

LOK SABHA DEBATES

I

LOK SABHA

Friday, November 18, 1977/Kartika
27, 1899 (Saka)

The Lok Sabha met at Eleven of the
Clock

[MR. SPEAKER in the Chair]

ORAL ANSWERS TO QUESTIONS

Proposal to scrap sales tax

*81. SHRI SHANKARSINHJI
VAGHELA:

SHRI KACHARULAL HEM-
RAJ JAIN:

Will the Minister of FINANCE be
pleased to state:

(a) whether the Janata Party had
at the time of Parliamentary elec-
tions, promised in its manifesto that
it would scrap the sales tax and in-
stead provide some other tax system;

(b) whether the Finance Minister
has since had any talks with the State
Ministers about this issue; and

(c) the outcome of these talks and
when it is proposed to scrap the sales
tax and instead impose further excise
duty?

THE MINISTER OF FINANCE
(SHRI H. M. PATEL): (a) to (c). The
election manifesto of the Janata
Party stated that the Janata Party
considers it desirable to replace sales
tax with appropriate excise duties
coupled with a formula which would
ensure that the States derive steady-
ly increasing shares from the total

collections, thus maintaining the ele-
ment of elasticity that is today being
provided by sales tax. Sales tax is
primarily a State levy under the Con-
stitution and it is necessary, therefore,
to persuade all State Governments to
agree to the proposal to allow sales
tax to be replaced by excise duties.
This task has been undertaken and
I have already had a brief preliminary
exchange of views with Chief Finance
Ministers of 14 States. All the Chief/
Finance Ministers have stressed the
fact that sales tax constitutes a large
proportion of the total state tax re-
venue and is an expanding and elastic
source of income and it has to be en-
sured that the State does not lose
financially now as well as in future.
Chief Ministers indicated that they
would send their detailed and formal
reaction to the proposal in due course
of time. Their reactions are await-
ed.

श्री शंकर सिंह जी वखेला : अध्यक्ष
महोदय, जनता पार्टी न अपने घोषणा पत्र
में सेल्स टैक्स को हटाने की बात कही है
लेकिन अफसोस है कि अब तक वह हम नहीं
कर पाये हैं। वित्त मंत्री ने बताया कि
राज्यों के मुख्य मंत्रियों और वित्त मंत्रियों
की जुलाई में बैठक बुलाई गई थी।
क्या सरकार ने ऐसी कोई तारीख निश्चित
की है कि कब तक वह सेल्स टैक्स को हटा
देगी और कब तक जनता पार्टी ने जो जनता से
वायदा किया है उसको पूरा कर देगी।

SHRI H. M. PATEL: As I have
already indicated, sales tax is a State
subject. I can only endeavour to
persuade the State Governments to ac-
cept the proposition of replacing sales
tax by excise duties in a suitable

2

manner, and my efforts to persuade them will continue. Where persuasion is involved, to fix a date is difficult.

श्री शंकर सिंह जी बबोला अध्यक्ष महोदय फिक्की की एक टीम वैंस्टन कन्टीज में गयी थी और उसने इसके बारे में स्टडी की थी और सुझाव दिया था कि इसके स्थान पर वैल्यू एडिड टैक्स लगाया जा सकता है। क्या सरकार ने राज्यों को यह सुझाव दिया है और उसके जवाब में क्या भारत सरकार को राज्यों की प्रतिक्रिया प्राप्त हुई है ?

SHRI H. M. PATEL: It is easy for us to indicate and for the State Governments to accept the possible way in which they can be assured of the incomes they today derive from sales tax, but what they want to know is whether the incremental rate which varies from State to State will also be maintained in future and whether they can trust the Central Government to do so. These are the two points. It is something which will take time. Maybe we can persuade them to accept it. Unfortunately, there has been a previous experience which has led them to distrust the good faith of the Central Government because there were four commodities in regard to which sales tax has been replaced by excise duties, and in regard to them also they were given an assurance, but they have felt that they have not received as much income from this arrangement as they had a right to expect.

श्री कचबलाल हेमराज जन : मैं जनता पार्टी के चुनाव घोषणा पत्र 1977 के पृष्ठ 25 की प्रोग्र वित्त मंत्री महोदय का ध्यान दिलाना चाहता हूँ जोकि टैक्स नीति के बारे में है। उसमें कहा गया है -

कई प्रकार के उत्पादन शुल्क और बिक्री का लागू होने के फलस्वरूप आजकल टैक्सों का दुबेह भार साधारण जनता को डोना पड़ता है। आबादी के बाद यह भार बढ़ता ही गया

है। बिक्री कर की उगाही में बहुत धांधली और भ्रष्टाचार देखा जाता है। जनता पार्टी बिक्री कर हटा कर उसके स्थान में यथोचित उत्पादन शुल्क लगाएगी। साथ ही यह ध्यान रखा जाएगा कि समूची बसूली में राज्यों को उत्तरोत्तर अधिक हिस्सा मिले। इस तरह इसमें लचीलापन रहेगा जिसे आजकल बिक्री कर की सहायता से साधा जाता है। जनता पार्टी ऐसी टैक्स नीति लागू करेगी जिसके द्वारा आय का पुनर्वितरण हो सके और बचत को प्रोत्साहन मिले।

इस संदर्भ में मैं पूछना चाहता हूँ कि आज भी हमारे देश में तीस साल की आबादी के बाद अनाज, मिर्ची, तेल, नमक आदि जनो-पयोगी वस्तुओं पर भी यह टैक्स लागू है तो क्या वित्त मंत्री महोदय जनता पार्टी की नई सरकार बनने के बाद इस साठ करोड़ की आबादी वाले देश में इम कर का हटाने के लिए कोई ठोस बंदम उठाने जा रहे हैं ?

अध्यक्ष महोदय मैं चाहता हूँ कि मेरे पत्र का उत्तर भी हिन्दी में ही किया जाए।

SHRI H. M. PATEL: I regret I will not be able to reply to the hon. Member in Hindi. But I would like to assure him that every effort will be made by the Government to honour the assurance given in the Janata Party Manifesto. As I said, there are many difficulties. This is a State subject and we can only achieve our objective by persuasion and that persuasion is continuing.

श्री कचबलाल हेमराज जन : मेरा व्यवस्था का प्रश्न है। आठ महीने में पहली बार मुझे मौका मिला है। मैं एक स्पष्टीकरण चाहता हूँ..

अध्यक्ष महोदय : श्री त्यागी।

श्री श्रीम प्रकाश त्यागी : क्या मंत्री महोदय को जानकारी है कि सेल्स टैक्स के

इसका देना में कति धन में जो इतनी भारी वृद्धि हो रही है उससे भारत सरकार को ही हानि नहीं हो रही है बल्कि देश का आर्थिक ढांचा भी बाजारों में बढ़ सकता है ? इसको ध्यान में रखते हुए आप क्या इस विषय को केन्द्रीय विधाय बनाने हुए सभी राज्यों को वह आश्वासन देंगे कि उनको इस विषय में कोई हानि नहीं होगी और वर्तमान समय में उनको जो नुकसान हो रही है वह उनकी क्षमता बनी रहेगी ? क्या आप ऐसा आश्वासन देने के लिए तैयार हैं ?

SHRI H. M. PATEL: Of course, that will be the basis of our discussion. I will give them the assurance that as closely as possible the incremental rate that is expected to arise out of the sales tax will be maintained. But it is a State subject and, therefore, until I persuade them, I can do nothing.

श्री श्याम प्रकाश त्यागी : आप इसको सेन्ट्रल सबजेक्ट बनाने के लिये तैयार है कि नहीं ?

MR. SPEAKER: That requires a constitutional amendment.

SHRI DHIRENDRANATH BASU: May I know from the hon. Minister whether it is a fact that he is contemplating, as an alternative, to fix up a uniform rate of sales tax in all the States as different rates of sales tax are creating difficulties both to the buyer and the trader?

MR. SPEAKER: That also requires a constitutional amendment.

श्री लखन लाल कपूर : क्या मंत्रीजी बतायेंगे कि जो स्टेट सेल्स टैक्स है, जो इसमें कर बसूली होती है, उसमें कितना परसेंट बसूल हो पाता है और कितना परसेंट चोरी होता है ? दूसरी बात यह जानना चाहता हूँ कि स्टेट नवर्नमेंट्स को जितना सेल्स टैक्स मिलना चाहिये वह तनाम, जहाँ पर आप ऐक्साइज

इयूटी लगायेंगे प्रोडक्शन पीईट पर, उसके बाद क्या आप प्रान्तीय सरकारों को एग्मोर करेंगे कि जो अभी उनको मिल रहा है और जो टैक्स की चोरी हो रही है उसकी पूति केन्द्र करेगा ।

SHRI H. M. PATEL: I think, the hon. Member is wanting me to give an assurance to the State Government, assuming that they agree, that I could also give them the amount that is not being paid as sales tax by people who should have paid it. In what way is it possible for me to give that assurance?

SHRI KRISHAN KANT: This question has two aspects. One is the acceptance of the principle that sales tax must be converted into excise duty and the second is dealing with the modus operandi as to how that has to be abolished. May I know from the hon. Minister as to when he was discussing the matter with the State Governments what has been the attitude of the State Governments where the Janata Party is ruling now in the States, like, Gujarat, Himachal Pradesh, Punjab, Haryana, Delhi, U.P. and Madhya Pradesh, and whether they have accepted in principle the abolition of sales tax and, secondly, may I know whether he will be able to come to some conclusion by the time of the next Budget sessions?

SHRI H. M. PATEL: So far as the attitude towards the proposal about the replacement of sales tax by excise duty is concerned, I may tell him that all the State Governments with whom I have had consultations in regard to this matter have been both the Janata Party Governments as well as others and the difference is only that the non-Janata Party Governments have been very firm in their refusal to agree whereas the others have been softer. I would request the hon. Member not to press me for any time-limit because, as I said before, we

can only succeed by persuasion. Time is the only way in which we can wear them down.

SHRI DWARIKADAS PATEL: The hon. Minister has said that sales tax is a State subject. Inter-State sales tax is a Central subject. Will the Finance Minister drop it?

SHRI H. M. PATEL: He is referring to the Central Sales Tax. The Central Sales Tax has to be there so long as the structure of sales tax remains. But the money collected from the Central Sales Tax also goes to the States.

श्री हुकम चन्द कछवाय : मैं इस बात का स्वागत करता हूँ कि माननीय मंत्री महोदय ने बिक्री-कर लगान की बात कही है और इससे राज्य सरकारें भी सहमत हो गई हैं। क्या आपने उत्पादन-शुल्क का हिसाब लगाया है कि इससे कितनी आय केन्द्रीय सरकार को होगी। केन्द्रीय उत्पादन-शुल्क क्या होगा? क्या इन प्रकार की छूट, जो उद्योग राज्य सरकार के अन्तर्गत आते हैं, उनको भी देंगे कि वह भी अपना उत्पादन-शुल्क लगाये?

यदि हा, तो राज्य सरकारों को इससे कितनी इनकम होगी और उसे लागू करने में कितना समय लगेगा?

SHRI H. M. PATEL: I am afraid, I have not clearly understood the question.

श्री हुकम चन्द कछवाय : मैं मंत्री में प्रार्थना करूँगा कि वह अच्छी हिन्दी जानते हैं, मेरा उत्तर हिन्दी में देने की कृपा करें।

SHRI H. M. PATEL: I have not understood your point.

MR. SPEAKER: He has not even understood your question. How can he answer it?

श्री हुकम चन्द कछवाय : उत्पादन-शुल्क की जो बात आपने कही है, उसका मैं स्वागत करता हूँ। इससे कितनी आय केन्द्रीय सरकार को होगी? क्या इसी प्रकार की छूट राज्य सरकारों के अन्तर्गत जो उद्योग आते हैं, उनको भी देंगे जिससे वह भी अपना उत्पादन-शुल्क लगायें? यह प्रश्न कब तक आप प्रारम्भ कर देंगे, जिससे आज जो सेल्स-टैक्स में अष्टाचार हो रहा है, वह शीघ्र समाप्त हो सके?

SHRI H. M. PATEL: I take it that the reference is to the sales tax and production tax, whether tax on industry. Again it is a question of replacing something (*Interruptions*). Therefore, so long as it remains a subject which belongs to the State Government, until they agree I cannot suggest any change.

श्री हुकम चन्द कछवाय : उत्पादन-शुल्क में कितनी आय केन्द्रीय सरकार को होगी, यह मुझे पूछा है?

MR. SPEAKER: Does the Minister have any further answer to give?

SHRI H. M. PATEL: He has asked what would be the income from production tax. I am afraid, that is not the position for me to work out like this.

SHRI R. VENKATARAMAN: The Finance Minister is aware that the States have expanding items of expenditure and receding revenue and that they have only one elastic source of revenue, namely, sales tax. They manipulate it either by levying at a single point or a multi point to suit the local, industrial and commercial needs of the States. If the Government replaces sales tax, by central excise or any additional tax, it will deprive the States of the elbow room which they have in manipulating their revenue and their ability to meet

their increasing expenditure. As the Jha Committee recommended against such a proposal, I would like to know whether the Government would give a serious consideration to the resources of the States and their ability to meet their needs by a manipulation of their tax system. I would like to know whether the Government has committed itself to this proposition.

SHRI H. M. PATEL: If the hon. Member has seen the Janata Party's manifesto, it is clearly stated there that the sales-tax will be replaced. We want to persuade them to accept the replacement of sales-tax by excise duty. But then it will be done in such a manner that the State Government do not lose their expectation of incremental increase in the sales-tax. It is not beyond the realm of possibility to organize some such arrangement because some States have a faster incremental rate and others have a slower one and that could be taken care of in the way in which we can work this out, provided the principle is accepted by the State Governments that they would be willing to accept it if we can satisfy them that they will not lose on this and that the elasticity aspect would be taken care of. But, as I said, the principle has to be accepted by them, and they must have complete confidence in our good faith.

Rate of interest charged by R.B.I. for Agricultural Finance

*82. **SHRI DARUR PULLAIAH:** Will the Minister of FINANCE be pleased to state the rate of interest charged by the Reserve Bank of India for the agricultural finance and the rate of interest in turn charged by the Cooperative Banks?

THE MINISTER OF FINANCE (SHRI H. M. PATEL): For short-term agricultural loans the Reserve Bank of India charges interest at 2% below the bank rate (at present 8%) on borrowings of the State Cooperative Banks on behalf of the Central Cooperative Banks. For

medium-term agricultural loans the rate of interest charged is 1½% below the bank rate.

The rates of interest charged to the ultimate borrowers by cooperative societies for short-term agricultural purposes generally range between 11 and 14½ per cent per annum except that in the States of Gujarat, Maharashtra and Madhya Pradesh the upper limit extends to 14.75 per cent, 15 per cent and 16.25 per cent per annum respectively.

SHRI DARUR PULLAIAH: May I ask the hon. Minister to state what steps Government propose to take to reduce the rate of interest, which gets increased in the transit and which is normally charged by the apex bank and Central Cooperative Banks—it gets increased by the time it reached the society or farmer level.

SHRI H.M. PATEL: The gap does not appear to be excessive if you take into account the fact that the cooperative bank's funds are not only derived from the Reserve Bank but they are also raised by themselves from deposits and other methods, and they have to pay a larger interest, larger than seven per cent at which they get from the Reserve Bank, for 45 per cent, and 55 per cent of their resources come from deposits on which they pay eight per cent and sometimes even upto nine per cent. That being so, the rate at which they would actually give to the farmer is bound to be higher. As I have said, so far as my information goes, for short-term agricultural purposes the rate ranges from 11 to 14½ per cent except in three States, and even in those three States also it is not much: in Gujarat it is only 14.75 per cent, that is, 0.5 per cent higher; in Maharashtra it is 15 per cent; and in Madhya Pradesh it is a little more, namely, 16; 25 per cent.

SHRI DARUR PULLAIAH: May I know what steps Government propose to take in view of the fact that many of the societies have become defunct