Assistant Appellate Commissioners should always be appointed by the High Court and should only be subordinate to the High Court, and their promotions, transfers, etc., should be subject to the will of the High Court. But what do we find now? When they are not subject to

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the High Court, they always look forward to the Board for promotion, etc., and their independence is not what it ought to be. Nothing will be lost if we give effect to article 50 of the Constitution which requires that in all Government institutions, the judiciary should be separate from the executive.

When the amending Act of 1953 was with us in the Select Committee, we did our very best, to get amendment in this regard accepted and the hon. Finance Minister, Shri Deshmukh, agreed with us in principle. But then, the Board was too strong and it did not allow it to be done. I am very emphatic in my view that so far as this aspect is concerned, we must look into it and see that the Appellate Assistant Commissioners are persons who are free from the influence of the Board. If you look at the system which obtains in India and in other advanced countries, you will find that in India, the income-tax officer himself is the policeman; he is also the prosecuting authority and the judge also. He collects evidence and also adjudges the issue as to what should be done. So, what do we find? When the income-tax collector is rather independent, his promotion is stopped. His promotion is judged by the amount of collection that he has made for the Government. "This is what the Board looks to. In other countries, the inspectors collect evidence, and they place it before the income-tax officer who is merely a judge. Here, I am not going into the root of the matter because I think it would be rather difficult now, at this stage when, for so many years we have been getting along with income tax collectors and their jurisdiction has been accepted by the public. But at the same time, I am quite anxious that so far as this reform is concerned, it is very essential. Many a time, the Federation of Indian Chambers of Commerce and Industry have passed resolutions and we have also pleaded for it. I think this is a reform

which should be carried out at least in this Bill.

So far as the inspecting assistant commissioners are concerned, I submitted an aspect on the last occasion, and with your permission I shall repeat it. What has he got to do now? He goes to the income-tax officer and behind the back of the assessee makes a recommendation to the income-tax officer to put a certain tax on the person concerned. He never comes face to face with the assessee. Behind his back he stabs him. So, a rule should be made so as to see that no order is passed in the file of the particular assessee by an assistant commissioner unless and until he hears the assessee and sits with him face to face. At present, very often the commissioner hears from gossip and then he passes the order himself or his order becomes final so far as the Income-tax officer is concerned. I should therefore think that this is a very wrong thing and we must see that the inspecting assistant commissioners do not behave in the manner in which they are behaving for such a long time now.

Again, I would like to submit one point for consideration which is very important to my mind. So far as the rulers are concerned, we have made it a rule that a ruler also should get one house, for residential purposes. Now, I have heard arguments in this matter from other friends also. When I went through articles 291, 362 and 363 of the Constitution, I found that as a matter of fact, so far as article 291 is concerned, only the privy purse has been assured to the princes and that it must be free from income-tax. Now, this measure is not an income-tax measure. Therefore, speaking strictly, I should say that the ruler should not be given this privilege. At the same time, looking to article 362 of the Constitution I find that their personal rights, dignities and their privileges should be secure. None of these things is being touched. Unless the Government sees through the covenant and shows that such and such a thing, according to the

covenant should be saved and all that, the Government is not right in saying that the houses of rulers should come under the purview of 362. At the same time, I do think that if we allow these princes to have one dwelling house, nothing will be lost. After all, we have accepted the need for a house for everybody and in regard to princes also it will be very hard if they are faced to part with them as a result of this taxation. I have seen the houses of some princes. For instance, in Jodhpur, there is a house worth Rs. 7 crores. What will it fetch in the market now? The houses of all the princes are very valuable, if the materials and the structure are taken into account. They were built at the expense of large amounts of money, but, at the same time, if they are sold in the market, I do not know what their market value will be. But we do not want, by these taxation measures to deprive and confiscate property of rulers and princes. If we bring about this result that the princes should not be allowed to live in their own houses as a result of this Bill coming into operation, along with the Estate Duty Bill, my own fear is that lakhs of people in this country will have to part with their ancestral houses. The Government income tax Department wants cash money. The houses are sure to be valued at much more than their cash value with the result that the owners shall have to sell them at much less price. I would, therefore, submit that so far as the princes are concerned, let us be generous in this matter. Let us not take away their houses. That will not bring in large amounts of money.

So far as the question of agriculturists is concerned, I am very glad that as a matter of fact, the Select Committee has also shown a soft corner for them. There has been a concession shown to them. But any storehouse, outhouse or any such house may or may not be in the vicinity of their farms. We know the condition in the country where generally speaking there are no houses in

the farm itself. The *abadi* is not in the immediate vicinity generally and therefore my amendment must be accepted to give effect to the concession given. So, I am glad that so far as the agriculturists are concerned, they have been given a concession of having all their buildings exempted. But what about the general mass of the people? What about the middle-class people? Why has the Select Committee been so harsh upon them. I want at least one house for every assessee to be used for him and his family exempted, whatever be the consequences. After all, housing, food and clothing are the three things which the Government say they will secure to everybody. But, if this Bill is strictly worked out, it may be that many persons will have to part with their houses and pay taxes. I am, therefore, anxious that so far as housing is concerned, at least one house should be exempted from being taxed upon.

Then, I submitted an amendment when the Estate Duty Bill was under discussion. I said that when the Government itself appoints a particular valuer, the valuation made by him should be accepted. If there is a house which has been valued at a price of Rs. 2 lakhs in the market, and if that assessment has been made by the Government valuers, it is but reasonable that the Government accepts the valuation. Similarly, jewellery comes under this tax. I do not know how jewellery is going to be valued. Will its market value be decided upon by taking it to the market? How will its market value be found? Will they take it to the goldsmiths there? There will be no experts there who can find the value of those diamonds, etc.? I think there will be great difficulty. At the same time, I am of the view that so far as jewellery is concerned, so much of jewellery worth Rs. 25,000 in respect of everybody is rather too much. In my opinion use of jewellery should be discontinued in this country. All this wealth is locked up only for show

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purposes. It does not bring any return; it cannot be invested. I think the House should agree to reduce this amount to Rs. 12,500, so far as the jewellery of the ladies is concerned. No lady shall be allowed to have more than Rs. 12,500 worth of jewellery by law. In that case, the ladies in the family will not have the luxury of parading their ear-rings and other jewellery.

Mr. Deputy-Speaker: I may assure the hon. Member they would not be happy over this amendment.

Pandit Thakur Das Bhargava: At the same time, Sir, they will be very happy so far as exemption of houses is concerned. That would compensate for all the things which the Government 's doing in the matter of not exempting jewellery.

Then there is section 25A of the Income-tax Act, which relates to undivided Hindu families. You are perfectly aware that so far as Hindu joint families are concerned, every member has got the solution in his own hand. He has only to declare his intention unequivocally and say, I am not a member of the Hindu joint family; I stand partitioned. By that mere statement, according to Hindu Law, he stands partitioned. This has been the accepted view of the Hindu Law. But when we enacted this Income-tax Act, it was stated there that unless and until the partition was there in definite portions, the partition will not be recognised. Section 25A reads:

"Where at the time of making an assessment under section 23, it is claimed by or on behalf of any member of a Hindu family hitherto assessed as undivided that a partition has taken place, among the members of such family, the Income-tax Officer shall make such inquiry thereinto as he may think fit, and, if he is satisfied that the joint family property has been partitioned among

the various members or groups of members in definite portions, he shall record an order to that effect."

Otherwise, it shall be treated as undivided. My humble submission is that this provision of law is against Hindu law. A long time back it was enacted. There was a debate in this House when Shri Shanmukham Chetty was the Finance Minister. When this was brought to his notice, he promised to issue a circular that this provision of law will be interpreted in a different way. I think that circular is still in existence; or, it might have been taken away surreptitiously, but this was stated in the House by him.

In this Bill, they want to tighten it further. They say that the partition must be as a whole and then in definite portions. My humble submission is that there is no reason for tightening this provision, there is no reason for interpreting this law in a different manner from what it has been interpreted so far. According to Hindu Law, if a person sends even a registered notice saying that he has changed his status, it is enough. It is a question of status, and not a question of partition by metes and bounds. We shall revert to the original declared Hindu Law in the country. I would, therefore, submit that so far as this aspect is concerned, we should not at least tighten the Hindu Law still further.

I thank Mr. Bharucha for supporting the suggestion that I had made, so far as the appointment of the committee in regard to the Hindu joint family is concerned. But I do not think our Finance Minister will have the courtesy of accepting even that amendment. We have been pained to see that not a word of reply is given. If he does not want to accept any amendment, he may at least say so. He does not have the courtesy to say even that. I submit this is too

much even for the Finance Minister, however great and eminent he may be. He should at least reply to criticisms that are made by hon. Members. Otherwise, it is bound to create great dissatisfaction among Members.

**Shri V. P. Nayar (Quilon):** On a point of order; on a point of propriety, Sir.

**Mr. Deputy-Speaker:** It should not be a point of disorder.

**Shri V. P. Nayar:** This is a very important Bill and immediately after the Finance Minister's speech, other hon. Members speak. I find that neither the Finance Minister nor his Deputy is here, I submit that it is not merely discourtesy, as was pointed out by Pandit Thakur Das Bhargava, but sheer impertinence.

**Mr. Deputy-Speaker:** I have taken note of it. Mr. Raghubir Sahai.

**Shri Raghubir Sahai (Budaun):** This Wealth-tax Bill gives us a new and novel idea. Any new and novel idea is welcome if it takes us towards the socialist pattern of society.

So far as I understand, the inspiration for the introduction of this Bill came from Kaldor. Kaldor himself, who suggested the imposition of this tax, has said in his report that with the exception of Sweden, no country has succeeded in bringing about a degree of re-distribution of wealth and income, the attainment of which has been the objective of their taxation policy. Despite this remark coming from Kaldor, I think there is justification for Government to introduce this Bill in this House. We know that the Government of India is hard pressed for money in order to finance the second Five Year Plan. We know that we cannot very much depend upon foreign aid and we also know that the foreign exchange situation is none too bright. Under those circumstances, we have to fall back upon our own resources and so, if a Bill of this kind has been introduced, it should be welcome.

I find from the Select Committee report that many of the harsh features of the bill have been removed. To enumerate a few of them, I would just give three or four instances. Live stock and animals intended for the personal or household uses of the assessee have been exempted from this tax. Tools and implements used for raising the agricultural produce have also been exempted. Property held for any public purposes of a charitable or religious nature in India has been exempted. I also find that one building in the occupation of former rulers has been exempted. Why on earth has this concession not been extended to others who are not ex-rulers? I can't understand. This concession should have been extended to every one in regard to one building which he occupies and I quite agree with the weighty remarks of our distinguished friend Pandit Thakur Das Bhargava when he emphasized on this aspect of the problem. Similarly, household assets had been exempted and jewellery up to the value of Rs. 25,000, I find that so many concessions have been given. In regard to companies also, a wealth tax holiday for a period of five years has been given to companies established for the purpose of carrying on an industrial undertaking engaged in the manufacture, production or processing of goods or articles or in mining or in generation or distribution of electricity or power. Shipping companies too have been exempted. A company which has incurred a net loss in any year and has not declared any dividend has been exempted from wealth tax for that year. Also, in the case of companies whose profits in any year are less than the wealth tax due for the assessment year, it is said, wealth tax should be limited to the amount of profits. I congratulate the Members of the Select Committee for having made these concessions.

I have also gone through the minutes of dissent that have been appended to this report. I am sorry that I cannot agree with either of the

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extreme views that have been advocated, either with that section of the Members of the House who say that no concession whatever should be given or with the other section which insists on too much toning down of the Bill. As I said, both are extreme views. I cannot possibly share with any of them.

Having said all this, the point for consideration is whether the imposition of this tax is at all worth while. I have enumerated a few of the concessions that have been made in this Bill. There are many others. I feel that the Bill has been made as innocuous as it could be. According to Prof. Kaldor, he estimated that the yield of this tax would come to about Rs. 17½ crores if the tax was levied on the scale which he had suggested. I think,—I speak subject to correction—that the rates in the Bill that have been suggested are something like the ones that were suggested by Prof. Kaldor himself. The hon. Finance Minister stated in his opening speech that according to him, the yield from this tax would come to about Rs. 12½ crores. The same kind of expectations were raised in this House when the Estate Duty Bill was on the anvil. We find from the five years' review that has just been distributed to us that although the first Five Year Plan had estimated that the States' share of the Estate duty at Rs. 21 crores, actually, that source contributed only a little over Rs. 2 crores. In the last Parliament, a question was put in this House to the Finance Minister as to why the yield from Estate duty was not so encouraging as it was supposed to be. His answer was a sufficient number of rich persons were not dying and Government had no control over death. It was such an ingenious and intelligent answer that it precluded all other supplementaries. But, this should have been visualised even before because nobody claims that this omnipotent power is vested with the Government. Whether our expectations that are

being raised in this House from this tax are going to bear fruit is something very doubtful.

**Mr. Deputy-Speaker:** Therefore this Bill; whether they die or live, in both the cases, they will have to pay.

**Shri Raghubir Sahai:** May be. There is another point for serious consideration: whether we have got adequate machinery to carry out this work. If ordinary persons, Joint Hindu families, companies, all these were to give details of their movable and immovable properties, whether a proper valuation could be effected is a point worth consideration. I find that in England, in 1919, they seriously considered the levy of a tax of this kind. But, then it was felt that the work of valuation would take not less than 2½ years, and even then, the yield from the tax would be a trifle. Again, this idea was revived in 1951. But, it was dropped for the reason that the tax cannot be collected until 1955, and therefore it was no good proceeding with such legislation. The point for us to consider is, when in a country like England where administrative efficiency is admittedly very high, people there did not undertake a legislation of this kind, would it be prudent for us here, where, admittedly administrative efficiency is comparatively low, that we should undertake a legislation of this kind. Even the Taxation Enquiry Commission report, Vol. I, on page 163 says:

"Assessment and valuation of capital assets bristle with administrative difficulties which would, for the time being, appear to be decisive against the adoption of such a levy."

I venture to place all these doubts and misgivings in my mind before this House. But, if in spite of all these, the hon. Finance Minister is so sure that he would be able to evolve a machinery which would do the job and also that the yield from the tax would not be insignificant, then, he can count on our good wishes and unqualified support for this Bill.

**Shri Prabhat Kar (Hooghly):** Mr. Deputy-Speaker, Sir, when the Wealth Tax Bill was introduced in the House, we did welcome it. We welcomed it because we felt that the wealth tax was absolutely necessary in this country. We have seen that the tax on income has failed to reduce the disparities in income and distribution because of the prevailing inequality in distribution of property. With a view to rectify in course of time the inequalities in distribution of wealth, the Estate Duty Act was passed. It may be, as the hon. Finance Minister has stated that people do not die according to the expectations of the state or those who die have no estate or those who have estates have so arranged is beyond the vulnerable period as to be outside the pale of the law. But the accumulation of wealth is not a static thing, it is a continuous process. The purpose of this Act is to take away the idle and unproductive wealth in the form of gold, jewellery etc. These were the reasons for which the wealth has to be taxed. But I am extremely sorry that the way it has come back from the Select Committee, I am doubtful whether the purpose for which this Bill was introduced will really be served. While introducing the Bill, the hon. Finance Minister said: "This will give us a better base for assessment of tax liability, specially in respect of higher income ranges and will help us close progressively the loopholes of the tax evasion and corrosion of the tax base". I am really unable to find whether this purpose will be served. My feeling is that the provisions of the Bill, as they stand today, will give further scope for evasion. We have been hearing the case of the middle class on the floor of the House that middle class will be adversely affected as a result of this wealth tax. I think that middle class is existing only in their imagination. This Wealth-Tax Bill will not be applicable to an individual who has wealth below Rs. 2 lakhs. In a country like India, I do not know how many middle classes have got more than

Rs. 2 lakhs of wealth. Further, it is not Rs. 2 lakhs only. If you go through the exemption clause, you will find that it is very much more. You have got the 10 year treasury deposits, 15 year annuity certificates. You get an exemption of Rs. 50,000/ for one, plus Rs. 56,000/- plus Rs. 25,000/- for the minor. It comes to about Rs. 1,56,000/-. So the total exemption is Rs. 2 lakhs plus Rs. 1,56,000/-, that is, Rs. 3,56,000/-, plus postal savings bank deposit, plus jewellery Rs. 25,000/-, plus house furniture including silvers, plus shares in the new capital, plus agricultural land.

**Shri C. D. Pande (Naini Tal):** Plus shirt and shoes?

**Shri Prabhat Kar:** Including race horses. I do not know which sections of the middle class have got this much of wealth. Still, we are clamouring that the middle classes will be very much affected as a result of the wealth tax. I am really surprised to hear that the middle classes will be affected by the wealth tax. Even under the Bill as it was presented before the House, that is, before it went to the Select Committee, we had the taxable limit of above Rs. 2 lakhs plus household furniture jewellery to the tune of Rs. 25,000/- plus the exemption under sub-section (xvi) in the treasury savings and so on. So, a person who comes under this wealth tax must have at least Rs. 4 lakhs in order to be taxed.

Apart from this, further concessions have been granted by the Select Committee. I am afraid that as a result of this the revenue of Rs. 15 crores, which is expected by the hon. Finance Minister, will be reduced to Rs. 12½ crores. So that Rs. ½ crores have been whittled down once by the concessions. Now it will be reduced to 50 per cent of the expected revenue from the Bill as it was originally introduced.

Then, concession has been granted to the companies. I may add here, it

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was made quite clear while introducing this wealth-tax, that it has a very limited application. It applies only to individuals who have a wealth of more than Rs. 2 lakhs, to undivided Hindu families who have a wealth of more than Rs. 3 lakhs and to companies which have a wealth of more than Rs 5 lakhs. On a rough estimate, it is expected that not more than 26,000 individuals, 4,000 undivided Hindu families and 6,000 companies will come within the net of the wealth tax. Now, out of these 26,000 individuals, as contemplated at the beginning because of the further exemption that has been given, the number will be reduced, say, to the tune of 18,000. In the case of undivided Hindu families, the original limit of Rs. 3 lakhs has been raised to Rs. 4 lakhs. There also, naturally, the number will be reduced. In the case of companies also, it is going to reduce the number of companies. So, as a result of these changes, roughly about 25,000, including individuals, undivided Hindu families and companies will come under the purview of this tax, out of the 36 crores of people.

My friends have been shedding tears that people will be harassed. How many of these people will be harassed who belong to the lower strata of society or the middle classes. So far as companies are concerned, the hon. Finance Minister, while opening the debates, has stated that he did not agree with so much of concessions but all the same he has given certain concessions. Let us try to understand what will be the result. There is an exemption called inter-corporation investment exemption. Then there are exemptions for new companies and losing companies. I am quite sure that the Hon. Finance Minister will agree with me that as a result of this provision we will find many of the companies becoming losing companies in order to evade taxation.

Before I deal with the role of the companies and other corporate bodies

in the economy of the country, I want to stress a few things. Suppose a company has got Rs. 1 crore of reserve which ordinarily would have been taxed under this Wealth Tax Bill. If it invests that amount in four companies, up to the tune of Rs. 25 lakhs in each, in the original company this reserve of Rs. 1 crore will not be taxed because it is an inter-corporation investment. The new companies also will not be subject to tax for five years because they are new companies. These companies will evade tax for another five years as losing companies. So, this Rs. 1 crore will not be taxed for ten years from now, even under the provisions of the law, not to think of other manipulations that they may make. This is how the amount of wealth that could have been taxed under the provisions of the Bill will go out, and naturally the expected revenue will not be realised.

15 hrs.

There was a demand from various sides that the companies should be exempted. The hon. Finance Minister, while replying to the Budget in the Rajya Sabha said: "In this country, you know quite a large number of companies are owned by a few individuals, and even in companies which have got a broad-based shareholding structure, they are the people who own 20 to 25 per cent and therefore control the companies." I am quite sure that the hon Finance Minister will agree with this also that the balance sheets of the companies do not represent the actual state of affairs of the companies.

Who are these capitalists or the monopolists of whom we have been thinking so much? The bogey is that capital is shy; we want further industrialisation, and therefore, there should not be more taxation in this particular sector. What is the role of these industrialists? They have been granted concessions under the Income-tax Act. I am quite sure that the

House is aware as to how much concession they have been given in respect of taxation at various stages. What part have they played? The other day it was said even by the Prime Minister that because of the hoarding of foodgrains, the prices went up and the Reserve Bank could not control it. Who hoarded the foodgrains? Were they not the capitalists who had money who hoarded the grains in order to raise the prices of food stuffs so that the common people may not buy and they could get higher prices even for foodgrains?

I think we have not forgotten the role of the capitalists in 1943 when in the State of West Bengal 30 lakhs of people died of starvation. There was an enquiry and it was said that for every death the capitalists had earned Rs. 1,000 because of black market. This is the role of the capitalists and the industrialists in this country, and our heart is pining for them to grant certain concessions so that they may come forward and help the country in building up the national economy.

Today I am quite sure the wealth tax will not serve its purpose. There is inequality in properties. It must be made good and that can be done by forcing the wealth tax without granting any exemptions on these companies, particularly the companies whose role has all along been against the national interests.

I want to draw attention to the fact that all the time there has been a force working against the imposition of any taxation on the capitalists, whether it is the wealth tax or expenditure tax. We have seen much controversy in the papers. Every time we have been told that there is a strong force working to see that the wealth tax should not be imposed, and there was an attempt also to see that it should not be imposed on companies. The Finance Minister had said that so far as he was concerned, the scheme of taxation would drop if he had to remove the wealth tax on companies. In spite of that statement he has had to submit, we see, to the

forces that have been working, the result of which we find the Bill as amended by the Select Committee before the House. If we are very serious about raising our revenues, about the fulfilment of the task ahead, I am quite sure concessions cannot be granted to the persons who are capable of paying. Concessions should be given to the common people, not to the wealthy people who can pay.

It is not a question of harassment of capital formation. We need funds today, we need revenue, and it is essential that we should have it from the sector which can pay it. The wealth tax is one of those taxes meant mainly for the richer section. There is no scope for the middle classes to come within the orbit of it, not to think of the working classes coming within it. So, if the wealth tax has been proposed today, it should be in such a way that really the wealthy persons and the corporate bodies pay.

We have seen the effect of indirect taxation on the common people. The common people have been asked to sacrifice. The common people will sacrifice, but here when it is a question of the wealth tax which is imposed only on a small section of the people, why is it that the Finance Minister does not take steps so that they are made to pay their due share in building up the national economy, in increasing our revenue. I would request the hon. Finance Minister and the House to reconsider the exemptions granted under clause 5 and amend the Bill so that the revenue may go up and this section of the people may not get the privileges they are asking for.

Then I find that there is a discrimination made here which I feel should not be there. According to my understanding, when a law is passed, it should be made applicable to all citizens alike. I do not know why in the case of the Rulers certain extra exemption has been granted. If a palace is exempted for a Ruler, I am quite sure every citizen has got the

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right to claim the exemption of a house. The only point here is that persons who have got wealth beyond a certain limit will have to pay the tax. Whether it is a palace or a small house, it does not matter. If he has got wealth beyond Rs. 2 lakhs, he must pay tax for that. In this matter there should not be any discrimination between a Ruler and an ordinary citizen, between one citizen and another, and I would request the hon. Finance Minister to remove this discrimination.

The revenue expected originally was only Rs. 15 crores, I would have liked the Select Committee to amend the Bill so that this revenue could have been stepped up to Rs. 25 or Rs. 30 crores. I am really sorry that it has come down to Rs. 12½ crores, as the Finance Minister said. I know the hon. Finance Minister has got the machinery to work it out. But, if he can place suggestions before the House even now so that the revenue may go up, I am sure the House will consider them in the light of the needs of the country to build up the national economy and to make the Plan a success.

With these words I suggest that the concessions that have been granted to the companies and individuals should be withdrawn. The Bill should be passed in the way it stood earlier, if not in a far better form.

**Shrimati Renuka Ray (Malda):**  
When as a result of the critical situation in the country arising out of inflation, depletion of foreign reserves and the need for going ahead with development plans, the Finance Minister placing this Budget before the House brought forward breathtaking and novel measures, I think it can be truly said that it was the wealth tax which was acceptable to the large majority not only in this House but in the country as a whole. It was indeed the first measure of its kind and we felt that the Finance

Minister had indeed taken a good, progressive step forward.

At that time, some of us perhaps had some misgivings about giving up at one stroke the Rs. 7½ crores by raising the exemption limit because we felt that a bird in the hand was worth two in the bush. But the Finance Minister assured us that the loopholes of evasion would be plugged if we had the wealth tax and that this would bring in a much larger amount.

As this wealth tax stood, when he placed it before the House first, it was indeed a progressive measure. I am sorry that I must own to a feeling of dismay at the result of what has happened to the Bill in the Select Committee. I find that the Finance Minister, who spoke a little while ago on the Finance Bill, has the same feeling about it, although he has accepted it for the present. I would ask him, however, that before this Bill is actually passed, he should at least consider one or two fundamental things, as to whether some of the exemptions that have been introduced by the Select Committee could not be restored. There are some exemptions which are all right. They do not matter, e.g. exemptions for shipping companies, exemptions for new companies up to five years and even for those companies which do not run at a profit. But why exempt new units of old companies? Is that not a way by which again we shall have further evasion? I would ask the Finance Minister to seriously consider this particular matter.

Turning to another point, that is, exemptions to a number of new assesseees, I fail to understand why these have been included. Where we have had to have our taxation structure broad-based, to lower the exemption limit to bring in incomes of Rs. 3,000—and we have had to do it in the present juncture—what justification can there be for exempting heirlooms

and jewellery of rulers or houses or palaces of rulers? I am quite certain that the Finance Minister has the same point of view as I am expressing. I would request him again to consider this matter because after all taxable capacity is a criterion of taxation, and what is more, what have we here in the aims and objects of the original Bill.

"Apart from this, the fact that a composite tax system of this type has to satisfy the criterion of the ability to pay, it is consistent with the avowed goal of the attainment of a socialist pattern of society".

With both these considerations in view, I think it is very necessary that we do not make so many exemptions to the Bill. I do not say, like some persons, that as a result of these exemptions the Bill might as well as not have been brought at all. That is not so. The Bill is a good Bill. But why whittle it down? Why make it much worse? I must say that in some of these matters the Select Committee has perhaps gone almost beyond the scope given to them as a result of the discussions in this House, because when the discussions took place here, except for a few vociferous sectarian interests, the large majority were urging two points: one was to plug the loopholes of evasion, and the other, of course, was that harassments should be checked, that the administration of this tax should be properly done, so that the amount of money the Finance Minister anticipated would actually accrue to the exchequer.

That was the sense and feeling of this House, and I would ask in all humility why the Select Committee departed in any measure from this. I am glad that they have not departed to the extent of leaving out the companies, as some persons in this country have been wanting. I am glad that they have perhaps kept the main features—the core—of the Bill; all the same, there is no gainsaying the fact

that some at least of the important exemptions made should not have been made.

We lose any amount of money—to the tune of Rs. 3 crores at least. According to what the Finance Minister said, I think he has misgivings that the loss might be greater, because he expects a drop to Rs. 6½ crores in the case of companies, and he could not say what the actual drop on those other items of exemption would be.

I would again compare the Bill we just passed with the Bill now under discussion. We have been saying that in a broad-based taxation structure, it is necessary to bring in persons with middle class incomes who really cannot pay any tax; we have had to do it and we agreed to it. We know that in the marginal cases, it will be hard because even a tax of Rs. 5 or Rs. 6 for the marginal case is much greater than the palace and jewellery of the richest people of the land. Therefore, I do not see what justification there is for exempting those people. I repeat this again and hope that this matter will be taken into consideration.

In regard to the penalties, I would ask the Finance Minister whether he has satisfied himself that when there is no minimum laid down for realisation, the tax is likely to be realised in the proper manner, as he desires it to be. As regards clause 4, in the definition of irrevocable transfer that has been put into the Bill, as it has emerged from the Select Committee, I would request the Finance Minister that if not here, at least when a tax on transfer of property is gift is brought, this matter should be finally dealt with because otherwise here also there would be loopholes.

Today, we find, as the Finance Minister knows better than anyone else, a most difficult situation. Prices are soaring. I have just returned from West Bengal where prices have soared, where floods have come again and the situation has become very critical.

[Shrimati Renuka Ray]

To meet all this, even to provide funds for relief measures throughout the country where people are affected by floods, large sums of money are required; crores of rupees have to be spent. In a welfare state, we cannot have a re-occurrence of famine conditions leading to starvation. Therefore, it has to be done no matter what happens, even if it delays our plan—I hope it would not—but even we are to delay the plans.

Therefore, it is all the more essential that when we have this tax and so many other taxes, as to the manner in which we spend our money, mere planning is not sufficient; the implementation of plans is more important than planning itself. The manner in which we implement our plans has become important. I know that the Government are focussing attention on this point, but I would ask them to take note of one or two things.

For instance, floods and the condition of the port of the city of Calcutta requiring an expenditure of crores of rupees. You have to help the people. You have to bring dredgers to dredge the port because it has been silted up. But the whole thing could have been avoided if the Far-raka Barrage was completed. Sometimes we are penny wise and pound foolish. Let us try to avoid being penny wise and pound foolish in this matter, because it is necessary that we must start things even if they are of a long-term character. I know that the Finance Minister and the Cabinet are looking into this matter, but I would merely ask them to take particular note of such schemes and also schemes where bunds are required to be set up to prevent floods. Sometimes there are quite small things which are not done and which result in payment of money from our coffers by way of relief. There are many such items I know that our minds are exercised about it, but we have to move swifter with it.

Before I conclude, let me say that I support fully the Wealth-Tax Bill as

it stood. So far as the alterations made by the Select Committee are concerned, some of them are good whereas others are not. I would still plead to the Finance Minister to look into them. If he cannot at present do very much, at least I would request him to make suitable changes, because unless that is done it may happen that this Wealth Tax Bill—let us hope that it won't—might follow the way of the Estate Duty Act. Let us hope that it does not. Let us hope that the anticipations of the Finance Minister, his dreams, come true. But there is fear in the very manner in which the Bill stand changed with the loopholes that are still there that at least the amount anticipated may not be realised. I hope the Finance Minister will put his mind to this and, if possible, before this Bill is passed make at least one or two changes to restore some of the essential features of the Bill that he placed before this House, and which was hailed in this country.

With these words, Sir, I support the main features, I support the wealth tax as it was proposed in the Bill placed before this House, and I hope that at least some of the amendments will be accepted.

Shri B. S. Murthy: Mr. Deputy-Speaker, Sir, I welcome this Bill and request the Finance Minister, as has been done by the previous speakers, to see whether the Bill could not be made to conform to the principles and the provisions of the original Bill introduced in this House.

Sir, wealth tax is inevitable, and it is an inevitable corollary in view of the fact that India has chosen the socialistic pattern of society as its goal. In a socialistic pattern of society there should not be any section which is having a lot of wealth, perhaps, not able to digest and another section always suffering from hunger. Therefore, it is but proper that all the people who are capable of giving should come forward to pay taxes and see that the country's economy is not jeopardised.

Again, the country is passing through a crisis at the present juncture. We want money for the fulfilment of the targets of the Second Five Year Plan. We want money to see that people who are not able to have two square meals a day are given at least one square meal a day. We also must have money to see that all the undertakings so far committed to by the Centre or by the State Governments fulfil their targets. Therefore, wealth tax is inevitable, essential and I congratulate the Finance Minister for having taken courage into both hands and brought this Bill here inspite of lot of adverse criticism.

Sometimes people think and speak on behalf of the common man. Very often the common man is very uncommon to be found in this country. Everybody is trying to talk in the name of the middle class. I am unable to see where exactly this middle class exists. There is another invidious distinction; they say upper middle class and lower middle class.

**An Hon. Member:** Middle middle class.

**Shri B. S. Murthy:** I hear someone whispering middle middle class. Therefore, if I am to be excused, many distinctions are used or misused by those who want to make profit out of the present situation through which India is passing.

With regard to this Bill, I am very unhappy at the work done by the Select Committee. I do not think any Select Committee has done so much injustice to the trust reposed in the Select Committee as the one which has gone into this Bill and pruned not only the exterior but also the interior. The core also has been removed out of this Bill.

**An Hon. Member:** Then what remains?

**Shri Narayanankutty Menon (Mukandapuram):** 'Pruning' is very mild.

**Shri B. S. Murthy:** Some friends have also been talking about joint families. Exemption has been given

up to a limit of Rs. 4 lakhs. They want to give more exemption. One friend, who has been a member of the Select Committee, has even tried to say something very curious, something very untenable, something very wrong. He says that he feels, with the introduction of the wealth-tax the concept of socialistic pattern of society will go into direct conflict with the fundamental principles of the Constitution, which in article 39A says that the citizens, men and women equally, have the right to adequate means of livelihood. I cannot understand the logic of this friend.

The fundamental right of any citizen is to live fairly and squarely. Any institution, any law, any innovation which is in the way of a fair and square living of the common man should be removed lock, stock and barrel. He may be a capitalist, he may be an ex-ruler, as long as he does not contribute to the common good of the common man he has no right to exist in this socialistic pattern of society. It may be too harsh, but India is being driven to that end.

Therefore, as far as joint families are concerned, I do not think any more exemptions are needed. And, as I was telling my friend Shri Bharucha, joint families are a passing phase like the ex-rulers in this country, because they do not exist, they cannot exist, they have failed. They have existed when they were needed. They are now out-moded, and in this socialistic pattern they have no place. They cannot exist and they should not exist either in a democratic pattern or in a Communist pattern. In a democratic pattern the individual is becoming more the unit where he has to give his consent, whereas in the Communist pattern, as is known, the hegemony of the party is more prominent than the individual, the family or the society as the case may be. Therefore, in either case the ex-ruler or joint family has no place to exist.

Then, I cannot understand why we should have a special consideration to ex-rulers. Their privy purse is being

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exempted and heirlooms like jewellery are being exempted. Their places are also being exempted. I want to tell the House that in Andhra we have, though not exactly rulers, zamindars who do not live in their own palaces. I had been to Viyyur. I had been to Pithapuram. I had been to Venkatasgiri, and I had once been a guest of my friend here, in this House, Shri V. Raju, the Maharaja of Vizayanagaram. All these palaces are today deserted. Lots of money have been invested in them, and I do not understand why the Finance Minister does not think of making good use of these palaces. I think the time has come when these palaces should be acquired and made as places of resort for the people. Especially in Viyyur there are nearly a dozen and odd palaces and a few crores of rupees have been sunk in that village-cum-town. Therefore, the Government should take note of it. Why should we not make use of those palaces which are the properties of ex-rulers and why should we exempt them?

In the same way, the privy purse is a gift of the people to the ex-rulers. It may be given by the Government or a ruling party, but when the people are themselves suffering, what is the fun of saying that the covenant is there and that therefore the privy purse should not be touched? Today we are going here and there and are trying to get help from other countries. When there is money available here, and when the money belongs to the country and its people, why should not the ex-rulers come to the rescue of the people and help them in their endeavour to fulfil the targets of the second Five Year Plan. If they are not generous, if they are selfish, it is high time that the country and the people and this Parliament took note of it and tried to do something so that the privy purse is either reduced or confiscated. After all, it is people's money. I think it is Dr. Schott of Germany who said that it is the people's money and, therefore, if the people cannot pay, nobody need find fault

with them. Therefore, I say that the privy purse also must be brought into the purview of this Bill and it should be seen that the palaces are made good use of and used for the good and betterment of the people.

I should like to say just a few words about the houses in the town and houses in the rural areas. People are trying to say, "why should you not have a house in town and then get the same exemption as the house which a man has built in the rural area?" But India is mainly a country of villages and these towns are parasites on these villages. The richer a town is, the weaker its surroundings. Therefore, it is high time that we taxed each and every house in a town and saw that the money is spent on the people who live in the rural areas.

**Shri Supakar (Sambalpur):** What about Asoka Hotel?

**Shri B. S. Murthy:** Asoka Hotel is one of the many things which India needs, and for that money is necessary and the rich people must be taxed. The houses in towns must also be taxed. Therefore, Asoka Hotel is one where the money spent is not in vain. It is money spent for the good of the country. I hope Shri Supakar who comes from Orissa will appreciate how the Chilka Lake has been a thing of beauty in that part of the country in spite of its dangers.

Therefore, in conclusion, I would like to suggest to the hon. Finance Minister that he should not yield any more. He has yielded to the maximum. And now, any more yielding will be injurious to the interests of this country. With these words, I support the Bill.

**Shri M. R. Masani (Ranchi—East):** Mr. Deputy-Speaker, Sir, a colleague of mine pointed out to me this morning that he had taken the trouble to count the number of times the hon. Finance Minister favoured me with a personal reference yesterday, and that

the number was no less than 32. The suggestion was made that I might utilise this occasion to reciprocate. My answer was that, in any event, it is important on the floor of this House that we should be impersonal and discuss issues and not personalities. In a way, even this morning, we have had enough of an exchange of personalities and I think it will suffice my principle of avoiding any reference either to the Finance Minister or to any other individual.

What I would like to do to confine myself to one particular aspect of this Bill.

**Mr. Deputy-Speaker:** I might intervene here. Those references were very unfortunate. I appreciate the policy of the hon. Member, and I would advise others also to follow the same. But Pandit Thakur Das Bhargava felt it very much—that the amendments that he had moved were not even answered by the hon. Finance Minister. The Finance Minister had written to me that because there was no time available he could not refer to them. Otherwise, he did not mean any discourtesy to the hon. Member or to the House. He indeed wanted to reply to them, but there was the guillotine to be applied, and the time was very short. When we ourselves fix a time-limit, there is certainly that helplessness with the Speaker, be he on this side or the other. Therefore, that also should be appreciated.

Then, another hon. Member took that point and he gave a hit which was not justified at all. He used the word 'impertinence' without knowing whether really it was also the official work in which the hon. Minister was engaged. He might be busy in the other House. So, the hon. Member should first ascertain the cause of the absence of the Minister, and in his absence, a representative of the Government is taking down notes.

**Shri Supakar:** How can we know it?

**Mr. Deputy-Speaker:** He should write to me. He had raised that point

when the Minister was not there. He ought to have enquired into it then, and subsequently he could have had no justification of making any remarks. These things would not add to the dignity of the House. This should not be resorted to without knowing all the facts which are there.

Therefore, I would request the hon. Members to exercise some restraint and, as Shri Masani has said,—he said that he would be impersonal—they should all follow the same rule.

Shri Masani may continue his speech.

**Shri M. R. Masani:** My interest is in what is right, as to whether the Bill is right or certain aspects of it are correct and not who is right. The point on which I would like to focus my remarks is one particular topic which I have covered in the Minute of Dissent which I found it necessary to write to the report of the Select Committee. So far as other points are concerned, they form the subject-matter of amendments, important as they are, and they will be placed before the House when we come to the clause-by-clause consideration of the Bill.

The topic I would refer now is the inclusion in the Bill of a category of institutions which should not form logically or in principle a part of the wealth-tax. I refer to the investments made by individuals in joint-stock corporate enterprises. Now, it is true that we do not have to go by Mr. Kaldor as Shri Naushir Bharucha has said, but when we adopt a man's idea, it is just as well to stick to the foundation or the integrated thinking on which certain proposals are based.

The wealth-tax is a tax on the personal wealth of individuals. It has no relevance to small investments made by small people in their thousands in joint-stock companies for certain limited purposes. The extension of this tax to companies is, therefore, both illogical and unprincipled. There are, apart from this general objection, specific reasons why companies should not be brought within this context. The only reason given so far for in-

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cluding companies is that there is something peculiar about the economic structure of India which justifies this departure from sound principle. I have been waiting for the last few weeks to be told what is so peculiar about the economic structure of India that what not be legitimate in a wealth-tax elsewhere becomes legitimate here. I do hope that some reply will be forthcoming to this question as to what is this peculiar phenomenon, which justifies the extension of a tax to a class of organisations to which it cannot legitimately be applied

What are the specific reasons why I deprecate the inclusion of companies within the wealth-tax? Mr. Bharucha has obligingly given a very fair summary of those reasons. He pointed out that the first of these reasons was double taxation. He says he believes in it I do not believe that the same wealth belonging to the same person should be taxed twice in the same context. The position of a man who happens to have Rs 2 lakhs in the world and who invests it in a joint-stock company is that he not only pays tax on the Rs. 2 lakhs as an individual, but in addition, so far as his holdings in the company are concerned, he pays another half per cent on that particular investment.

The Bill, as reported by the Select Committee, does give relief. It gives relief to a certain class of monied-man who has investments in shares, but very oddly, in a socialist pattern of society, that exemption is given to those who possess Rs. 22 lakhs or more, not to those who possess anything from Rs. 22 lakhs down. Part II, Rule 2 of the Schedule lays down a ceiling which says that people will not be made to pay more than 1.5 per cent. If one examines the schedule, one realises that this relief from double taxation—I think it is to be welcomed and I suppose people who earn more than Rs. 22 lakhs are also human beings, even though Mr. Murthy does not concede them the right to live in a socialist pattern—

I would suggest that it is very odd in a socialist pattern that relief from double taxation is given to a class of people who are the most wealthy of all the wealthy people. If they are entitled to relief from double taxation, certainly a man who has Rs. 2 or Rs. 2½ lakhs, in my view, would appear to be much more eminently desirable subject for relief.

On the other hand, there are small investors who do not possess either Rs. 2 lakhs or Rs. 1 lakh or even Rs. 20,000 in the world. I have got statistics in regard to various categories of companies, published by the research and statistics branch of the Reserve Bank of India, to show that an analysis made of public limited companies reveals that a large amount of shareholding belongs to very small people. I should like to refer to just one series of figures given by the Reserve Bank in regard to the holdings and shares in Bombay city. They show that 59.51 per cent of the shareholders were persons whose monthly income is below Rs. 886; 17.5 per cent were persons whose monthly income is between Rs. 800 and Rs. 1,250; 13.2 per cent were persons whose monthly income is between Rs. 1,250 and Rs. 2,500 and only 9.8 per cent of the shareholders were persons whose monthly income is Rs. 2,500 or more.

I will answer the next question about the quantum of the holdings. The survey goes on to point out that more than 73 per cent of the total number of shares, the quantum of the holdings, were held by income groups below Rs. 2,500 per month and only 27 per cent of the shares in toto were held by what you may call rich people.

Shri T. T. Krishnamachari. Is he referring to any company?

Shri M. R. Masani: No; this is about shareholders in Bombay. There may be a man having Rs. 10,000. He has the option of buying gold or jewellery or he may put the money in a bank. He may invest it in a plot of land or buy a few shares in a corporation. I suppose it will be agreed that by

investing money in a corporation and producing wealth in this country, about which we are also keen, he has not committed a crime, which he would not commit if he kept the money in a less productive way. On the contrary, I suppose that a citizen who invests his savings in industrial production, rather than in ostentatious living or in buying gold or jewellery, is a worthy citizen whom we should all cherish.

What is the position of a man who has Rs. 10,000 or Rs. 20,000? If he does not put any money in the company, the wealth-tax leaves him completely untouched. He does not come anywhere within miles of the wealth-tax. But the moment he buys one share of a company, he pays a certain amount under the wealth-tax. I must confess that the illogic of this, the injustice of this, the disincentive that this gives to productive saving in this country something which I consider appalling. I think it would be a shame if this Bill were to be allowed to pass without this blemish being removed.

I have talked about disincentive to saving. I do not suppose this country ever needed people who can harness their savings and put them into productive use as it does now. I would imagine an enlightened policy would lie in giving every incentive to people to put money into productive enterprises, so that this country might thrive. At this juncture, for a disincentive to be given, for a penalty to be imposed, means that, if today I happen to have a share and I sell it and put the money in some other unproductive way, then I escape. But if I put the money in a productive enterprise, so that more wants of the people may be met, I must be punished for this meritorious act!

It is quite obvious that the extension of this tax to companies, to the extent that it applies to those who are outside the purview of the tax, those who do not possess Rs. 2 lakhs or something like that, is definitely a blow to incentives to saving in our country.

I am very glad that shipping companies, banking companies and investment houses have been excluded from the scope of the Bill. To the extent that any relief is given to any class of industrial enterprise, it must be welcome, even if some injustice is done in the process. But there again, it is difficult to justify this distinction. I was glad to vote for the exemption of these companies, because I believe that all companies should be exempted and if we cannot secure justice for all, let us at least have it for a favoured few. But what is the ground of distinction between a shipping company, a machine tool factory, a locomotive factory, a cement factory or any other factory producing the needs of this country?

It is said that foreign exchange is being saved by shipping. Certainly, but is not foreign exchange saved by steel companies, cement companies and other companies, which also produce in this country material that otherwise would have to be imported? I think the hon. Finance Minister—I am referring to him in an appreciative way this time—referred a few days ago in this House or in the Select Committee to the saving that is made when a steel plant in this country doubles its production by way of crores and crores of foreign exchange. Surely if a shipping company saves foreign exchange for this country, every factory which replaces imports, which otherwise would entail foreign exchange expenditure, also serves the country in the same way. I for one do not feel that this distinction between shipping companies on the one hand and the others which serve the country equally vitally in other sectors of our economy is one that can be justified except purely on grounds of sentiment.

**An Hon. Member:** The question of protection is there.

**Shri M. E. Masani:** I think that all enterprises that save India from a foreign exchange drain deserve protection to the same measure. The real reason for the extension of this tax to companies is to be found in a remark

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made by Mr. Bharucha: "We need money for the Plan." He justified it. But I cannot. I cannot understand this policy; "Let us take it where we find it". Let us be quite frank. The policy of applying this Bill to limited companies is a policy of grab. I say that because money that is in the tills of public corporations is money that is kept in proper books, money that cannot be hidden, as money can be hidden by private rich people who are not conforming to the laws of this land. "Since the money is there, let us grab what we can out of it." That, Sir, seems to me to be only justification for this particular aspect of the Bill. Since such a policy I do not wish to be a party to, I would like to record my protest and my opposition to the extension of this Bill to any companies whatsoever.

**Shri Bimal Ghose (Barrackpore):** Sir, in this particular case, it is a strange phenomenon that we want to give the Finance Minister more revenue which he is not willing to accept.

**An Hon. Member:** What is your contribution in that revenue?

**Some Hon. Members:** No personal reference, please.

**Shri Bimal Ghose:** I will refer only to two or three matters, because there are certain other smaller things which we may take up at the clause-by-clause consideration stage.

Firstly, with regard to taxation on companies and secondly, the limit with regard to individuals. The hon. Member, who just preceded me, tried to make out an eloquent case against extension of the provisions of this Bill to companies and he stated that this was unprincipled and illogical. I do not understand where the illogicality or unprincipledness of the case lies. Because, what is our objective? What is the practice abroad in regard to taxation on companies.

Let us first take the second point: what is the practice abroad? Is this the first country in the world that is imposing a tax on wealth and a tax on the wealth of companies.

**An Hon. Member:** Yes.

**Shri Bimal Ghose:** There are other countries also in the world. For example, Iceland. It may be said, it is a small country. I will take Norway. I will go further and quote West Germany. I have found many of my capitalist friends appreciatively quoting the example of West Germany where production is proceeding apace, where there is great wealth. There also, companies are taxed. If it were the contention that the taxation on companies severely restricts savings, I should have imagined that in West Germany, it would not have been adopted.

This question of savings we have to analyse: why and to what extent are savings likely to be affected. Is it quite sufficient to say that any taxation will have a disincentive effect? I believe it was some financial journal or some financial house in Calcutta who gave the opinion on the Wealth and Expenditure taxes, that they will probably encourage savings and investment. Of course, others may not agree. But, that is not the opinion of either a socialist or a communist. As regards this taxation on companies, I say, therefore, that there is no principles involved as such.

The question is, we have certain objectives in taxation. If our objective is (a) that we want money for certain purposes, and (b) to reduce inequalities, I say, the wealth-tax is a very desirable tax. Of course, if our objective is not to reduce inequality, by no means should we impose the wealth-tax.

Then comes the question, whether companies should be brought under the purview of the tax and whether certain companies should be exempted. Take the question of losing companies.

I do not know why the Finance Minister accepted that amendment at the Select Committee stage. Because, I should like to say that in the present situation in India, probably there is something to be said for not exempting any companies. My reason is this. Firstly, what happens about taxes? If there is a tax on the income of, let us say, a losing company, what will happen? It will have to come out of the company. There is no profit. Therefore, it will have to be a part of the cost. What is the company losing as such? What it will mean will be, if that business is not going out of existence altogether,—there is no prospect of that in India today because the country is insulated from foreign competition—that the burden will be passed on to the consumer. You may object to that on that ground. I can understand that we do not want the burden to be passed on to the consumer and therefore, the losing concern should not pay. But, there is no point in saying that the losing concern will be in a very difficult position because they have to pay the tax.

I say that it would not be a bad thing if prices were to rise a little. The Finance Minister has been imposing excises with a view to raise the price of articles so as to restrict consumption, and for the purpose also of encouraging export of those commodities. Therefore, on economic grounds, on theoretical grounds, in the position in which we are today, with the economy as it is today, I do not see there is any justification for excluding losing companies from the purview of the tax. Therefore, I am opposed to this provision.

As I said, there is no reason why companies also should not be taxed. A lot is said about incentive and savings. I should like to say, in this connection, one thing about the private sector. When reference is made to the private sector, it is to the organised private sector we refer to. I do not exactly remember the figures; I have not looked at them. Hon. Members

who have read the Second Plan will have seen that there is an estimate of investment in the organised private sector. The estimate is about Rs. 720 crores or something like that. Out of that, the private sector is finding out of its own resources only Rs. 160 crores. The balance is found either from out of reserves for which the private sector as such, apart from the profits that it makes, is not responsible or from institutional organisations like N.I.D.C., I.F.C., S.F.C., etc. The capital that is proposed to be raised from the public is only Rs. 80 crores. Loans and other things from managing agents, etc., is Rs. 80 crores: Rs. 160 out of Rs. 720 crores. We have also to recognise that this organised private sector is responsible for only 8 to 9 per cent. of our national income. We get excited as to what will happen to the private sector. Therefore, I say that the consideration that we show is out of all proportion to the importance and contribution of this sector to the national economy.

Then, I come to the question of individuals. Let us be clear that this Bill is not going to affect any small man or a medium-sized man or a person with medium wealth, and so on. The persons who are going to be affected by the Bill as it has come to the House from the Select Committee are those who own more than about Rs. 5 lakhs in wealth.

**Shri C. D. Pande:** Rupees 3 lakhs on the outside.

**Shri Bimal Ghose:** I ask hon. Members to consider whether we are doing anything very great in imposing a taxation on people who own, let us say, from Rs. 4 1/2 to 5 lakhs in wealth, if one of our objectives is,—I dislike the word socialistic pattern—to reduce inequalities of income and bring about a socialist society. Let us say that that is not our objective and then let us criticise this measure. If that is our objective, I do not see that there can be any valid objection to a measure of this sort. The objection can only be that it does not go far enough. Do we think that in a country like India, a person who has a net

[Shri Bimal Ghose]

wealth of about Rs. 5 lakhs is an average person? If he is not, then, let us shed no tears about this Bill. I hope that it should be our desire to bring down the disparities, to lower the disparities in income and therefore the limit should be brought down. Even in the original Bill when it came before this House, the exemption limit was Rs. 2 lakhs. There were exemptions in the original Bill also.

16 hrs.

These exemptions have been enlarged in the Select Committee stage. Therefore, I propose that the exemption limit should be reduced, at least in conformity with the texture of the Bill, as it was presented in the House in its original form. I suggest that it may be reduced to Rs. 1 1/2 lakhs. I should be happier if the Finance Minister agrees to the suggestion of my communist friends that it should be brought down to Rs. 1 lakh. I think the Finance Minister may not accept it. So, I have moved an amendment to bring it down to Rs. 1 1/2 lakhs.

Now there is one point on which I want to say a few words and that is about small savings. I do not understand why there should be exemption only in the case of small savings. There was a proposal in the Select Committee about bank deposits, but it was not accepted. I can understand the Finance Minister saying: the public sector requires money and exemption of the small savings will bring some money to the public sector. If the objective is satisfactorily satisfied, then I have nothing to say. But I should like to know from the Finance Minister what is the amount of money that he expects the public sector to get by this exemption. He has particularly to remember that this will be a one-time gain because once an assessee has purchased small savings up to the amount of the exemption limit, then in subsequent years he will not

purchase any more because that will not bring any exemption. Therefore, the gain is only once for all and the expansion in public subscription through this channel will turn out only during the first year and not during subsequent years.

16.03 hrs.

[MR. BARMAN in the Chair]

I should like to know from the Finance Minister what is the amount that he expects in one year by giving this exemption and what is the amount that he would be losing year by year by granting this exemption. If the Finance Minister is convinced that the first year will bring in more, I shall leave it at that. But if the objective for which he wanted this exemption is not being fulfilled, I will not support that provision.

Now I come to the exemption that is given to the rulers. I want to know why it is being given and why it was not incorporated in the original Bill. Is it the idea that the constitutional provisions require it? Or is it on grounds of equity? If it is on grounds of constitutional provisions, then why was it not introduced earlier? Was the omission detected later? If it is given on grounds of equity, then we can have difference of opinion because I believe that on grounds of equity no special treatment should be given to them. But if it is because of the constitutional provisions, I should like to be satisfied why it was not incorporated in the original Bill? Had it escaped the notice of the Law Ministry? If it is so, then of course I will accept it.

Shri T. T. Krishnamachari: May I interrupt you for a minute? There is no constitutional provision against the imposition of tax on rulers because we have not exempted them totally. The exemption is only partial. There is, however, article 362, with which, I am sure, the hon. Member is familiar. Before I reply to the hon. Member's point, may I request him to re-read

articles 362 and 363. Then, I suppose, he will be in a better position to appreciate what I am saying in this matter.

**Shri Bimal Ghose:** I am not a constitutional lawyer. What I was saying was that if it is a constitutional obligation, it should not have escaped the notice of the Law Ministry originally when the Bill was brought before the House.

**Shri C. D. Pande:** Even now it is being taxed.

**Shri T. T. Krishnamachari:** It is not a question of it escaping the attention of the Law Ministry because I still feel that there is no constitutional prohibition.

**Shri C. D. Pande:** There is a moral obligation.

**Shri T. T. Krishnamachari:** There is no constitutional prohibition. As the hon. Member is aware, articles 362 and 363 are the relevant provisions. Probably it is the provisions of article 362 and the pre-emptive wording of article 363 that has impelled people to suppose this. We will have to examine that.

**Shri Bimal Ghose:** As the hon. Minister has stated, we will have to examine that. My point is that if it was given on grounds of equity, then it is not treating other people equitably.

**Shri Morarka (Jhunjhunu):** Mr. Chairman, from the various minutes of dissent appended to the Select Committee Report and from the debate which has been going on in this House this afternoon, you must have noticed that the main issue of controversy in this Wealth-Tax Bill is whether this tax should be imposed on companies or not and, secondly, whether any exemption should be given to the rulers or not.

Much has been said about this tax on companies and I feel that yet some of the salient points about this Bill have not been explained. There were

two extreme views before the Committee. One view was that companies should be totally exempted and that no wealth-tax should be levied on companies. The second view was that wealth-tax should be imposed on companies, as it is imposed on the individuals in a progressive manner. The Select Committee, after considering all these views, and considering the evidence that was tendered before it by the people who knew something and who have authority to say something about companies, has come to the deliberate conclusion that a *vis media* should be followed, what is tax on companies should be imposed but, at the same time, certain exemptions should be given so that hardship to companies may be avoided.

Before I go into the various aspects of this company taxation, I beg the indulgence of the House to explain how these companies are formed and what was the case for exempting them from the purview of this wealth tax. A few persons get together, bring their money together and they create a legal person, a corporate entity. All of them contribute their capital and against that, they take shares and thus create a legal person, in whose name they trade and carry on their business. By doing so, they get two advantages. The first advantage of corporate entity is that of limited liability. The second advantage is corporate finance. Let us make no mistake of these advantages; they are undoubtedly very valuable; they are conferred by the State. Every year therefore corporations have to pay a tax called the corporation tax. This tax is borne by the corporation because it is given special privilege by the State.

Now, having said this, I must try to place before you the case of the people who advocated before us complete exemption for the companies from the purview of this tax. The first point was, as has already been stated, that a levy of wealth-tax on companies inevitably means double taxation on the people, who, on their wealth are liable to pay wealth-tax

[Shri Morarka]

or it would bring into its fold people who are otherwise exempt or beyond the purview of this tax. In other words, if the total wealth of a person in the whole world is only about Rs 20,000 and if he is otherwise exempt, not liable to pay any tax, if he invests his Rs. 20,000 in a company, then, merely because he invests his money in a company, he is liable to pay a tax of 1/2 per cent., which according to them, would discourage people from investing in joint stock companies. Not only that, it will even encourage people to withdraw their money from joint stock companies, in order to escape the wealth-tax. They would sell their shares and invest their money on some other purpose. Similarly, the person who is liable to pay wealth-tax in his own right first of all pays the tax because he holds the shares of the company, because those shares are his personal assets. Again the tax is paid by the company the assets of which are represented by the shares already taxed. That means the same wealth suffers double taxation. Make no mistake. Income-tax can have an element of double taxation, it makes no difference, but a tax of this nature, which is of a capital nature, which is of a confiscatory nature, cannot be imposed twice. The only test you can apply, in their opinion, is whether a particular wealth has been taxed or whether it has escaped taxation. If you apply this test, they say you will find that there is no justification at all for taxing the companies. The wealth of the companies is already taxed in the hands of the individual shareholders who are holding the shares. Then why tax the same wealth again in the hands of the company?

The hon. friend who preceded me said that the wealth-tax can have only two purposes, and no more. Either it is a revenue-earning measure, or it has a socialistic purpose. So far as the companies are concerned, it can have only one purpose. You can put this tax on the companies for raising

revenue. It is easy to collect the revenue as it is an organised sector and you are sure of what you are going to collect, but there can be no social purpose at all in putting this tax on the companies. Even if you want to reduce the inequalities, the inequalities that matter in Society are only of the individuals and not of companies. By reducing the inequalities of companies what do you achieve? You may cripple the companies, you may disturb their productive purpose and only put things out of gear. And what do you gain? In my humble opinion, there was a very strong plea, a very impressive plea, that so far as companies are concerned, it is not only that there is a double taxation in the case of this wealth tax, but also the levy cannot have any social purpose.

Let Shri Bharucha be under no misapprehension that the shares of a company go scot-free, as the shareholder would be taxed just the same way as any other person. If he holds shares in a company, the value of the shares would be determined not only according to the paid-up capital of the company, but according to the market price of the shares, and if the market price on a particular day includes consideration for the reserves and for the goodwill of a company, the shareholder will have to pay a tax on all that. Therefore, when you are exempting companies from the purview of this tax, you are not exempting any one in any sense of the term.

The hon. Finance Minister, somehow or other in the very beginning when he introduced the Bill included the companies, though he himself was halting. I would read only one line from the speech he made while presenting the Budget. This is from paragraph 59. He said: "The wealth-tax is intended primarily as a measure of personal taxation, but in the peculiar economic structure of India, I consider it advisable not to exclude companies from the purview of this tax." What those peculiar conditions

in this country are, the Finance Minister has not explained, but the Finance Minister did tell us, and it carried conviction to all of us, that the revenue consideration is a very strong one, and there is no doubt that the major portion of the revenue under this Bill is going to come from the companies.

Arguments have been advanced here that the losing companies should not have been exempted. What is the philosophy behind exempting the losing companies? A very strong plea was made before the Select Committee that this wealth-tax which is an annual feature, though a tax on wealth, must come out of the accruals and not out of the wealth itself, not out of the corpus. Now, even after hearing all the arguments—and I shall soon quote some of the authors—the thing that the Finance Minister accepted was this principle in relation to the companies only. So far as individuals are concerned, he said: no, this tax can come out of the corpus because it would reduce the inequalities to that extent. So far as companies are concerned, when you exempt a losing company, what do you say? You only say that no wealth-tax will be payable by the company unless it made a profit. In other words, the capital structure or the corpus would not be impaired by any fiscal measure or measure of taxation. I think that is a very sound principle, and a person of Shri Bimal Ghose's calibre could have immediately understood it.

**Shri Bimal Ghose:** The exemption is not given in West Germany either.

**Shri Morarka:** When I heard him, I went through his Minute of Dissent again, but I find there is nothing in it, not a word about losing companies. Not only that. On companies he wants the exemption limit to be raised from Rs. 5 to Rs. 7-1/2 lakhs. He has pleaded for it in his Minute of Dissent.

There is another misunderstanding on this point. The hon. Member from Hooghly belonging to the Communist

group who spoke today stated that the wealth tax on companies can easily be evaded if new companies are given exemption, by splitting up one company into five companies. A capital of Re. 1 crore could be split up among four or five companies, each with a capital of Rs. 20 or Rs. 25 lakhs. I am very much surprised that the hon. Member did not care to read the actual clause giving exemption. If you permit me, I will read that clause: The exemption would apply only to companies which answer this description:

"44(d) any company established with the object of carrying on an industrial undertaking in India in any case where the company is not formed.....

—this is important—

"..... by the splitting up, or the reconstruction of a business already in existence or by the transfer to a new business of any building, machinery or plant used in a business which was being previously carried on."

Another very interesting condition was mentioned here. I think it was the hon. Member from the Punjab who said that losing companies should not be exempted. Why? Because losing companies are non-productive companies. A company which does not make a profit is a non-productive company; a company which makes a profit is a productive company. It is a very strange definition, a novel conception of a productive company or productive wealth.

Take the example of Tata Iron and Steel. It was making loss in the initial stages though it was producing steel, though it was employing labour, and according to the definition of the hon. Member it would be an unproductive company, unproductive wealth.

**Shri D. C. Sharma (Gurdaspur):** Why does he look at me? I am not that hon. Member.

**Shri V. P. Nayar:** Now that a controversy has been raised, let us know who that hon. Member is.

**Shri Morarka:** The hon. Member whom I am referring to is sitting in the vicinity of Shri D. C. Sharma. He is also from the Punjab

**Shri M. C. Jain (Kaithal):** I too have not spoken yet on this Bill.

**Shri Morarka:** So far as this tax is concerned, there is no doubt that the object of the Bill is to encourage the transfer of wealth from unproductive into productive sectors, but merely because a company does not make a profit, it does not cease to be productive. Therefore, this objection to exempt losing companies on either of these grounds is, with great respect, misplaced.

Then what is the position of taxation on companies in other countries? The wealth-tax, according to Professor Kaldor, is levied in as many as twelve countries. In many of those countries either the wealth-tax is not imposed on the companies at all, or where it is imposed there is an overriding condition, that in any year the Government will not take more than a certain percentage of the total income by way of all the taxes put together including the wealth-tax. In Sweden it is 80 per cent. In America, also, where though it is not a federal tax—it is a State tax—it has been laid down that the total tax payable by a company or even by individuals would not exceed a reasonable percentage of the total income.

Now, let me read a passage from the Kaldor Report. To begin with, I must say that Prof. Kaldor never advocated imposition of this tax on companies. His estimates were based only on tax on individuals and, as the hon. Member for Budaun said, they were to the extent of Rs. 17½ crores. This estimate was without including companies. The rates which he recommended and which the Finance Minister has adopted are almost the same, with slight variation. He has recommended an exemption limit of

Rs. 1 lakh while the Finance Minister has kept it at Rs. 2 lakhs. Even with that the total revenue the Finance Minister expects from individuals and HUFs under this Bill is only Rs. 6 crores, whereas Kaldor's expectation was 17½ crores. Either Prof Kaldor was wrong in anticipating the revenue or the hon. Finance Minister is making an error. But the fact remains that Kaldor considered it outside the realm of possibility to impose this tax on companies. He considered it only in relation to individuals.

What Prof. Kaldor says about this tax is this:

"An annual tax on wealth, though it is levied on the value of the principal, is really a tax on accrual and not a tax on the principal itself—as, for example, estate duties or a capital levy are".

Then he says in the next paragraph:

"The tax, similarly to income tax, should be conceived as a progressive one, and levied at rates (i) which are well within the total accrual from property—whether in the form of money income, expected appreciation, or psychic income; and (ii) which take into account the other taxes on accruals, in particular, the income-tax".

The whole theory of Prof. Kaldor was this—when I refer to Prof. Kaldor again and again, I am quite conscious that the Finance Minister has very thoughtfully absolved Kaldor and divested him of all responsibility concerning the present tax measures. But here I am just reminded of a story. A person not gifted with academic learning went to a professor—not Prof. Kaldor—and asked him: 'Please explain to me the difference between prose, poetry etc.'. When the professor explained the difference, he burst into an exclamation: 'Oh, all this time I have been speaking in prose without knowing that it is

prose'. I am sure some day the hon. Finance Minister may himself burst into the exclamation that all the while he was adopting Kaldorian principles without knowing that he was doing so.

I come to my next point. A very strong plea was made that the total tax, including the wealth-tax, should not exceed 100 per cent of a man's income. Now, there are two or three considerations here. First of all, whether in the case of an individual, this tax should be used as a capital levy, as a confiscatory measure or it should not. There is ample authority to bear on this point, that an annual tax should never be a capital levy. You can impose a capital levy, but only once in ten or five years and for an emergency. But an annual tax can never take the form of a capital levy. I support my contention by quoting an Indian economist, who is a joint author of many books along with Shri Anjaria and Prof. Vakil. Shri D. T. Lakdawala, in *Taxation and the Plan* (this is a recent publication), says....

**Shri Naushir Bharucha:** Is he an international authority?

**Shri Morarka:**.... "A property-tax, however, earns low marks as a device to reduce wealth inequalities. It is a very salutary principle that an annually recurring tax, whatever its basis, should be paid out of income, not out of capital. A yearly tax paid out of capital breeds a habit of capital consumption. Capital accumulation hitherto has been greatly helped by the social convention regarding capital as something sacrosanct, to be preserved, and if possible, increased and passed over from father to son. It should not be used for current purposes except in the gravest emergencies. A weakening of this convention may prove pernicious. Property-tax must, therefore, be levied at a rate lower than the normal rate of return on it".

Now, in Sweden, where this tax has been adopted—and even Prof.

Kaldor says that this tax has succeeded of all countries only in Sweden—what do we find? The provision in Sweden—this is from a publication I got from the Swedish Consul—is:

"A system which combines national and local income taxation with a progressive tax on capital assets can, under certain circumstances, lead to the absurd situation that total taxes due for a given year are greater than income during the same year. To avoid such an eventuality, the tax laws contain a special limitation clause which states that total taxes due for a given period may not exceed 80 per cent of the taxpayer's net income for that period, before direct taxes".

**Shri Naushir Bharucha:** India is not Sweden, which is one of the richest countries in the world.

**Shri Morarka:** I do not think such an intelligent man should remind me of such an obvious thing.

**Shri Naushir Bharucha:** He is forgetting it.

**Shri Morarka:** When the Finance Minister originally introduced the Bill, he said that he did not want to kill incentive; he wanted to keep incentive intact. These are his actual words:

"It is necessary at the same time to adopt other measures which are egalitarian in intent but which do not have a disincentive effect".

You have heard in the House and outside, people asking for a ceiling on income and we have not accepted that principle. In his Report, Kaldor has condemned such an idea, but this wealth-tax, as it is imposed now and as it is going to operate, prescribes a definite ceiling on the unearned income—I am not talking of the earned income. What is that ceiling? The maximum yearly unearned income that a man can have hereafter

[Shri Morarka]

would be Rs. 31,648, if his wealth is Rs. 15 lakhs.

**Shri Narayanankutty Menon** (Mukandapuram): More than that.

**Shri Morarka:** If it increases from Rs. 15 to Rs. 20 lakhs, it would be reduced from that to Rs. 29,448. If it increases further to Rs. 50 lakhs, it would be further reduced to Rs. 16,248.

Under these circumstances, you will see that the maximum unearned income that a man can have is Rs. 31,000 odd. If he has more property, his income goes down. It is not only a ceiling on income, but it is indirectly a ceiling also on wealth, because it is in his interest not to have more than Rs. 15 lakhs. That may lead to division or disintegration, whatever that may be, but if the statistics I am quoting are correct—I submit they are correct—hereafter a person cannot have more than Rs. 31,000 odd unearned income, and he cannot have more than Rs. 15 lakhs; if he has more, his income will start dwindling thereafter.

I am obliged to you for the few more minutes you have given to me. Still I have many more points to make. I hope during the clause by clause stage I will have another opportunity.

**Shri Bimal Ghose:** Sir, I want to say something by way of personal explanation to what the hon. Member from Rajasthan said about my minute of dissent. I am surprised that he made that statement. As he should have known, Sir, I had to leave for Calcutta suddenly on the 13th and I was not present at the last two meetings, but the discussion was over and I wrote my minute of dissent and sent it to the office. But when I came back I found that at the last two meetings these provisions were passed and included in the Bill.

**Shri Morarka:** I do not want to contradict my hon. friend, but I do

remember that this question of exempting the companies was discussed not in one meeting or two meetings but at many of the meetings, and over and over again for a long period.

**Mr. Chairman:** Order, order, this is no time for such arguments.

**Shri Ajit Singh Sarhad** (Ludhiana): Mr. Chairman, Sir, much has already been said about the principles underlying the wealth-tax, that is, taxation on net wealth of individuals and companies, and I do not propose to speak on them again.

But one thing is very obvious, that this Bill, as it was placed before this House and before the Select Committee, had the general support throughout the country. Of course, there is a microscopic minority of vested interest who are opposed to it, but it could not be denied, that the country as a whole has given its support, particularly when we have got to tap those sources which have been left untapped so far.

Hon Members who have been criticising the different provisions of the Bill forget one thing, that we are in the midst of a war, not a war against external aggression but a war against poverty, and we have got to find resources to fight that war. And, our implements of war against poverty is the Second Five Year Plan that is before us. The complaint that has been made against the Bill as it has emerged from the Select Committee has also been voiced by certain speakers who preceded me.

Primarily, Sir, the object of the Bill certainly is to raise funds to meet the expenses of the Plan. At the same time, we should not forget the other objectives, the underlying objectives which are before us, that we have got to have a socialist pattern of society. That objective must be before us.

Taxation is not expropriation, but taxation is certainly contribution to

the public fund, to the State expenses, in accordance with the capacity or ability of the individual, and that in consonance with the exigencies of the time. If we need money for the purpose of the Plan, we have got to tap all the resources.

Now, in the context of our ideology to attain a socialist pattern of society we have got to see whether the Bill as it has emerged from the Select Committee meets with that objective or not. I beg to submit that it has been whittled down to a very great extent, and the purpose with which the original Bill was brought before this House has been forgotten.

**Shri Feroze Gandhi (Rai Bareli):** Completely.

**Shri Ajit Singh Sarhadi:** I won't say 'completely', at least I will say 'partly'.

**Shri Feroze Gandhi:** I was a member of the Select Committee and even I say 'completely'.

**Shri Ajit Singh Sarhadi:** The object of attaining a socialist pattern of society is this, to eliminate the disparity in the different classes of people. Does it meet with that objective? What it takes with one hand it gives away with the other hand. Whereas you put in a limit of Rs. 2 lakhs for net wealth and you tax wealth which is above that limit in the case of individuals and above Rs. 4 lakhs in the case of Hindu joint families, you put in a series of exemptions which give scope for a lot of evasions.

I will draw your attention to only one thing. Let us see item No. 9 in sub-clause (i) of clause 5. That gives exemptions to all the furniture that an individual holds, all the household utensils that he has got and other articles. What does it signify? That would only promote or, rather, permit ostentatious and showy sort of living. How can you remove disparity if you give that scope. Not only that, I would even go to the extent of saying that it will bring in

a lot of evasion. What is furniture? You see that furniture is not defined in the Bill. We have not got any definition for it in the General Clauses Act. We have got to fall back to the dictionary meaning for its definition, which says, all that is movable in the house, all that decorates the house, all that you use and so on. Even if you have got gold posts for your bedstead it comes within the exemption. If you have got golden vases for your flowers they come within this exemption.

**Shri Feroze Gandhi:** Silver utensils.

**Shri Ajit Singh Sarhadi:** Even now the middle class people—I will use that expression, middle class, despite objection by many—have got silver utensils. If they start having utensils of gold they come within the exemption. I, possibly, cannot understand how this provision has been brought in, which gives so much scope for evasion to the main object which the Bill purports to convey.

Therefore my respectful submission to the Finance Minister would be that he should carefully look into this provision, which practically allows every individual to divert his wealth to such things and escape taxation.

Again, jewellery up to Rs. 25,000 has been exempted. Reading the two clauses together you find practically the object of the Bill is defeated. A man can go to the extent of holding money worth lakhs of rupees without paying any tax. Of course, there is a difference between a man and a company. A man may be honest to declare his wealth. But those who do not want to declare, those who want to keep things secretly, can escape paying this tax.

There is another aspect which we have got to see. The houses of ex-rulers are exempted. The hon. Minister has conceded that there is no constitutional bar to it. Article 291 of the Constitution only gives protection to the extent of privy purse and no further. Article 363 has got no relevance here. The only article we have

[Shri Ajit Singh Sarhadi]

got to fall back is article 362, and article 362 only gives protection to those rights and privileges that are given in article 291. So, the thing boils down to this, that only the income of the ex-rulers, their privy purses are exempted and no further. When it is admitted that the houses which they occupy are not protected, giving exemption to them can only be on concessional grounds or on equitable grounds. I would respectfully say that it is not an equitable ground.

Even in the interests of the ex-rulers we have got to see that under the present set up of society they also should go along with the progressive conditions which we are entering. You have got to bring down your standard of living to the ordinary level, otherwise you will be just an eyesore to others and cause trouble to yourself.

I should like to say, in this connection, that the country is very grateful to them for what they have done. They have contributed a great deal to the unity of the country. They have sacrificed a lot by acceding to the Indian Union. For that the country is grateful and this House is also grateful. But, they have got to sacrifice more for a certain objective, the objective of attaining a socialist pattern of society. The hon. Member speaking before me was saying that Government ought to purchase the palaces that they occupy. That would be a mistake, because I feel that Government can hardly afford to purchase all the palaces. So, it is for the princes—and it would be, I think, nobility on their part—to bestow all the palaces to the interests of the country and donate them. That is a big sacrifice no doubt, but they could do so for the country's stability and strength. So, I would submit that the princes should appreciate it. They have already contributed a great deal certainly. They have sacrificed a great deal but they should appreciate that their strength and stability is due to, or rather, the strength and stability of the present ruling party is the only

guarantee and security of the princes' income and their privy purse. The moment that power goes into the possession of the Opposition, God forbid, the princes will be nowhere. So, their interest lies in the fact that they should come forward to help the country. They should not do anything to the contrary.

Of course, the Finance Minister, I think, has felt that the princes have already sacrificed much, that their standards of living should not be brought down so suddenly and that they should have some more time to live in the manner in which they have been living previously. So, he has shown them some concession.

16.41 hrs.

[MR. DEPUTY-SPEAKER in the Chair]

But these concessions are not in the interests of the country. But the princes should remember this. They have contributed to the unity of the country. They should now contribute to the strength of the country, and to the social ideology that the country has adopted and they should become part of it, and for that purpose, they should themselves volunteer and say that they do not want the privilege having a big house. They can come down to a small house as the Prime Minister of India has come down to live in a house worth only Rs. 2 to 3 lakhs.

An Hon. Member: It has been postponed now.

Shri Ajit Singh Sarhadi: I would not take more time of the house. I would submit that the intent and the object of this Wealth-tax Bill is not only that we have got primarily to raise money for the expansion programmes, but also to achieve the objective of socialist pattern of society. Taxation is one of the ways to achieve this end. Taxation is not expropriation. It is a contribution and it is one of the ways in which we can remove disparities. In this context, I would submit that this Bill has, to some extent, whittled down the policy that is aimed at.

I feel that so far as sub-clause (ix) is concerned, that exemption should be eliminated in respect of furniture household utensil wearing apparel and the original sub-clauses (v) or (vi) should be restored and also the exemption for the rulers in respect of the houses should also be taken out.

**Shri V. Raju** (Visakhapatnam): Mr. Deputy-Speaker, Sir, the Wealth-tax Bill has evoked an extremely lively debate and for one I feel that the tax proposals have a larger measure of support from the Opposition than possibly from the Treasury Benches.

**Some Hon. Members:** No, no.

**Shri V. Raju:** I know that when ultimately the vote is taken, discipline would operate and the measure finally passed. However, I believe that analysing this opposition would help to a large extent to clarify and clear the attitude that Socialists should have towards this particular piece of legislation. I believe that in the present context of opinion in the country, taxation on income is assumed to be an act of socialism and therefore, to the extent that the wealth-tax or the allied taxes would lead to taxing income accruing to assets, either of companies or of the individuals concerned, who own capital, this tax is being opposed by a large section of the Members present. I know, however, that a wealth-tax would necessarily and must apply to capital as such not merely income. However, the argument is being introduced to say that the aggregated total of taxes, aggregate here meaning income-tax, wealth-tax, the existing super-tax and the proposed expenditure tax. The hon. Member Shri Morarka from Rajasthan said that in a nation like Sweden, not more than 85 per cent. of the total taxes collected on all heads in a single year should be collected from current revenues. Therefore, wealth-tax should conform to, or confine itself, within the return of income in a given year and only in such an

instance, such a tax will be legitimate, but otherwise, it would be a retrogressive tax, as it affects capital holdings.

I think that in this context quoting situations from abroad would be of little or no value. I do not know if the purpose of Government is necessarily to tax capital. But, if that is the purpose, then this is extremely a laudable measure even though I would term it as only one of a start, because, the extent of capital tax envisaged in this whole enactment is not more than one and a half per cent. when it reaches a certain ceiling and above, and therefore, I cannot understand why there is or should be such a great objection to this measure, I have only one example. In the Soviet Union, where incentive to save is guaranteed to the population, apart from the fact that the earner in the Soviet Union is not allowed to accumulate wealth in the form of means of production, and wherever savings are available to the people, such savings not only are legitimate but are expected to be the form in which that particular society saves for re-investment within the capital structure of the nation. Even in such a situation, periodically a revision has been made of the savings made in that society. In other words, if individuals save money in that economy and they invest such savings in Government holdings once in ten or fifteen years a revolution is made. I think after the war,—I am not quite sure on the exact date—I think it was during 1948-50, the rouble was devalued because of inflationary tendencies. I am not sure of the year, and my friends would tell me correctly. In that devaluation process, an individual was allowed to continue to hold bonds if that was the accumulation of his savings the outcome of service and—effort in the community. Similarly, my friends would like a provision to be made that genuine incentives, genuine earnings of individuals in the pursuit of service to the nation should be exempt wholly or to a large

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extent from a recurring capital levy annually. The State should merely apply the tax in the form of a direct capital levy at that point once in 5, 10 or 15 years, when over a period of time, the economy requires re-revision. I can understand the rationale, but here by no stretch of imagination are the means of production being withdrawn from private holding. Even in the case of capital taxation on companies, the company itself, when it pays the tax, redistributes the burden of that taxation on two planes. It revalues the capital holding as among its own shareholders; to that extent, the basis of the tax drops or becomes limited over a period of time, or the transference of the asset is within the same segment or class the capitalistic holdings

In other words, supposing an individual or a corporation has, for the purpose of this tax, sold out its holdings, it necessarily has to be repurchased by the same class in society and therefore, there is no question of redistribution of the capital holding or the right to means of production, which is the primary aim, I believe of socialism. Ultimately we cannot define socialism merely as one of distribution of equitable income. The right to spend and the right to earn alone is not merely the factor to be controlled under socialism, but the right of ownership of the productive sources have necessarily to be equalised in a socialist economy and I am afraid this taxation measure does not allow for that purpose to be fulfilled.

There are a number of major reasons, I believe, which are being put forward to support this piece of legislation. The Finance Minister has been telling us during the last one month or so that the needs of a tax become more and more important because of the requirements of the Plan. The overall question of the second Five Year Plan looms large before us. Here I would just like to make a passing comment, because I

know that the whole tax structure has been discussed just yesterday and today when the Finance Bill was taken up. When the question of discussing taxation and justifying taxation under the Finance Bill came up, the main question of Rs. 93 crores and odd of new excise taxes was justified on the ground of the Plan. Here, I believe that the Finance Minister may be going partially wrong in his estimate

On the one hand we find in the country that agricultural facilities are not being availed of, even though provided for under the schemes of the first Plan and the second Plan. Secondly, in the case of basic consumption, such as cloth, today the stocks of cloth in the country are far higher than they were before. Such a situation would demonstrate to the nation that the common man, the smallest tax-payer, whether he is a ryot or a person who is wage earner and has to live in this country and pays indirect taxation in the form of various taxes that are being levied on petrol, kerosene, matches, tax on increased railway passenger fare etc., or the various other smaller taxes—there are a whole lot of them—are not able to absorb the benefits provided under the Five Year Plan. They are not able to utilise the excess production that is today available either through Government agency or through the agency of private capital. As such, the present tax would, I believe to a large extent rectify the excess increase in the private sector, which has been there during the last three or four years, which has been creating an imbalance in the economy and in the Plan programme that the Finance Minister is putting forward. I can understand the argument that in the case of State production enterprises and the priority given to steel, a large measure of saving in foreign exchange would be available to the nation when the steel plants begin to produce. But in the case of private

capital, the accumulation of consumer goods in our store houses only leads to an imbalance and necessarily to a feeling in capitalist circles that on the one side there must be a total subvention of their efforts by Government agencies and on the other, the necessity for increasing the export quotas should be actively pursued by the Government. This will not always be possible and therefore, the present Bill should be used as a source of blood-letting. The capitalist holdings, which are beginning to grow too quickly and too artificially because of the desire of Government to increase the period of industrialisation during the Five Year Plan must be necessarily curtailed and therefore, I would support not merely the present Bill, but I would ask that for the good of this country, the slab of taxation on capitalist holdings should be increased, because that would be one of the methods whereby the present economy could be made to balance itself.

A number of exemptions have been given, which frankly I am not able to support. In clause 4, the Explanation says:

"For the purposes of this section, the expression 'transfer' includes any disposition, trust, covenant, agreement or arrangement, and 'an irrevocable transfer' includes a transfer of assets which, by the terms of the instrument effecting it, it not recoverable for a period exceeding six years or during the lifetime of the transferee."

17 hrs.

I do not see why there has been a limitation. I believe that once a transfer has been made, re-transfer of the assets to the individual, whenever it takes place, should be subject to the tax. Further more, no provision is made for taxation of the transfer itself. As a matter of fact, the basis of the whole taxation has been the Kaldor report. I do not think it is very fair to keep referring

to that report. Because, I believe that even though we have a tendency in this country to call upon foreign exports, a stage should soon be reached wherein our own fiscal policy may evolve in such a way that we can create independent policies for ourselves. As such, this continuous reference to this report, I believe, damages the purpose for which that is being put forward. However, in that report, it has been suggested that a gifts-tax should be one of the ways in which tax evasion could be stopped. I do not know why the gifts-tax has not been introduced.

**Shri C. D. Pande:** That is coming in November.

**Shri V. Raju:** If that assurance comes from the Finance Minister, I would take it. I hope it comes next time. Shri C. D. Pande says it is coming.

**Shri C. D. Pande:** It is a certainty now.

**Shri V. Raju:** So far as exemptions are concerned, in sub-clause 2 of clause 5 it is said:

"Wealth-tax shall not be payable by an assessee in respect of any deposit made by the assessee with the Government or in any security of the Government or of a local authority not specified..."

I think this clause would, to a large extent militate against the payment of tax by corporation. I know that the savings of profits, that is, sinking funds of companies are today to be maintained in deposit with the Reserve Bank. But, still these assets have yielded, do yield and continue to yield a profit to the corporation in so far as borrowing are made from banks against such holdings on which current business is transacted. So far as this wealth as profit is collectable or is made at the source of capital and also at the source of profit, this allows for the capital holding to go exempt, I cannot understand why this cushioning of the financial

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basis of a corporation is being allowed by the present Government. Today, one of the main problems before us is the question of gradual or creeping inflation. All means should be adopted by the Finance Minister to see that assets which do not come under the tax's purview should not, as far as possible, go exempt from taxation if they are to be used for production purposes, because, as I have earlier pointed out the present production has reached a stage where it is being bogged, where it is unable to be consumed within the economy of the country, because of the cumulative deterioration in the purchasing standard of our people: not merely the income-tax payer, but the general masses of the people who have been so over-burdened with taxation.

So far as the general exemptions made under clause 5 are concerned, there are quite a lot of exemptions to both individuals, to the aristocracy and also towards individuals who invest in companies or private corporative holdings. Here, I would like to suggest that the emphasis towards exempting under item (xvi) ten year treasury savings deposit certificates, fifteen year annuity certificates, deposits in post office savings banks, etc., would not be incompatible with the goal of socialism. But, in the case of individuals holding shares in a private capitalist holding, I believe a different basis of assessment is necessary.

Shri Morarka from Rajasthan tried to distinguish between the tax being levied on an individual and the tax being levied on a corporation and tried to state that the impersonal nature of a corporation, would require it to be exempt from this taxation. He said that a corporation being an inanimate body should not be subject to the same concepts of equity of justice as an individual. Unfortunately, the main problem of capitalism is that it wears the impersonal garb of a corporation. In the name of a corporation, certain families, certain castes in this

country are able not merely to wield unlimited political influence, but also have unlimited financial resources at their disposal. Therefore it is that I would say that in the case of an individual investing in the impersonal or Government sector there might be an argument for exempting him from taxation. Furthermore, I would say that it would be an incentive for saving in the economy. Wherever the individual invests in Government bonds or securities and where we know that the State is the investing agency, where we know that Government activity leads to development, in such instances, I would go to the extent of saying that exemption should be given. I would give the example of Soviet Russia where there is no income-tax, for the obvious reason that money is owned and held....

**Shri C. D. Pande:** Up to 20 per cent, there is.

**Shri V. Raju:** It may have been introduced lately.

**Shri C. D. Pande:** When you were there, it was not there.

**Shri V. Raju:** I have never been to Russia yet. Any way, certain capitalist economies have a tendency to criticise this exemption on tax as very low. But, there is a valid reason and that is that the holding is in State securities. The State is the developing agency. Further, any transference of such assets at the death of the individual can only be towards continuing a certain minimum or maximum standard of living of the family concerned which has developed the money holding through its own personal effort. While in this country, when you invest in corporations business assets, the private capital holding continues intact irrespective of the tax levied, unless the Government is prepared personally to take over the assets that become available in the market and become the owner of such assets, till such time socialism can never be introduced. Because, the sum total of the private holding would remain

private hands. This is a very important fact. Not merely for the purpose of valuation of property under the tax proposals, but even from the standpoint of owing sizeable holdings in corporations and sizeable holdings in the means of production of the nation, Government must start taking over assets and utilising them. I shall later speak on the clauses.

**Shri C. D. Fande:** I had no intention to participate in this debate because I had had my share only two days back, and that too a full share. But when I heard the speeches of a few members here, particularly that of Mr. Murthy, I was a little pained. He said that the Select Committee has betrayed the trust reposed on it by the House. I take strong exception to this expression because I feel the Select Committee has in all sincerity and honesty come to these conclusions. I can assure you that no section of the House prevailed there. It was a well-represented body. All sections had been there and it is a compromise that we have arrived at—a golden mean. I can definitely say that because I was a member of that Committee. I know there were extreme members there—Mr. Menon, Mr. Gandhi and others.

**Shri Narayanankutty Menon:** I protest against his reference to me as an extremist.

**Shri Feroze Gandhi:** He has called me also an extremist.

**Mr. Deputy-Speaker:** It is a compliment.

**Shri C. D. Fande:** What I was saying was that this is a *via media*—a golden mean. It is a compromise, and a compromise in a good direction. People have made a great deal of capital by saying that there have been a large number of exemptions and expectations of revenue have been watered down and it will come to nothing and so why don't you drop it? I want to dispel all the misunderstandings. What was the revenue expected out of this Bill? It was 15 crores of rupees. What is the new expected revenue? After all

the exemptions, it will be Rs. 12½ crores—the Finance Minister will correct me if I am wrong. After giving away all those exemptions, we have lost in all about Rs. 2½ crores. This has been given so that our men may not be unnecessarily harassed.

I was really surprised that Mr. Sarhadi took exception to clause 9 of all clauses where we have made exemption in the case of wearing apparel, furniture, utensils etc. Nobody in the Select Committee or in the House raised a single voice or said that exemption should not be there or that this provision should be deleted. Nobody shall purchase things just to avail of this exemption. He says that this will be a great source of harassment. I wonder how his economics works. Suppose a man purchases a thing for Rs. 100 today. What will be the price of it the next day. It will be about Rs. 80 or Rs. 90. Do you think that a person of the higher strata of income will purchase furniture, tables and curtains so that the next day his capital may be levied at 60 or 70 per cent. Members have also suggested that people will become extravagant and they will spend more. But then there is the Expenditure-Tax Bill. I don't think that many people in this land of our own will spend money in order to make Rs. 60 out of Rs. 100. This is bad economics. This never works. This is only imaginary. Members should not be carried by such things.

Then there is the other point about exemption for losing concerns. Nobody who holds any wealth above Rs. 2 lakhs is exempt from the wealth-tax. If he holds a share even in a losing concern, that share is taxed. You should realise that it is the amount that is invested in the company and the company that is losing. Therefore, the Select Committee, in its wisdom decided that it is fair that such companies should be left free because the shareholders

of that company have been taxed. The only thing is that he has been spared of double taxation. Of course, there were many in the Committee, with whose views we do not agree. They wanted that there should be no taxation at all on companies because taxing the company and again the shareholder would be double taxation. But we were committed to something and so the Committee in its wisdom—Shri Prabhat Kar knows it—came to that conclusion because companies were ultimately taxed. That is the opinion of the Committee and we have got the fullest confidence in that Committee. Therefore, the remarks of Mr. Murthy that the Committee have betrayed the trust reposed on it by the House was absolutely unfair and unkind to the Committee. The fact is that the decision of the Committee was a compromise arrived at by all sections of the Committee. Everyone gave his personal opinion and finally accepted this decision in the national interest.

I can assure you that our Finance Minister is not a man who will easily give in. He only gave in when he thought that harassment can be avoided. He was more concerned about finance and when we assured him that all the exemptions will not involve more than Rs. 2½ crores, he said that it was worthwhile and he agreed to that.

**Shri Feroze Gandhi:** On a point of order. The hon. Member, while he may refer to the proceedings of the Select Committee, has, I think, no right to say that the members of the Select Committee gave up their opinion. If we have expressed an opinion, we will stick to it and there are members of the Select Committee who feel that what has been done to the original Bill is not proper.

**Mr. Deputy-Speaker:** That has been expressed already. I was following the hon. Member quite closely. He was referring in general terms to the members. He did not particularly mention any hon. Member. Therefore, there is no cause for any objection.

**Shri C. D. Pande:** I am sorry. I do not know to what Mr. Gandhi took objection. I said that people do hold different opinions but yet in the interest of a good formula they accepted a *via-media*.

**Mr. Deputy-Speaker:** Mr. Feroze Gandhi says that even now he holds the same opinion.

**Shri C. D. Pande:** The Finance Minister agreed to most of the suggestions because he felt they were just. At the same time, he was very keen that no big slice of revenue should be lost.

**Mr. Deputy-Speaker:** The hon. Member may refer to the decisions of the Committee or say that they were just, proper and equitable.

**An hon. Member:** There are a number of dissenting notes.

**Shri C. D. Pande:** There were a number of people who were quite panicky. They were accommodated a great deal in the deliberations. Regarding amendments and suggestions relating to exemption, particularly the one relating to clause 9, nobody in the Committee raised any point about this matter.

So, may I point out that the remarks made by Mr. Murthy are not proper? The Committee has done its work very honestly and in the national interest and has come to a golden mean and, I am sure, the House will pass it without any amendments.

**Shri T. T. Krishnamachari:** If you will permit me, I should like to say that, though I was not the Chairman of that Committee, I take full responsibility. If I felt that there is anything wrong in it, I would have written a minute of dissent. So far as the Select Committee is concerned, irrespective of what transpired there, the result is the thing and I take full responsibility for it, though Government have presented the report.

**Shri Ghosal (Uluberia):** I do not know whether I should congratulate the hon. Finance Minister or I should curse him.

**Mr. Deputy-Speaker:** He may not do either of the two.

**Shri Ghosal:** Though in conception it is welcome, still if we go into the provisions of the Bill, we shall find many things which are not really to the fundamental principle of taxation. People are taxed for the needs of the Government for the development of society and for the prosperity of the country, but the capacity of the people varies from man to man which has to be taken into consideration. In our country the structure of the society is such that most of the people are poor and it is not possible to introduce any tax system by which the poor people can be overburdened while giving exemptions to the rich. Also, the basic tax structure should be based on the tax-paying capacity of the lowest rung of the ladder in the society, and only then can it be on a progressive basis.

If we go through this Bill we find that the loopholes through which generally tax evasion takes place have not been plugged, but rather they have been enlarged by the Select Committee report. Scope for tax evasion has been given through these legal loopholes or exemptions given in the Bill and through the machinery of tax realisation. These are the means through which taxes are generally evaded.

One of the loopholes is in regard to trust property. We know how these trust properties are being administered by the trustees and how the income and expenditure accounts of the trusts are submitted to the income-tax officers.

Much has been said in favour of exempting the companies while taxing the individuals because there are accounts and balance-sheets, but we know that the Income-tax Investigation Commission had found that

evasion had been resorted to by the companies, and not so much by individuals. Therefore, another loophole is there.

The word "animal" has been introduced in order to include dogs, race horses etc., owned by the rich people.

Regarding the exemption given to Rulers, of course, the Finance Minister has referred to the bars in the Constitution, but they can be removed by amending the Constitution. So, there is no justification for giving this exemption to the Rulers who are considered as a privileged class in our society.

A special provision has been made for exempting jewellery. It has been well said by Pandit Thakur Das Bhargava that this exemption should be reduced to at least half.

As regards exemptions for companies of five years' standing, it has been said in the House that these companies some times change their names by a fake transfer of the assets of the company and open new companies by changing the names. We know that these businessmen many times change their forms in order to avoid income-tax and sales tax, particularly in our State. Hence they should not be given this opportunity of tax evasion.

Another loophole for tax evasion is the retention of the present income-tax machinery for realising this tax. We have found that the income-tax machinery has totally and miserably failed in the realisation of taxes, and it is evident from the Income-tax Investigation Commission's report that many of the companies, in spite of this income-tax machinery, had evaded payment of tax and the Government had to surrender to the capitalist section. We also do not know how much amount has been realised from this capitalist section under the disclosure scheme. That proves that the machinery that exists at present has totally