

LOK SABHA DEBATES

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Tuesday, February 20, 1968/Phalgun
1, 1889 (Saka)

*The Lok Sabha met at Eleven of
the Clock.*

[MR. SPEAKER in the Chair]

ORAL ANSWERS TO QUESTIONS

Trusts created by Business Houses

*152. SHRI SHASHI RANJAN: Will the Minister of INDUSTRIAL DEVELOPMENT AND COMPANY AFFAIRS be pleased to state:

(a) the number of trusts created in the country by the various business houses;

(b) the total amount handled by these Trusts; and

(c) the utility of these Trusts in the economic growth of the country?

THE MINISTER OF STATE IN THE MINISTRY OF INDUSTRIAL DEVELOPMENT AND COMPANY AFFAIRS (SHRI RAGHUNATH REDDI): (a) The subject 'Trusts and Trustees' is listed in the Concurrent List of the VII Schedule to the Constitution of India. Hence there are a number of Central and State Legislations relating to Trusts. Under the Companies Act, 1956 no notice of any trust can be entered on the register of members or debenture holders. Declarations as to shares and debentures held in trust have to be made to the Public Trustee in respect of trusts created by instrument in writing provided the investment in shares and debentures exceeds certain prescribed limits. As on 17th February, 1968, 142 trusts have made such declaration.

(b) As on 17th February, 1968 the investment in shares and debentures

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by the 142 trusts on the record of the Public Trustee aggregated Rs. 34.4 crores. Information about the total investments made by these trusts in properties other than shares and debentures and the investments made by other trusts to which section 153B of the Companies Act does not apply, is not available.

(c) The total paid up capital employed in the corporate sector in non-Government Companies as on 30th September, 1967 was Rs. 1957 crores. The investment in shares by trusts on the record of the Public Trustee as on 17th February, 1968 was Rs. 34.4 crores. No assessment has yet been made of the role of trusts in the economic growth of the country.

SHRI SHASHI RANJAN: The hon. Minister has given a survey of the things which is much apart from the Question that has been raised. He says that these trusts have got nothing to do with and do not play any role in the economic growth of the country. I would like to know from the hon. Minister why then there should be a trust at all. My information is that the trusts in India are much different from the trusts that exist in other countries. In other countries, the trusts are there for the benefit of the people at large and sometimes none of those who create the trust is in the trust. But here the trusts are handled hundred per cent by those who create the trusts. I also know these trusts are not taxable. Does the Government ever think of imposing income-tax on these trusts if they earn profits?

SHRI RAGHUNATH REDDI: Several questions have been raised by the hon. Member. The first question that has been raised is whether the trusts play any role in the growth of

economy or in the concentration of economic power. There are trusts in this country, apart from those trusts which fall under the category of charitable trusts or some other categories which are purely of beneficial character. They take part in the economic growth of this country and also in the various economic operations. The exact role and the total effect of the trusts on the growth of the economy and the concentration of economic power have not been studied completely and that job is being done.

The second question which the hon. Member has asked is whether there is any difference between the trusts in India and in other countries in the matter of their constitution and their role in the economic field. As far as English law is concerned it is of a different category and according to American law, the trust is recognised as an economic institution. As far as India is concerned, it has manifested itself in several forms of trusts, both of economic categories and of charitable intentions.

The other question which the hon. Member has asked is whether these trusts are subject to income-tax. I very humbly submit it may not be proper on my part to dwell on the question of Income-tax law, but I may refer to Sections 11 and 60 to 63 of the Income-Tax Act. In certain cases, the trusts are subject to income-tax and other direct taxes, etc.

SHRI SHASHI RANJAN: I would like to know from the hon. Minister whether those trusts that exist in this country are handled absolutely by the creators and either there is no member from outside or there are only a few members from outside. I ask this question because in other countries, in charitable trusts, for instance, Ford Foundation or the Rockefeller Foundation, there is no member of the Fords or Rockefellers. Will the Minister, therefore, look to it that in the charitable trusts here, the significance or influence of the creators is not much as in other countries?

SHRI RAGHUNATH REDDI: As far as business investments made by the trusts in the country are concerned, under section 153A of the Companies Act, a Public Trustee is appointed and under section 153B, in cases where the investment does not exceed Rs. 5 lakhs, the shares and the debentures will have to be intimated to the Public Trustee and the Public Trustee acts on behalf of the trust property. Under section 187(B) the powers of the Public Trustee are defined and in certain cases the Public Trustee may also give proxy. Generally, according to the Companies Act, it is the Public Trustee who acts on behalf of the trust properties invested in shares and debentures.

SHRI CHINTAMANI PANIGRAHI: Out of a total investment of nearly Rs. 1000 crores in the corporate sector, as the hon. Minister just pointed out, nearly Rs. 40 crores are now invested in the charitable trusts. May I know from the hon. Minister whether it is a fact that, as against the investment made in the corporate sector, the payment that is made by way of taxes and others is only about Rs. 300 to 400 crores and they divert more and more funds to the charitable trusts so as to avoid the incidence of income-tax on the returns made on the investments in the corporate sector, and if so, whether the Government is taking note of this growing tendency of the business houses to form more and more trusts.

SHRI RAGHUNATH REDDI: Again this is a question of taxation and the applicability of laws to the trust properties invested in the business. I have already referred to the provisions of the Income-tax Act. The Wealth Tax Act, the Gift Tax Act and Estate Duty Act also make certain provisions where in certain cases the trust properties could be exempted but not all cases of trusts are exempted. If the trust properties fall within the purview of taxation provisions under these Acts, certainly they are taxed.

SHRI CHINTAMANI PANIGRAHI: May I know from the hon. Minister

the total incidence of taxation from the investments in the corporate sector that is coming to the Government?

SHRI RAGHUNATH REDDI: With great respect, I would submit that this question should be put to the Finance Ministry.

श्री महाराज सिंह भारती : अध्यक्ष महोदय, मंत्री जी ने बताया कि अरबों रुपये की सम्पत्ति ट्रस्टों में लगी हुई है। ये जो ट्रस्ट हैं वे साधारणतया तीन काम कर रहे हैं। एक ट्रस्ट वे हैं जों राजनीति में हारे हुए लोगों को रिहैबिलिटेड करते हैं, दूसरे ट्रस्ट वे हैं जो किसी शरीफ आदमी ने बनाए होंगे और उनसे रोजी रोटी कमा रहे हैं और तीसरे ट्रस्ट वे हैं जो आयकर की बोरी इत्यादि का काम करने के लिए बना दिए गए हैं। तो मैं जानना चाहता हूं कि जब इस गरीब मुन्क में अरबों रुपये की सम्पत्ति ट्रस्टों में लगी हुई है तो क्या सरकार ने उन ट्रस्टों की जांच करने के लिए कभी कोई स्कीम बनाई है और क्या सरकार सोच रही है कि इन ट्रस्टों की वकिंग को देख लिया जाए और फिर उसके हिसाब से कदम उठाए जाए ?

SHRI RAGHUNATH REDDI: The hon. Member has suggested that the problem of trusts and their operations must be properly studied, and I can tell the hon. Member that we are already on the job.

SHRI SHANKARANAND: According to the hon. Minister, there are many trusts in the country and they are handling huge amounts, in terms of crores of rupees. What is the nature of these trusts, what is the main object for which they are formed and who are the real beneficiaries of these trusts, because they are not playing any role in the economic development of the country?

SHRI RAGHUNATH REDDI: At present, I do not have all the details the hon. Member would like to have.

SHRI SHANKARANAND: These are not details.

SHRI RAGHUNATH REDDI: But I can straightway tell the hon. Member that certain trusts which come within the category of religious and charitable trusts have as their main object educational development or pure charities. They are of a different category. Notwithstanding the fact that they may partake of the character of religious and charitable trusts, in certain cases of trusts the trustees have invested certain amounts of money even in business organisations. To the extent of their investment in such business organisations those trusts come within the purview of the company law and the Public Trustee appointed under section 153A will certainly look into this matter.

As regards who the beneficiaries are, naturally it would depend on the terms of each trust deed. As the hon. Member knows, the beneficiaries would be indicated in the trust deed itself. Each trust will have its own beneficiaries.

SHRI TRIDIB KUMAR CHAUDHURI: The hon. Minister informed us just now that they have undertaken a study of these trusts and their operations. Is there any discernible tendency on the part of business houses, particularly proprietary business houses, to create trusts in order to evade taxation laws and other operations of the law so as to safeguard their property and to create benefits for their own people?

SHRI RAGHUNATH REDDI: Many business houses in the country exercised control over the corporate sector through investments made by the trusts created by persons behind these groups. Recently an allegation made by Shri Chandrasekhar, MP included a list of trusts of the Birlas with reference to benefits accruing to the Birlas. Not only this. There are quite a few trusts which have made investments in certain business concerns. That I have already admitted. It is not a rare phenomenon that trusts

have investments in business concerns. As to whether they are evading taxes or in what manner taxes can be evaded the hon. Member knows that as long as the law provides it, if a person can take advantage of the law of the land and thereby avoid taxes, he is certainly entitled to do so.

SHRI TRIDIB KUMAR CHAUDHURI: That is not my question. Have Government found any discernible tendency, because of the existing set-up of laws on the part of business houses to take advantage of these things?

MR. SPEAKER: He has answered it already.

SHRI RAGHUNATH REDDI: We have undertaken a study of the entire operation of the trusts in relation to both the operation of the economic system of the country and the ramifications in the context of the tax laws also. As soon as it is completed the hon. Member may be informed.

SHRIMATI SUSHILA ROHATGI: Is it a fact that because of the working of these trusts, the trust reposed by the common man in these trusts has been belied? If so, what steps are Government taking to see that the trust reposed by the common man is restored once again?

SHRI RAGHUNATH REDDI: If the hon. Member will kindly let us know of any trust which has mismanaged its affairs, we will certainly try to look into it.

SHRI K. N. PANDEY: In the case of the charitable trusts, is there any machinery provided to see whether the main object of such trusts is implemented?

SHRI RAGHUNATH REDDI: There are a number of Acts dealing with the constitution of trusts, and, as I have already submitted, this subject of trusts is placed in the Concurrent List of the Constitution. Therefore, not only Parliament, but also various State legislatures are entitled to pass legislation in this regard, and in pursuance

of the various enactments passed by the State legislatures as well as Parliament a number of trusts have come into existence. Each legislature has provided both for the formation of the trust and also for the proper conduct of the trusts, and if any violation of the law is there, the law should take its course.

श्री शिव नारायण : मैं सरकार से जानना चाहता हूँ कि गाँधीयन फिलासफी के अन्तर्गत यह जितने बिजनेस हाउसज देश के अन्दर हैं उन्हें एक ट्रस्टी के सुपुर्द कर देने का कोई प्रोग्राम आपके पास है और यदि ऐसा न हो तो क्या आप उनको नेशनलाइज कर देने का भी विचार कर रहे हैं ?

I will put the question in **English**. May I know if this Government is ready to take over all the business houses in trust according to the Gandhian philosophy?

SHRI RAGHUNATH REDDI: I may very respectfully submit that this question does not arise from the question on record. I may state that a trust is held always in a fiduciary capacity and if the terms of the trust and the law governing the trust are violated, naturally the law would take care of it.

Bokaro Steel Plant

*153. **SHRI SRADHAKAR SUPAKAR:**

SHRI A. SREEDHARAN:
SHRI B. K. DASCHOW-DHURY:
SHRI RAGHUVIR SINGH SHASTRI:

Will the Minister of **STEEL, MINES AND METALS** be pleased to state:

(a) the progress made so far in the establishment of the steel plant at Bokaro; and

(b) whether the time-lag in the import of equipment has resulted in increase of overall cost of the project?

THE DEPUTY MINISTER IN THE MINISTRY OF STEEL, MINES AND