

1st April, 1947

**THE**  
**LEGISLATIVE ASSEMBLY DEBATES**  
**Official Report**

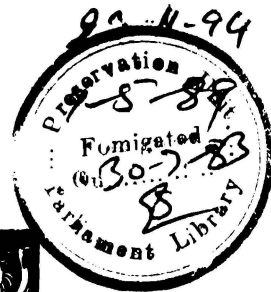


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**Volume IV, 1947**

*(25th March, 1947 to 9th April, 1947)*

**THIRD SESSION**  
**OF THE**  
**SIXTH LEGISLATIVE ASSEMBLY**  
**1947**



LEGISLATIVE ASSEMBLY

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*Deputy President:*

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Mr. C. P. LAWSON, M.L.A.

Sardar MANGAL SINGH, M.L.A.

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# LEGISLATIVE ASSEMBLY

Tuesday, 1st April, 1947

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Mr. G. V. Mavalankar) in the Chair.

## STARRED QUESTIONS AND ANSWERS

### (a) ORAL ANSWERS

#### PERMANENT ALLOTMENT OF BUNGALOWS TO CERTAIN MEMBERS OF LEGISLATIVE ASSEMBLY

1812. \*Mr. Ahmed E. H. Jaffer: (a) Will the Secretary of the Works, Mines and Power Department be pleased to state whether it is a fact that a few members of this House have been allowed to retain bungalows permanently for the period of their membership of the present Assembly?

(b) If so, will Government please place on the table of the House a statement showing the names of such members giving the description of the bungalows reserved for them?

(c) Is it a fact that they will be charged off-sessional rent for the period when there is no session; if so, what are the reasons for doing so, when these houses are occupied by such members during their frequent visit to Delhi to attend meetings of Select Committees and Central Standing Committees?

(d) Do Government propose to consider the advisability of charging a flat rate of sessional rent for houses permanently retained by these members?

Mr. B. K. Gokhale: (a) Yes Sir.

(b) A statement is placed on the table giving the information asked for.

(c) and (d). The question of charging concessional rent from members, irrespective of whether their stay is connected with Government business or not, is under the active consideration of the Government of India.

Statement showing the name of the members of the Legislative Assembly and the description of the bungalows allotted to the permanently

Serial No.	Name of Member	Quarter allotted
1	Sri M. Ananthasayanam Ayyanger . . . . .	25 Canning Lane
2	Mr. Manu Subedar . . . . .	31 Canning Lane
3	Mr. Mohd. Killeddar . . . . .	6 Ferozeshah Road
4	Sri Mohan Lal Saksena . . . . .	27 Ferozeshah Road
5	Sri Satyanarain Sinha . . . . .	33 Ferozeshah Road
6	Pt. Balkrishna Sharma . . . . .	13 B Ferozeshah Road
7	Mr. A. E. H. Jaffer . . . . .	4 Windsor Place
8	Mr. Mohd. Rahmatullah . . . . .	11 Windsor Place
9	Sri S. T. Adityan . . . . .	26 Queenway
10.	Capt. Syed Abdi Hussain . . . . .	27 Queenway
11	Mrs. Ammu Swaminadhan . . . . .	3 Windsor Place
12	Sardar Surjit Singh Majithia . . . . .	11 Electric Lane

**Mr. Yusuf Abdoola Haroon:** With reference to part (a) may I know whether those Members who failed to apply last session can apply now for permanent residence?

**Mr. B. K. Gokhale:** The position is that we have reserved 18 quarters for permanent occupation. We have received only 12 applications so far and 12 allotments have been made. There are still six vacancies and if anybody likes to apply, he may do so.

**Pandit Sri Krishna Dutt Paliwal:** May I inform the Honourable Member that I applied for a permanent residence and did not get it?

**Mr. President:** I do not think questions on individual cases can be asked. The Honourable Member can ask if more than 12 applications were received.

**Mr. B. K. Gokhale:** Sir, my information is that only 12 applications were received; but if my Honourable friend will give me the date of his application, I will make inquiries.

**Mr. Ahmed E. H. Jaffer:** As six bungalows are still vacant and it seems there is not much demand for them from Honourable Members, can a Member have two bungalows?

(No reply was given).

**Khan Abdul Ghani Khan:** Will those Members who occupied quarters permanently last session have to apply again?

**Mr. B. K. Gokhale:** Yes, Sir; I believe the allotment is for each session separately; and if they want it permanently now, they will have to apply again.

**Khan Abdul Ghani Khan:** I want to know whether those who occupied bungalows permanently last year will have to apply again?

**Mr. President:** I believe there is a report of a conference of Members' representatives which met in the President's chamber and the conference decided upon certain things and allotments will go according to those decisions.

**Mr. Ahmed E. H. Jaffer:** What is meant by "permanent occupation"?

**Mr. President:** Order, order. It has been settled now and Honourable Members can refer to the proceedings of their own conference.

**Mr. Sasanka Sekhar Sanyal:** With regard to rent may I know what advice or recommendation the Standing House Committee has given to Government?

**Mr. B. K. Gokhale:** I believe the advice is that the rent should be the same whether for the session or for the non-session period. That matter, as I said, is under active consideration. The matter has been taken up but a decision has not yet been reached.

**Shri Mohan Lal Saksena:** Is it not a fact that more than five months have elapsed since that recommendation was made?

**Mr. B. K. Gokhale:** I am not quite sure but some time has certainly elapsed. But these things are not within my control. The decisions have to be taken by Government and not individually.

**Dr. Zia Uddin Ahmad:** In view of the fact that the House Committee has made definite recommendations on all the points now raised in connection with house allotment, may I ask that these recommendations may be accepted?

**Mr. B. K. Gokhale:** As far as possible, we have accepted the House Committee's recommendation. But the question of rent, as I said, is still under consideration, and I cannot anticipate the decision of Government on this question.

## NATIONALISATION OF THE INSURANCE INDUSTRY

**1313. \*Mr. Ahmed E. H. Jaffer:** (a) Will the Honourable the Commerce Member please state if Government propose to nationalise the Insurance Industry of the country?

(b) Will Government place on the table of the House a statement showing the profits of all Indian Insurance Companies including Life and Fire Insurance Companies during the last five years?

(c) Before introducing legislation for the nationalisation of Insurance Industry, do Government propose to consult public opinion in the country?

**The Honourable Mr. I. I. Chundrigar:** (a) The question of nationalising the Insurance Industry has not yet been fully examined by Government.

(b) A statement is placed on the table of the House.†

(c) Yes.

**Mr. N. M. Joshi:** May I know when Government will fully examine this question?

**The Honourable Mr. I. I. Chundrigar:** The question was examined by one committee appointed by Government informally and some difficulties have been pointed out. I am afraid it will take some considerable time before the question can be fully examined.

**Mr. Sasanka Sekhar Sanyal:** What are the countries in the East which have taken up this nationalisation?

**The Honourable Mr. I. I. Chundrigar:** I cannot answer this question without notice.

**Mr. N. M. Joshi:** Will that committee's report be published? If so, when?

**The Honourable Mr. I. I. Chundrigar:** I said the committee has only informally examined the question; the question was not specifically referred to them. Before the matter can be considered, a committee will have to be appointed to go thoroughly into it.

**Sri M. Ananthasayanam Ayyangar:** Will the committee go into the question of nationalising life as well as other forms of insurance or only life insurance?

**The Honourable Mr. I. I. Chundrigar:** That question will be considered when the committee is appointed.

**Mr. Yusuf Abdoola Haroon:** Is the Honourable Member aware that this proposal is under the consideration of the United Kingdom Government also?

**The Honourable Mr. I. I. Chundrigar:** Our consideration of the proposal will be on independent lines.

**Shri Mohan Lal Saksena:** Until Government reach a decision on this matter will they consider the question of extending the facilities of postal life insurance to the employees of local bodies also?

**The Honourable Mr. I. I. Chundrigar:** That is an independent suggestion which will be examined.

## SELECTION OF MUSLIMS FOR THE INDIAN FOREIGN SERVICE

**1314. \*Mr. Ahmed E. H. Jaffer:** Will the Honourable Member for External Affairs be pleased to state:

(a) the number of officers appointed, or selected for appointment to the Indian Foreign Service, and how many of them are Muslims; and

(b) whether the normal rules for observing communal proportion in the Services have been or will be applied in the case of the Indian Foreign Service also?

†Not printed in these Debates. Copy placed in the Library of the House.—Ed of D



**The Honourable Pandit Jawaharlal Nehru:** (a) Fifteen Emergency Commissioned Officers have been selected for the Indian Foreign Service, of whom 4 are Muslims.

(b) Yes, the normal rules in regard to communal proportion are borne in mind, consistent with the maintenance of requisite standards.

#### APPOINTMENT OF A HIGH COMMISSIONER IN EAST AFRICA ✓

**1315. \*Seth Govind Das:** Will the Honourable Member for Commonwealth Relations please state:

(a) whether Government are aware of the Reuter's message of the 17th September last, relating to the resolution of the East African Indian National Congress requesting the Government of India to appoint a High Commissioner in East Africa; and

(b) the action that Government have so far taken in this connection?

**The Honourable Pandit Jawaharlal Nehru:** (a) Yes, Sir.

(b) The Government of India have addressed His Majesty's Government asking for their concurrence in the appointment of a Representative of the Government of India in East Africa.

**Seth Govind Das:** In view of the fact that a proposal of inter-territorial organisation of the three countries of East Africa—Tanganyika, Uganda and Kenya—is under consideration, will Government see that a High Commissioner is appointed at an early date so that he may be able to safeguard the interests of Indians there?

**The Honourable Pandit Jawaharlal Nehru:** I have said that we have not only seen but acted. We have asked for the appointment, we propose to appoint one and we have informed the Colonial Office; we are waiting for their answer.

#### LEGAL DISCRIMINATION AGAINST INDIANS IN WESTERN AUSTRALIA

**1316. \*Seth Govind Das:** Will the Honourable Member for Commonwealth Relations please state:

(a) whether Government are aware that in Western Australia there are legal discriminations against British Indians with respect to Crown land, mining, certain occupations and employment;

(b) whether the Government of India are carrying on negotiations with the Government of Western Australia for removing these disabilities and for raising Indians to the same level as the citizens of other western countries; and

(c) the result of these negotiations?

**The Honourable Pandit Jawaharlal Nehru:** (a) Yes.

(b) and (c). No fresh negotiations have been initiated yet.

#### EXCLUSION OF QUALIFIED INDIAN RESIDENTS FROM RESPONSIBLE POSITIONS IN PUBLIC SERVICES IN FIJI ISLANDS

**1317. \*Seth Govind Das:** Will the Honourable Member for Commonwealth Relations please state:

(a) whether Government are aware of the tendency to exclude able and well qualified Indian residents from responsible positions in public services in the Fiji Islands purely on account of their race and colour;

(b) whether Government are aware of any scheme that was approved by the Secretary of State for the Colonies under which members of the public services belonging to the different races in the said colony would be entitled to equality in status and pay for similar work; and

(c) whether the said scheme has been implemented and the discriminatory treatment meted out to Indian public servants in the Fiji Islands has been stopped and whether they are now given responsible positions in public services according to their qualifications?

**The Honourable Pandit Jawaharlal Nehru:** (a) Yes.

(b) Yes.

(c) Official information has been received that the scheme is being implemented, but details about its actual working are not available and are being called for.

**Seth Govind Das:** Some time ago it was stated that a delegation is to be sent to Fiji. Have Government received any communication from His Majesty's Government in this respect as yet?

**The Honourable Pandit Jawaharlal Nehru:** What was said then was not expressly in regard to Fiji, but it was proposed to send a delegation to some of these outlying colonial territories. On this subject we have addressed His Majesty's Government and, so far as I am aware, no answer has yet come.

**Mr. Ahmed E. H. Jaffer:** Is it not a fact that His Majesty's Government was addressed four months ago? In view of the fact that no reply has yet been received why should not the Honourable Member move the High Commissioner in England or some other authority to expedite the matter?

**The Honourable Pandit Jawaharlal Nehru:** We have moved in the matter.

**Prof. N. G. Ranga:** Have Government received any memorandum or representation from the leader of Indians in Fiji who recently visited this country?

**The Honourable Pandit Jawaharlal Nehru:** Various representative Indians from Fiji, Mauritius and other places have been to India, and whenever they have come they have given us memoranda and information and discussed the situation with us.

**Prof. N. G. Ranga:** What channel is there for Government to find out how far there is any truth in these memoranda, and what action can possibly be taken either directly or through the British Government?

**The Honourable Pandit Jawaharlal Nehru:** The only proper channel would be to have a representative there or to send a commission there; otherwise all I can do is to send any complaints that we receive to the Colonial authorities and ask for their reply in regard to them.

**Seth Govind Das:** Are the Government contemplating to send any representative to Fiji also?

**The Honourable Pandit Jawaharlal Nehru:** No, Sir. It is very difficult for us to send representatives to every place where Indians happen to live. What we were thinking of was to ask the representative in Australia to visit Fiji from time to time. As a matter of fact he has visited Fiji in the course of the last few months and we propose to ask him to maintain contacts with Fiji.

#### TRADE DELEGATION TO NEAR EAST COUNTRIES ~

1318. \***Seth Govind Das:** Will the Honourable the Commerce Member please state:

(a) whether it is a fact that he stated on the 6th December in Bombay that one of the best methods of developing trade in the Near East countries is to send a trade delegation;

(b) if so, the action that Government have taken in regard to such a delegation;

(c) who would be its members; and

(d) when the delegation is likely to be sent?

**The Honourable Mr. I. I. Chundrigar:** (a) Yes, Sir.

(b), (c) and (d). A Trade Delegation consisting of Mr. M. A. H. Ispahani as Leader, Messrs. Haridas Laljee, Haji Dawood Bhoj Habib and C. C. Javeri as Members and Mr. Ebrahim Yusuf Zainal Alireza as Adviser, left Karachi for the Middle and the Near East on the 9th March 1947.

**Sri M. Ananthasayanam Ayyangar:** Is it a work of exploratory nature?

**The Honourable Mr. I. I. Chundrigar:** They will interview the Government officials in those countries and also the Chambers of Commerce and other trade representatives and discuss with them the question of developing trade between India and all those countries.

**Sri M. Ananthasayanam Ayyangar:** What are the chances of our exporting any of the materials they require now that they are deficient in most of the consumers goods?

**The Honourable Mr. I. I. Chundrigar:** The question of exporting particular commodities will not be considered by them. They will consider the question in general—how best to develop the trade between the two countries as Government is satisfied that there is scope for the development of trade between the Middle East countries and India.

**Seth Govind Das:** Is this delegation going to send their report from each country that they visit, or they will send a comprehensive report on their return?

**The Honourable Mr. I. I. Chundrigar:** I think they will send in a comprehensive report.

**Seth Govind Das:** By what time do the Government expect them to come back and submit their report?

**The Honourable Mr. I. I. Chundrigar:** The programme envisages a tour of about seven weeks. Taking into consideration the date of departure, they are expected back about the end of April.

**Sri M. Ananthasayanam Ayyangar:** May I know what volume of trade there has been so far with these countries a year before the war or during the war?

**The Honourable Mr. I. I. Chundrigar:** Trade in some commodities had increased during the war. In some others it had gone down. All the relevant information has been placed at the disposal of this Delegation with a view to enable them to consider the question of development of trade between India and the Middle East.

**Sri V. C. Vellingiri Gounder:** May I ask the Honourable Member whether any representative of agriculturists was associated with this trade delegation?

**The Honourable Mr. I. I. Chundrigar:** The question was considered but it was not found possible to include their representative.

**Sri V. C. Vellingiri Gounder:** Foodstuffs are being imported from and exported to some of these countries and it would be advisable to provide representation for some one who would look into the agriculturists' interests. May I therefore ask the Honourable Member whether he would consider the inclusion of agriculturists' representative in subsequent trade delegations from this country?

**The Honourable Mr. I. I. Chundrigar:** In future the question will be considered keeping in view the size of the delegation and the importance of agricultural produce in the trade of the country concerned.

#### DIPLOMATIC RELATIONS WITH THE UNION OF SOVIET RUSSIA ~

1319. \***Seth Govind Das:** Will the Honourable Member for External Affairs be pleased to state:

(a) whether Government are aware of the necessity of exchanging diplomatic representatives with the Union of Soviet Socialist Republics; and

(b) the steps that are being taken in this connection and by what time it is expected to establish diplomatic relations with the Soviet Union?

**The Honourable Pandit Jawaharlal Nehru:** (a) Government are anxious to establish diplomatic relations with all important countries, including the Soviet Union.

(b) Discussions are in progress. Honourable Members may be assured that an agreement to exchange diplomatic representatives with the USSR or any other country will at once be made public.

**Maharajkumar Dr. Sir Vijaya Ananda:** In view of the fact that Russia has conferred independence on its units, will the Government of India be sending diplomats to all the units as well as to Moscow? •

**The Honourable Pandit Jawaharlal Nehru:** The present proposal is to deal with the Union Government of the U. S. S. R. ✓

**HEAVY IMPORT OF ARTICLES LIKE TOYS, RAZORS, BALLOONS, GLASS-WARE, ETC.**

**1320. \*Pandit Sri Krishna Dutt Paliwal:** Will the Honourable the Commerce Member be pleased to state:

(a) whether Government are aware that there is heavy import of articles into the country at present;

(b) whether Government are aware that the articles imported include rubber goods, balloons, toys, safety razors and razor blades, glass-ware, locks, fountain pens, lead pencils, etc.;

(c) the steps Government have taken or propose to take to prevent such imports and to encourage the manufacture of these articles in the country;

(d) whether Government propose to consider the desirability of enforcing the rule that the applicants for licence for the import of consumers' goods, must furnish the samples of the articles proposed to be imported with the applications and must undertake that the goods imported will be in conformity with the samples furnished; and

(e) the number of import licences refused since the 2nd September 1946 on the ground that it is detrimental to the interest of the country to import the article or articles in respect of which licences, were sought?

**The Honourable Mr. I. I. Ohundrigar:** (a) Presumably Honourable Member is referring to imports in general if so there is no heavy import of articles in the country, but it is true large quantities of some articles are imported in the country.

(b) Yes.

(c) It is proposed to review the whole Import Trade Control policy shortly with a view to restricting further imports of certain consumer goods which have been imported in large quantities. In so far as the question of encouraging the manufacture in India of articles which are imported, the Government of India have appointed Industrial Panels to make recommendations regarding the development of Industries, both existing and new with a view to encourage manufacture in India of articles now imported from abroad. Besides these Panels, Working Committees have been constituted to advise the Government in connection with the development of other industries. I lay on the table a list of the Panels mentioned by me.

(d) The suggestion is not practical.

(e) The information is not readily available and its collection will entail considerable work. It is felt that the time and labour involved in collecting the information will not be commensurate with the advantage of collecting it.

*List of Industrial Panels.*

(1) Iron & Steel (Major). (2) Iron & Steel (Minor). (3) Prime Movers. (4) Automobiles & Tractors. (5) Shipbuilding & Marine Engineering. (6) Electrical Machinery and equipment. (7) Industrial Plant and Machinery (Heavy). (8) Machine Tools. (9) Light Engineering Industries. (10) Heavy Chemical Industries. (11) Fine Chemicals, Drugs and Pharmaceuticals. (12) Paper, Pulp, Wood Pulp, Chemical Cotton, Pasteboards, Straw Boards, etc. (13) Plastics & Celluloid. (14) Rayon & Artificial Silk. (15) Sugar, Alcohol and Food Yeast. (16) Glass. (17) Refractories & Ceramics. (18) Soaps & Oils. (19) Paints & Varnishes. (20) Electro-Chemical Industries. (21) Wool. (22) Silk. (23) Coir, rope, cordage and other fibre industries. (24) Hosiery. (25) Readymade clothing. (26) Non-Ferrous Metal industries. (27) Leather & Leather Goods. (28) Scientific Instruments. (29) Textile Planning Committee. (Textiles Panel).

**Prof. N. G. Ranga:** How is it that the suggestion made here is impracticable? The reason that it would be impossible for people who order for all these various things to supply advance samples to the Government is no reason at all. They must have had the samples themselves before they order for these things.

**The Honourable Mr. I. I. Chundrigar:** In many cases samples are not received because goods are well known by a particular trade description and the suggestion was whether Government propose to consider the desirability of enforcing the rule that the applicants for licence for the import of consumers' goods must furnish the samples of the articles proposed to be imported with the applications, and that is why I said that the suggestion is impracticable.

**Mr. Geoffrey W. Tyson:** With reference to answer to part (c) of the question, will the Honourable the Commerce Member kindly say whether the revision of import licences which is contemplated will be based upon the possibilities of manufacture in this country or whether other considerations such as exchange will be taken into consideration?

**The Honourable Mr. I. I. Chundrigar:** This question has been raised on various occasions in the past and I have already replied to it. It is only after considering all the aspects of the case that the Government will arrive at a decision.

**Mr. Geoffrey W. Tyson:** All the aspects of the case including the availability of foreign exchange?

**The Honourable Mr. I. I. Chundrigar:** Yes.

**Sri M. Ananthasayanam Ayyangar:** May I know why, if these are the principles which have been all along adopted, a large quantity of articles covered by clause (b) have been allowed to come into this country?

**The Honourable Mr. I. I. Chundrigar:** There was a great shortage of these articles and at that time the public clamour was to remove all the restrictions on imports. It was as a result of this demand that the restrictions were entirely removed. It was said that no control whatsoever on imports was necessary and therefore certain articles were placed in the Open General Licence and the Universal Open General Licence with the result that with regard to these articles in was not necessary to obtain a licence from the Government, and imports of these articles took place when they were placed in the Universal Open General Licence. When complaints of excessive imports were received by the Government, they were removed from the Universal Open General Licence.

**Prof. N. G. Ranga:** With regard to part (e) of this question the Honourable Member said that the time and labour involved in collecting all this information will not be commensurate with the advantages derived by supplying the information, but is it or is it not a fact that the Government do refuse to give licences to people to import certain articles on the ground that the importation of such articles is not in the interest of India?

**The Honourable Mr. I. I. Chundrigar:** The refusal is on various grounds and this is the ground in some cases.

**Mr. Geoffrey W. Tyson:** The Honourable the Commerce Member stated in answer to one of the supplementaries that Government were reconsidering the whole question of their import policy. Is he in a position to state when they will be able to make an announcement as a result of this reconsideration?

**The Honourable Mr. I. I. Chundrigar:** Well, one announcement has already been made as a result of reconsideration. Some other cases are being examined and I think the policy will have to be revised from time to time and announcements will be made from time to time as soon as decisions are reached.

## PENSIONS UNDER THE WAR PENSIONS SCHEME, 1944

**1321. \*Mr. Tamizuddin Khan:** Will the Honourable the Commerce Member be pleased to state:

(a) the amount of pensions granted under the War Pensions (Indian Seamen, etc.) Scheme, 1944, and the dates of their commencement in the following cases:

- (i) Parents of Fazlur Rahman s/o Ajmatullah ex. s.s. "Fort Longueuil",
- (ii) Parents of Md. Samroo s/o Abdul Ghani ex. s.s. "Yorkshire",
- (iii) Parents of Babul Huq s/o Abdul Sattar ex. s.s. "Nairang",
- (iv) Mother of Makbul Ahmed s/o Abdul Ghafoor ex. s.s. "Calabria",
- (v) Mother of Abdul Rasool s/o Samiuddin ex. s.s. "Erinpura",
- (vi) Parents of Abdul Mian ex. s.s. "Oakbank"; and

(b) if the pensions, wherever granted, have not been paid with effect from the 1st May, 1944, the date from which eligibility commences under the revised scheme of 1944, and up to the maximum amount admissible in each of these cases, whether Government propose to review the cases once again?

**The Honourable Mr. I. I. Chundrigar:** (a) (i) A pension of Rs. 12 per mensem has been sanctioned to Hazi Azmat Ulla father of the seaman Fazlur Rahman with effect from May 1, 1944. No separate pension was sanctioned to Fariza Khatun the mother of the seaman.

(ii) A pension of Rs. 12 per mensem has been sanctioned to Abdul Ghani father of the late Md. Samroo with effect from the 1st May, 1944. The mother of the seaman was not awarded a pension.

(iii) No award was sanctioned to the parents of the deceased seaman Babul Huq on the ground that the father was earning Rs. 25 per mensem.

(iv) A pension of Rs. 10 per mensem was sanctioned to Atorjan, mother of the deceased seaman Makbul Ahmad, with effect from the 30th March, 1945 onwards as she became eligible for the same from the date of remarriage of the widow of the seaman on the 30th March, 1945. Prior to that date she was living with the widow.

(v) In this case Rs. 12 per mensem to the widow and Rs. 2 per mensem for each of three children of Abdul Rashid Samiuddin under the age of 14 years were sanctioned with effect from the 2nd May, 1943. No separate pension was sanctioned to the mother of the seaman as she was living with the widow.

(vi) A pension of Rs. 16 per mensem was sanctioned to the parents of the seaman Abdul Mian with effect from the 1st June, 1946, onwards.

(b) The date for the commencement of pension and the amount of award are determined in each case on merits. Government will re-examine cases in which there are *prima facie* grounds to do so.

**Mr. Tamizuddin Khan:** With reference to the answer to item 3, what are the grounds on which Government consider that an income of Rs. 25 for a family is sufficient to disentitle the mother of a deceased seaman not to get any pension?

**The Honourable Mr. I. I. Chundrigar:** The report received in this case was that as the father of the deceased seaman had an income of Rs. 25 per month, he could maintain himself and his family and no pension need be given. This is one of those cases which will be re-examined in the light of my statement that the Government will re-examine cases in which there are *prima facie* grounds to do so.

**Mr. Tamizuddin Khan:** In view of the prevailing all round high prices and the very ridiculous rates of pensions given, will the Honourable Member consider it desirable to review the entire question and not only individual cases—I mean a revision of the rates.

**The Honourable Mr. I. I. Chundrigar:** The rules which were framed in this connection only laid down the maximum amount which can be given as allowance either to the widow, the children or other dependants of the deceased seaman. I find that most of the officers concerned have given awards much below the maximum permissible under the rules, and looking to the rise in the cost of living, some of the allowances appear to be very meagre and I will ask one of the officers concerned to revise all these cases.

**Khan Abdul Ghani Khan:** This pension of Rs. 2 per child—is that a maximum or minimum?

**The Honourable Mr. I. I. Chundrigar:** Well, the maximum for a child is Rs. 6 in certain cases and Rs. 3 in other cases. That is very low. I do not see why the maximum should not have been given.

**Khan Abdul Ghani Khan:** Will the Honourable Member think of revising the maximum and minimum scales?

**The Honourable Mr. I. I. Chundrigar:** In this case, the rules are not framed by the Government of India. This is about seamen employed on British ships and the rules are framed by His Majesty's Government. The pensions and the other allowances are also paid by His Majesty's Government. They are only determined by the officers of the Government of India. As the cases have not been properly considered, many of them will be reviewed.

**Lala Deshbandhu Gupta:** It seems to have been done at the instance of the Government.

**Mr. President:** Order, order.

#### ALLOWANCES ADMISSIBLE TO A CHILD OF A DECEASED SEAMAN UNDER WAR PENSIONS SCHEME, 1944

1322. **\*Mr. Tamizuddin Khan:** (a) Will the Honourable the Commerce Member be pleased to state what are the rates of allowances admissible to a dependent child of a deceased seaman under the War Pensions (Indian Seamen, etc.) Scheme, 1944?

(b) Do Government propose to increase the rates?

(c) What is the age limit upto which children's allowances are payable under the scheme?

(d) Do Government propose to raise the age limit?

**The Honourable Mr. I. I. Chundrigar:** (a) The rates of allowance admissible to an eligible child of a deceased Indian seaman are (i) in a case where the child's mother is dead and the child is neither living with nor under the control of a widow of the seaman a monthly rate of six rupees, and (ii) in any other case a monthly rate of three rupees.

(b) The question of increasing the rates will be considered by Government.

(c) Fourteen years.

(d) The matter is receiving consideration.

#### AGE OF SUPERANNUATION FOR THE MINISTERIAL STAFF

1323. **\*Mr. Tamizuddin Khan:** (a) Will the Honourable the Commerce Member be pleased to state what is the age of superannuation for the ministerial staff in (i) the Commerce Department, (ii) the office of the Economic Adviser to the Government of India and (iii) the office of the Director of Commercial Intelligence?

(b) If the age limit is not uniform in all these cases, what are the reasons for that and do Government propose to prescribe a uniform age of superannuation?

**The Honourable Mr. I. I. Chundrigar:** (a) All ministerial servants in any office whatsoever who entered Government Service before 1st April 1938 may be required to retire at the age of 55, but are ordinarily to be retained in service if they continue to be efficient up to the age of 60 years. Ministerial Servants who entered Service after that date are ordinarily required to retire at the age of 55 years.

(b) Does not arise.

**Mr. Tamizuddin Khan:** May I know the number of ministerial officers retired at the age of 55 and those retained after the age of 55 in all the offices mentioned in my question?

**The Honourable Mr. I. I. Chundrigar:** Five officers were retired at the age of 55 in three years—1944, 1945 and 1946; and nine officers were retained in service after they attained the age of 55.

**Prof. N. G. Ranga:** What is the answer to (a) (i) to (iii)—in the Commerce Department, in the office of the Economic Adviser and in the office of the Director of Commercial Intelligence? Does his answer cover all these offices?

**The Honourable Mr. I. I. Chundrigar:** Yes, all the offices.

#### REQUISITIONED BUNGALOWS FOR MEMBERS OF INTERIM GOVERNMENT

1324. **\*Mr. Madandhari Singh:** Will the Secretary of the Works, Mines and Power Department be pleased to state:

(a) the number and location of bungalows requisitioned for the use of the Honourable Members of the Interim Government;

(b) the rental value of each building so requisitioned;

(c) the expenditure incurred by Government on repair and alteration, if any made, in any of such buildings; and

(d) the period for which the buildings are requisitioned?

**Mr. B. K. Gokhale:** (a) to (d). A statement giving the necessary information is placed on the table. These bungalows were requisitioned between 1941 to 1943 and were thus not specifically requisitioned for the use of the Honourable Members of the Interim Government. The figures of expenditure on additions and alterations and on ordinary and special repairs have been given only for the period since the formation of the Interim Government.



## Statement of Bungalows requisitioned or leased for the use of the Hon'ble Members of the Interim Government.

Serial No.	Location of Bungalow	Compensation or rent per annum	Expenditure incurred on additions and alterations since the formation of Interim Government	Expenditure incurred on ordinary and special repairs since the formation of Interim Government	Period for which requisitioned or lease	Remarks
1	17, York Road	Rs. a. p. 8,000 0 0	Rs. a. p. 909 0 0	Rs. a. p. 2,349 0 0	Requisitioned for an un-specified period until further orders of the Central Government.	...
2	1, Aurangzeb Road	5,016 0 0	2,552 0 0	4,212 0 0	Ditto	...
3	22, Prithviraj Road	3,600 0 0	Nil	2,335 0 0	Ditto	...
4	26, Ferozshah Road	8,000 0 0	5,880 0 0	2,525 0 0	Ditto	...
5	1, Bhagwandas Road	4,200 0 0	Nil	2,105 0 0	Ditto	...

**Lala Deshbandhu Gupta:** May I know if it is a fact that some of the Honourable Members have got their own bungalows requisitioned by Government?

**Mr. B. K. Gokhale:** This is not to my knowledge?

**Lala Deshbandhu Gupta:** Or of their wives?

**Mr. B. K. Gokhale:** No, Sir.

**Prof. N. G. Banga:** Are these buildings placed at their disposal free of rent or deducted from their salaries?

**Mr. B. K. Gokhale:** They pay the usual rent which is Rs. 424/7 or something like that, per month.

**Lala Deshbandhu Gupta:** Is it a fact that in one case the Government has sanctioned Rs. 30,000 to be spent on repairs or additions to a bungalow?

**Mr. B. K. Gokhale:** I do not know any case of Rs. 30,000. The Statement gives the amount which has been spent on additions and alterations. I may add, Sir, that the question only refers to requisitioned accommodation. I am answering a question on requisitioned bungalows.

**Lala Deshbandhu Gupta:** Has any bungalow been placed voluntarily at the disposal of any Interim Government Member?

**Mr. B. K. Gokhale:** There are two bungalows which have been taken by Government on lease: one is leased and one was voluntarily placed at the disposal of Government by Mr. Pattani, Dewan of Bhavnagar State. It is No. 5 Man Singh Road. The other leased house is 8-B Hardinge Avenue which belongs to Begum Liaquat Ali Khan.

**Lala Deshbandhu Gupta:** What is the rent paid in respect to that bungalow?

**Mr. B. K. Gokhale:** The rent has been assessed at Rs. 5,052 per annum but the furniture rent has not yet been assessed.

**Lala Deshbandhu Gupta:** What is the estimated cost of the additions and alterations that are to be made to this particular bungalow?

**Mr. B. K. Gokhale:** Rs. 21,800.

**Lala Deshbandhu Gupta:** How is Government likely to recover this amount and up to when?

**Mr. B. K. Gokhale:** Under the lease, there is a clause by which the property will be taken over by the owner according to certain terms and conditions, after allowing for depreciation and all that sort of thing. That is under the lease.

**Lala Deshbandhu Gupta:** What is the period of the lease?

**Mr. B. K. Gokhale:** The present period is one year but the understanding is that the house will be taken on lease by Government so long as the Honourable Member wants it for his own residence.

#### CONDITIONS FOR THE ISSUE OF EXPORT LICENCES

1325. **\*Mr. G. B. Dani:** (a) Will the Honourable the Commerce Member be pleased to state whether export licences are issued by the Central or Provincial Government?

(b) What are the conditions governing the issue of export licences?

(c) Did the Modak Agency, Bombay apply for a licence to export their articles of cottage industries to America, England, Far East and Middle East?

(d) If so, has permission been granted?

**The Honourable Mr. I. I. Chundrigar:** (a) Export licences are issued by the Central Government or by officers authorised by them.

(b) In view of the large number of commodities export of which is controlled, it is not possible to give in detail the conditions governing the issue of export licences for each individual commodity.

(c) and (d). Messrs. Modak Agency applied to the Chief Controller of Exports in July 1946 for licences to export articles made of sisal fibre, real rubies, synthetic rubies, woollen carpets and namdas. A reply was sent to them that no export licence for export of real and synthetic rubies, and woollen carpets was necessary. A licence for export of sisal goods worth Rs. 1,200 was also granted to them. When further requests for export of sisal goods were received from them, they were asked to apply to the Director-General of Industries and Supplies, who is the Controlling Authority for export of sisal goods.

#### ALLOTMENT OF PLOTS OF LAND TO MINISTERIAL STAFF FOR BUILDING HOUSES

**1326. \*Pundit Thakur Das Bhargava:** (a) Will the Secretary of the Works, Mines and Power Department kindly state whether it is a fact that there is great congestion in housing accommodation in Delhi in general and especially for Central Government ministerial staff?

(b) Do Government propose to consider the desirability and feasibility of providing small plots of land to the Central Government servants free of cost or at nominal cost and building material at controlled rate so as to enable them to build colonies of 500 to 1000 houses at their own cost and live in their own houses?

(c) Are Government aware that the United Provinces Government have allotted plots to their ministerial staff for building houses at Lucknow and that the scheme has proved a success?

(d) Are Government aware that large tracts of land are available on Muttra Road and Hardinge Avenue in New Delhi for use as building sites?

**Mr. B. K. Gokhale:** (a) There is great congestion in housing accommodation in Delhi; but the position of the Central Government ministerial staff is perhaps no worse than that of the general public, as they are eligible for allotment of Government quarters or house rent allowance in certain cases where no quarters can be found.

(b) No Sir.

(c) No Sir.

(d) Some land is available on Muttra Road and Hardinge Avenue which is reserved to meet Government requirements.

#### MUSLIM GAZETTED OFFICERS IN THE SECRETARIAT OF EXTERNAL AFFAIRS DEPARTMENT

†**1327. \*Mr. Shah Nazar Hasan:** (a) Will the Honourable Member for External Affairs please state the number of Gazetted Officers with their designations and pay in the Secretariat of External Affairs Department?

(b) How many of them have been appointed since September 1946?

(c) What is the percentage of Muslims in these new appointments?

(d) What steps do Government propose to take to secure adequate representation for the Muslim Community in the Senior Secretariat posts in this department?

**The Honourable Pandit Jawaharlal Nehru:** (a) A statement has been placed on the table of the House.

(b) Six, of whom two are I. C. S. officers, two come from the Central Administrative Reserve and two are promoted officers.

(c) None of these six officers is a Muslim, but there has been one Muslim officer on special duty.

(d) Superior posts in the Department's Secretariat will eventually be filled by officers of the Indian Foreign Service, recruitment to which provide for the prescribed communal composition for the Service. It is intended to appoint suitable Muslim officers in the Secretariat as soon as they are available.

† Answer to this question laid on the table, the questioner being absent.

Statement showing the number of Gazetted Officers with their designations and pay in the Secretariat of the External Affairs Department

Designation	Number	Pay
Foreign Secretary . . .	One . . .	Rs. 4,000 p.m.
Joint Secretaries . . .	Three . . .	Rs. 3,000 p.m. each
Deputy Secretaries . . .	Six . . .	On pay in the time scale I. P. S. plus a special pay of Rs. 400 p.m. each.
	One . . .	On pay in the time scale of I.C.S. plus a special pay of Rs. 400 p.m.
Under Secretaries . . .	Six . . .	On pay in the time scale of I. P. S. plus a special pay of Rs. 300 p.m. each.
	One . . .	On pay in the time scale in the Indian Audit and Accounts Service plus a special pay of Rs. 300 p.m.
	One . . .	On pay as Asstt. secretary plus a special pay of Rs. 50 p.m.
Assistant Secretaries . . .	Two . . .	On pay of Rs. 600-40-1,000 p.m. plus a special pay of Rs. 100 p.m. each or Rs. 750 p.m. as initial pay.
	Four . . .	On pay of Rs. 1,000-50-1,250 p.m. each.

INDIAN TROOPS IN BURMA ✓

1328. \*Prof. N. G. Ranga: Will the Honourable Member for Commonwealth Relations be pleased to state:

(a) whether the attention of Government has been drawn to the news item published in the *Hindustan Times* of 19th March 1947, regarding the rounding up of bandits in Burma forests by British, Indian and other troops;

(b) why Indian troops are still kept in Burma;

(c) how many Indian soldiers and officers there are in Burma;

(d) for how much longer they will be there;

(e) whether they are there at the request of the Interim Government of Burma; and

(f) who is paying for them?

**The Honourable Pandit Jawaharlal Nehru:** (a) Yes, Sir.

(b) Indian troops in Burma are a legacy from the war. Since then their numbers have been reduced and are being progressively withdrawn.

(c) It has not been the policy of this Government, as of other Governments, to disclose the number of troops employed abroad. This matter however came up before the United Nations General Assembly and it was stated on behalf of India that we would have no objection to making this disclosure in common with other countries. That continues to be our position and we shall gladly fall in line with any general policy adopted in regard to this. Till then it would be

inadvisable for the Government of India to take the initiative in this matter by disclosure of the strength of Indian troops abroad.

(d) and (e). It is the policy of the Government of India to withdraw all Indian troops stationed abroad. In regard to Burma this policy is pursued in co-operation with the Government of Burma.

(f) His Majesty's Government.

**Prof. N. G. Ranga:** In regard to part (d) of the question I have asked there for information as to how long Indian troops will be in Burma. Is there no time limit at all?

**The Honourable Pandit Jawaharlal Nehru:** There is no exact time limit but it is our desire to complete this withdrawal within a year or so. The process is going on, as I have said. If the Honourable Member is thinking of Burma, particularly, the matter is being dealt with in co-operation with the Government of Burma. It is well known that conditions in Burma are difficult and the Government of Burma is trying to deal with none too easy a problem. In the circumstances it would not be fair to the Government of Burma suddenly without their consent and approval to take some step which might embarrass them considerably. That is one reason which we have to bear in mind.

**Prof. N. G. Ranga:** In view of the fact that in the past the Burmans very much resented the presence of Indian troops in their country, are we to understand now that the Interim Government in Burma is agreeable to our troops being there and they feel that our troops are serving their national interest?

**The Honourable Pandit Jawaharlal Nehru:** I would inform the Honourable Member that we have to act in this matter entirely with the approval and after consultation with the Government of Burma. It is physically not possible suddenly to remove large numbers of troops. After a decision on policy is taken, then the implementation of the policy takes sometime, because of transport arrangements and also because as soon as those troops come to India they have to be demobilised. The process of demobilisation of troops in India itself is likely to be retarded by the sudden incursion of troops from outside. All these matters have to be taken into consideration. One thing is perfectly clear and that is that we do not propose to do anything and we will not do anything in Burma which is in any sense opposed to the interests of the Government of Burma or the national sentiments of Burma.

#### OFFICIALS AND CLERKS IN THE LABOUR DEPARTMENT BELONGING TO URBAN AND RURAL AREAS

1629. \***Chaudhri Sri Chand:** Will the Honourable the Labour Member please state:

(a) the number of officials and clerks in his Department and attached offices at Delhi; and

(b) the number of officials and clerks belonging to the (i) urban, and (ii) rural areas?

**The Honourable Shri Jagjivan Ram:** (a) 503.

(b) In the absence of well defined criteria to be adopted for classifying people as belonging to rural and urban areas, the information asked for by the Honourable Member cannot be collected.

**Chaudhri Sri Chand:** How long will the Honourable Member take to collect this information?

**Mr. President:** The Honourable Member says that it is impossible to collect it.

**Chaudhri Sri Chand:** Is the Government prepared to appoint a board to find out this information?

**The Honourable Shri Jagjivan Ram:** The intention of the question is not clear.

ELECTION TO COUNCIL OF THE INDIAN INSTITUTE OF SCIENCE, BANGALORE 2789  
OFFICIALS AND CLERKS IN THE COMMERCE DEPARTMENT BELONGING TO URBAN  
AND RURAL AREAS

**1330. \*Chaudhri Sri Chand:** Will the Honourable the Commerce Member please state:

(a) the number of officials and clerks in his Department and attached offices at Delhi; and

(b) the number of officials and clerks belonging to the (i) urban, and (ii) rural areas?

**The Honourable Mr. I. I. Chundrigar:** (a) Officials 79, Clerks 671.

(b) (i) and (ii). Presumably Honourable Member wants to know whether they belonged to urban or rural areas at the time of their appointment; if so, the time and trouble involved in collecting the information will not be commensurate with the results obtained.

MESSAGE FROM THE COUNCIL OF STATE

**Secretary of the Assembly:** Sir, the following Message has been received from the Council of State:

"The Council of State at its meeting held on the 31st March, 1947, agreed without amendment to the Bill to give effect to the financial proposals of the Central Government for the year beginning on the 1st day of April 1947, which was passed by the Legislative Assembly at its meeting held on Friday, the 28th March, 1947."

ELECTION TO STANDING COMMITTEE FOR INFORMATION AND  
BROADCASTING DEPARTMENT

**Mr. President:** I have to inform the Assembly that up to 12 Noon on Monday, the 31st March, 1947, only one nomination was received for the tenth vacancy in the Standing Committee for the Department of Information and Broadcasting. I, therefore, declare Mr. Ananda Mohan Poddar to be elected to the Standing Committee, the election of which is now complete.

ELECTION TO COUNCIL OF THE INDIAN INSTITUTE OF  
SCIENCE, BANGALORE

**Mr. President:** I have to inform the Assembly that up to 12 Noon on Monday, the 31st March, 1947, the time fixed for receiving nominations for the Council of the Indian Institute of Science, Bangalore, one nomination was received. As there is only one candidate for the vacancy, I declare Pandit Lakshmi Kanta Maitra to be duly elected to the Council for the period 1947-49 (both years inclusive).

**Dr. Zia Uddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural):** Sir, in connection with this election the point was made by Prof. Ranga that the number of members for the Council of Bangalore Institute of Science to be elected by the Assembly should be raised from one to two. This was accepted by the Honourable Member in charge of Education. A similar suggestion was also made in connection with the Central Committee of the Tuberculosis Association of India. It was also accepted. Will you please verify.

**Mr. President:** My own impression was—perhaps that refers to some other Committee—that there were already two seats and the vacancy was in respect of one.

**Dr. Zia Uddin Ahmad:** The Honourable Member increased it to two. You please refer it to the Honourable the Education Member.

**Mr. President:** The motion before the House was for election to one seat.

**Prof. N. G. Ranga (Guntur cum Nellore: Non-Muhammadan Rural):** He gave an assurance with regard to the future.

**Dr. Zia Uddin Ahmad:** And also for this case. You please refer it to the Honourable the Education Member.

## ELECTION TO STANDING COMMITTEE FOR AGRICULTURE DEPARTMENT

**Mr. President:** I have to inform the Assembly that up to 12 Noon on Monday, the 31st March, 1947, the time fixed for receiving nominations for the Standing Committee for the Department of Agriculture, ten nominations were received. As the number of candidates is equal to the number of vacancies, I declare the following members to be duly elected to the Committee during the financial year 1947-48:—

(1) Makhdum Al-Haj Syed Sher Shah Jeelani, (2) Mr. Shah Nazar Hasan, (3) Mr. C. P. Lawson, (4) Chaudhury Sri Chand, (5) Babu Ram Narayan Singh, (6) Mr. G. B. Dani, (7) Seth Sukhdev, (8) Khan Abdul Ghani Khan, (9) Sri V. Gangaraju and (10) Sardar Narayanrao Ganpatrao Vinchoorkar.

### COMMENCEMENT OF THE MEETING OF ASSEMBLY AT 12 NOON ON THE 2ND APRIL AND SUSPENSION OF QUESTION HOUR.

**The Honourable Pandit Jawaharlal Nehru** (Leader of the House): Sir, may I suggest for the consideration of the House that the House might meet tomorrow at 12 O'Clock instead of at 11. The reason for this is that Members of Government may find it difficult to come here at an earlier hour because of a Cabinet meeting tomorrow morning to consider certain rather important and urgent matters.

**Mr. President:** It is an eminently reasonable request and I trust the House will agree to it. Then I take it that we begin at 12. Looking to the shortness of time we shall not have any Questions. The Question Hour will be suspended when the House meets tomorrow.

**Mr. Manu Subedar** (Indian Merchants' Chamber and Bureau: Indian Commerce): Sir, it is a private Bills day and I do not know why Question Hour should be suspended. After the new constitutional changes I do not see very much scope for private Bills. I feel that Question Hour should not be dispensed with.

**Mr. President:** Then the question stands differently. I thought it was an official day.

**The Honourable Pandit Jawaharlal Nehru:** May I suggest that if there is time left tomorrow after private Bills it might be utilised for official business? I do not wish to encroach on the time for private Bills, but there is plenty of official business and if there is time left there is no reason why we should not get it through.

✓ **Seth Govind Das** (Central Provinces Hindi Divisions: Non-Muhammadan): Even after Question Hour and non-official business, if we have more time we can transact official business.

**Pandit Balkrishna Sharma** (Cities of the United Provinces: Non-Muhammadan Urban): Sir, there is no reason why Question Hour should not be suspended as you suggested in the first instance. There are certain Members who delight in exchange of fireworks.....

**Mr. President:** The Honourable Member is not in order.

**Syed Ghulam Bhik Nairang** (East Punjab: Muhammadan): Sir, I would point out that it would be very invidious to treat non-official Bills as something of a very subsidiary or secondary importance. In fact I have all along felt that the time allotted for the consideration of non-official Bills is much too inadequate and it will be a great hardship if the time for non-official Bills is lessened by one hour on account of the Cabinet meeting and by a further one hour on account of Questions. I would therefore suggest that you may kindly dispense with the Question Hour so that we may give such time as we have to the consideration of non-official Bills without thinking of any other business.

**The Honourable Pandit Jawaharlal Nehru:** May I say that it is not at all our desire to treat non-official Bills as secondary matter? What I suggested was that if time was available at the end, it might be devoted to official business.

**Khwaja Nazimuddin** (Burdwan and Presidency Divisions: Muhammadan Rural): We have no objection to that.

**Mr. President:** There appears to be some division as to whether we should have the Question Hour or not.

**Mr. Manu Subedar:** Sir, I withdraw my objection.

**Mr. President:** Then the Question Hour will be suspended tomorrow and the House will meet at 12 O'clock.

#### REPORT OF THE LABOUR INVESTIGATION COMMITTEE—LAID ON THE TABLE

**The Honourable Shri Jagjivan Ram** (Labour Member): Sir, I beg to lay on the table a copy of the main \*Report of the Labour Investigation Committee.

#### RUBBER (PRODUCTION AND MARKETING) BILL

##### PRESENTATION OF THE REPORT OF THE SELECT COMMITTEE

**The Honourable Sri C. Rajagopalachari** (Member for Industries and Supplies): Sir, I present the Report of the Select Committee on the Bill to make provision for assistance to the rubber plantation industry by regulating export from and import into British India of rubber and the sale of rubber therein and by other means.

#### CONTROL OF SHIPPING BILL

##### PRESENTATION OF THE REPORT OF THE SELECT COMMITTEE

**The Honourable Mr. I. I. Chundrigar:** (Commerce Member): Sir, I present the Report of the Select Committee on the Bill to provide for the control of shipping.

#### RESERVE BANK OF INDIA (SECOND AMENDMENT) BILL

**The Honourable Mr. Liaquat Ali Khan** (Finance Member): Sir I beg to move for leave to introduce a Bill further to amend the Reserve Bank of India Act, 1934 (Second Amendment).

**Mr. President:** The question is:

"That leave be granted to introduce a Bill further to amend the Reserve Bank of India Act, 1934 (Second Amendment)."

The motion was adopted.

**The Honourable Mr. Liaquat Ali Khan:** Sir, I introduce the Bill.

#### INDIAN TARIFF (AMENDMENT) BILL

**The Honourable Mr. I. I. Chundrigar** (Commerce Member): Sir, I beg to move for leave to introduce a Bill further to amend the Indian Tariff Act, 1934, and the Sugar Industry (Protection) Act, 1932.

**Mr. President:** The question is:

"That leave be granted to introduce a Bill further to amend the Indian Tariff Act, 1934, and the Sugar Industry (Protection) Act, 1932."

The motion was adopted.

**The Honourable Mr. I. I. Chundrigar:** Sir, I introduce the Bill.



BUSINESS PROFITS TAX BILL—*contd.*

**Mr. President:** The House will now proceed with the further consideration of the following motion:

"That the Bill to impose a special tax on a certain class of income, as reported by the Select Committee, be taken into consideration."

**Sri M. Ananthasayanam Ayyangar** (Madras Ceded Districts and Chittoor. Non-Muhammadan Rural): Sir, yesterday the Honourable the Finance Member in accepting the amendments that have been suggested said that the compromise measure, as it has emerged, will give him a revenue of only Rs. 12 crores as against Rs. 30 crores which he expected under the original Bill. I wonder why when there was a suggestion that the Excess Profits Tax Act may be continued for this year he did not accept that suggestion at all. The Excess Profits Tax would certainly yield Rs. 30 crores which the Honourable Member wanted. I find him shaking his head evidently against the suggestion and is disputing the correctness of the statement I made. I would like therefore the Honourable Member to give us the particulars of the amounts that were collected by way of Excess Profits Tax in the previous years so long as the Act was in force. The Honourable Member's predecessor Sir Archibald Rowlands wanted to abolish the Excess Profits Tax. We took exception to abolishing it prematurely. We wanted it to be continued this year also. Then the industrial magnates were not in favour of the continuance of the Excess Profits Tax lest that should interfere with the growth of industry. But now I find that the industrialists themselves would prefer the Excess Profits Tax to the Business Profits Tax. When they are now willing to have it we are not willing; when we wanted it they were opposed to it. It is a rather curious kind of circumstance. We were not for abolishing the Excess Profits Tax last year. Had it only continued I do not think this Bill, the Business Profits Tax Bill, would have come at all or would have been thought of. We wanted its continuance. Now that its continuance is accepted by the industrialists themselves we want to go back and bring another measure. It is rather strange. Why should people blow hot and cold? The Honourable the Finance Member was sitting in front of us though he did not hold last year the capacity which he now holds. I do expect an explanation as to why he goes over the suggestion that the Excess Profits Tax may be continued. It is true in some cases that the Excess Profits Tax favours more the richer kinds of businessmen and does not favour the poorer section. If it is so, the Excess Profits Tax may be suitably amended so as to give the exemption up to Rs 1 lakh to the poorer section also. That could have been easily done. I am waiting for an answer to the question as to why he did not prefer the Excess Profits Tax which would certainly have yielded greater revenue to the exchequer, which even the industrialists accept, and with a suitable or small modification, even the smaller business men who started business after 1936, would have been satisfied. They would also get the benefits which are sought to be conferred under the Business Profits Tax Act.

There is another point from which this measure may be looked at. The Excess Profits Tax, if continued, would have avoided the amendment made in the present Bill. Under the present Act, capital includes borrowed capital also. Barring the interest that is paid on borrowed capital the excess over that is allowed by way of deduction under the present Bill. I do not find that borrowed capital has been tacked on to the capital as such in the Excess Profits Tax Act. The industrialists themselves are in favour of the continuance of the Excess Profits Tax and not the introduction of the B.P.T. with this modification.

I was at a distance during the progress of the Finance Bill. From my part of the country I found in the papers volumes of encomiums heaped on the Honourable Member for having introduced a poor man's budget and so on. If that is really so, I wonder at one of the features of the Bill. The Honourable Member agreed to raising the limit of exemption in favour of joint Hindu

families from one lakh to 2 lakhs in this Bill. I do not consider that a Hindu joint family which gets an annual income of one lakh of rupees needs such kind of support or help but he must have done something under the ordinary Income Tax Act. He might have raised the lower income limit from 2,500 to 5,000 there. If he had only yielded to that, our friends would not have pressed for the raising of the figure from one lakh to two lakhs so far as the B.P.T. is concerned. He yields where he ought not and he sticks on where he should not. I cannot congratulate the Honourable Member on the Bill as it has emerged but anyhow all of us must be glad that there has been a compromise and we are trying to sail without much difficulty and with peace.

**Dr. Zia Uddin Ahmad** (United Provinces Southern Divisions: Muhammadan Rural): In the year 1928 when I was collecting materials for my book on the systems of education in France, I came across a school of beggary. In this school they were teaching the art of begging in a scientific manner. They had prepared a directory of charitable persons in which it was described that if you want to approach 'A' you must appear as a blind man, if you want to approach 'B' you must appear as a lame man and so on. The Directory described in details the appearance and arguments which will appeal to each individual. The School supplied on hire all sorts of equipments and clothes to these beggars. They had scientific and elaborate system of instruction. This School was an underground school unknown to the French Ministry of Education. They had worked out the details of beggary with enormous ingenuity.

The same is the case with evasion of income tax. The objects of beggary and evasion are similar. In one case instruction is given in school and in the other by private coaching. They have an unpublished prospectus. The Honourable the Finance Member pointed out the other day that income tax officers are intelligent and clever but those who evade are more intelligent and more clever. The one acts on personal instinct and the other has acquired by regular coaching. The School of evasion is also an underground school. The prospectus describes few fundamental principles of evasion. The first principle is 'oppose direct taxation'. Evasion becomes difficult in indirect taxation. Besides it will fall entirely upon the rich industrial capitalists. Indirect tax falls on everybody including the poor people. Oppose direct taxation by appealing to the development of industries. This alone will appeal to the enemies of evasion. They do not want the profit of the industrialist to be brought into the picture. Aim at 50 per cent. for profit and 30 per cent. for dividend and anything short of this expectation should be called a loss. Loss should always mean the shortage in expected profit. High prices always benefit the industrialist. For your success, always attempt to increase the price level. Study the directory of personal equations of income tax officer in the selection of coaches. Preference should be given to retired income tax officers. Members of the legislature should not have access to the office. Success depends on the interpretation of income-tax Act which can always be twisted and adjust accounts in your favour. In every taxation proposal there is always a howl from the industrialist till they have mustered the new mode of evasion. Purpose of school of beggary and the school of evasion is similar. In one you cheat an honest gentleman in the other you cheat the Government. In the old prospectus of the school of evasion the system of keeping three system of accounts was recommended. Experts were engaged to prepare new registers. The principles are the same. Both are underground. Whenever a direct tax is proposed, the capitalists come out saying that industries will suffer. This happened in 1940 when the Excess Profits Tax was introduced. Every industrialist member of the Assembly raised his voice against the Excess Profit tax. They said that industries will be badly hit and that the country wanted the development of industries in the interest of the war. I do not want to waste the time of the House by reading out the speech I made on that occasion, but whatever

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I said in 1940 at that time on Excess Profit Tax Bill may be repeated *verbatim* today in connection with the B.P. Tax. We have seen that instead of industries being diminished, they have increased by leaps and bounds. This is evident from the fact that the income from the income-tax has also increased a great deal. I have got the figures of the income-tax from year to year as published in the Explanatory Memorandum circulated to the Members and 12 Noon. we find that last year alone our receipts from income-tax were 167 crores as compared to about 16 crores before the war. When the income-tax has been increased, it means that industries have also increased. This is also evident from the fact that the purchase from the Supply Department alone during the war time was one crore a day, excluding the purchases by other Departments connected with War Supplies, and these purchases have really resulted in the accumulation of sterling balances of over 1,600 crores. Therefore, we have seen that the Excess Profits Tax, instead of ruining the capitalists, has rolled them in wealth. But there was one fact which we noticed at that time and I would like to repeat it now. The effect of the propaganda of capitalists has been to raise the price level. The prices were raised all round; so much so that the value of the rupee has now gone down to annas five.

I have studied very carefully the book called the Investors Book in which I have got the investments of all the important companies in India and I have also made calculations. I have taken two standard companies—one with a capital of 10 lakhs and the other with a capital of one crore. I have got with me all the calculations, but I will give you only the result which surprised me and will surprise my colleagues. The incidence of taxation about which we hear so much is very trifling. Take the case of the company with a capital of 10 lakhs. It has a reserve of 5 lakhs, of which 3 lakhs are invested elsewhere and it has a normal profit of 1,30,000. Without B. P. T. the net income after paying all taxes would have been Rs. 73,125 and according to compromised Bill their income would be 71,151. The result is that without B. P. T. the companies would have to pay 7 annas per rupee and with the Bill which is now before us, they are required to pay 7 annas and 1 1/3 pies. So, the only addition to the income-tax on account of this Bill has been 1 1/3 pies, that is, less than half a pice per rupee.

**Mr. Tamizuddin Khan** (Dacca *cum* Mymensingh: Muhammadan Rural): Then, why there is such a howl?

**Dr. Zia Uddin Ahmad:** Because it has paid them. Now, take a bigger company whose capital is one crore and whose profit is 10 lakhs. In the case of this company the income-tax on account of this Bill has been increased from 7 annas to 7.2 annas, that is one fifth of an anna, less than 1 pice. Therefore, in the case of the bigger companies the incidence of taxation on account of this Business Profits Tax will be less than half an anna and in the case of smaller companies it will be less than half a pice. This is a very insignificant figure and yet there has been so much howl in the country on account of this. It is all right to make speeches under the influence of propaganda, but if you take solid facts and figures and work them out, you will find that the taxation as a result of B. P. T. is practically negligible. It will not affect dividends, it will not affect industries. The incidence will fall only on reserve which will be slightly affected. Stock Exchanges have created sensation in the country. They are only gambling houses and they love such incidents, as it will give them chance of bigger games in the sale of shares. Abolish them and stabilise share markets.

Then, Sir, there is one other point to which I would like to draw the attention of the House. I wish Mr. Manu Subedar were here because it will appeal to him. When the Bill emerged from the Select Committee we had a deficit of 32 crores. Now, on account of this compromised Bill the deficit has increased to 50 crores. This deficit will have to be met either by borrowing or by some other

method. We have all agreed on the point that by inflation the price level is raised and there is no dispute about it. I ask why it is raised? In inflation more notes are printed and circulated without having the security of metallic reserve. There is no paper currency reserve behind your notes. You issue Hundies when you have no money to pay. This means that *sakh* of the Government or in other words its financial prestige has suffered. As soon as the financial prestige of the Government is lowered and you have got Bank notes in circulation without equivalent reserve behind them, then the value of these paper notes goes down and consequently the prices of commodities in terms of these paper notes sour up. The same is the case when Government has the deficit budget. The *sakh* or the financial prestige of the Government of the country with a deficit budget is always affected and it definitely goes down. The result of the deficit budget is exactly the same as the result of inflation. Keeping these things in mind, I hope the Honourable the Finance Member will explain in what way his colleagues have contemplated to maintain the financial prestige. The result of a deficit budget is exactly the same as that of printing more notes and the effect of that is the rise in prices. So, by this action the Honourable the Finance Member has raised the price level. We have been pressing all the time that attempts should be made to lower the price level, but by the step that are being taken, the price level will be raised. So, we say one thing and do just the opposite. Be ready for higher dearness allowance and for higher salaries. By the time the report of the Pay Commission is published the needs of the people on account of further rise in prices will go up and they will remain as much dissatisfied and discontented than as they are now.

Now, one more point which I like to clear, namely, that the industrialists are benefitted twofold. In the first place, they have saved the income-tax to the tune of 18 crores. In the second place, they will be benefitted when the price level goes up and the money will come from the consumers. Therefore, they get money from the Government in the shape of the reduction of the income-tax and they also get money from the consumers on account of the rise in prices. Therefore, these rich capitalists have really got double advantage—firstly, from the Government and, secondly, from the consumers. This is a point which one cannot entirely overlook. I would like to visualise in what way this deficit of 50 crores which may be granted could be met. If it is to be met by printing more notes, then it leads to direct inflation. If it is to be met by borrowing, then the prestige of the Government will go down and the price level in such case will go up. I should very much like to know from the Finance Member and his colleagues what steps they are taking to lower the prices. They have admitted on the floor of the House repeatedly that they are making attempts to lower the price level, but in practice they are not. Deficit budget is another nail on the price level. If you want economic security in the country, if you want people to live happily, your first aim ought to be to lower the price level and to increase the purchasing power of the rupee. If the purchasing power of the rupee is not increased, though you talk that you want to reduce it, but in practice you take all these steps by which it increases, there will be great discontent in the country, discontent among the poor people and discontent among the middle classes. This is not in the interest of the country. All our political programme will become subservient to the economic unrest which is now all over the country. I do beseech you to consider very seriously that by the steps you are now taking you are not lowering the price level. It is an economic truism that a deficit budget has the same significance as inflation. Both these lead to rise in price. It is unavoidable and any steps you take by means of controls will still further raise the price because controls do not lower prices. On paper you do lower, but in actual working you do not. Because the moment a control is declared on a certain article, it goes underground and people will have to pay higher prices, by purchasing in blackmarkets.

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In conclusion I wish to say this. We have been unnecessarily influenced by the capitalists who successfully carried on this propaganda on nothing. The amount of taxation which you impose on capitalists is nominal. It is not the tax of which they are afraid, but they really want to keep up the prices so that it will bring them greater income than the payment of less than half anna per rupee or in the case of smaller companies less than half pice per rupee. The maintenance of higher price level is really the object of businessmen. They want gambling, they want to exploit consumers. That is their aim which my Honourable friend may clearly understand.

About evasion of tax, it is admitted that the business people are much cleverer than the income-tax officers and I suggest that the Finance Member should take strong steps to raid this school of evasion. It is a very difficult thing. They have got very clever methods of doing this. I hope every effort will be made to catch the dodgers. They will try to see that the measures the Honourable Member has in mind may not be accepted. Propaganda both inside and outside will be against the other Bill. It will affect big people much more than B. P. T. Bill. I am not giving you any mathematical figure, my rough estimate is that about 30 per cent of the income-tax is evaded, five annas in the rupee is left unpaid. I gave you the example of Sakseria who left 30 crores without paying income-tax. I do not know whether Sakseria was ever a teacher in the underground school of tax evasion. But I may tell you that no tax dodger will ever teach him art. Prof. Ramsay Muir in Calcutta University Committee advanced a dogma that commercial education is useless. If a businessman is successful, he will not teach you the secret of his success. We do not like to learn from a businessman who is a failure and therefore it is useless. Similarly a man who practises tax evasion will not reveal the secret because he would like to keep it for himself. Therefore I beseech the Government to consider seriously and find out ways and means of meeting this deficit of 52 crores in a manner that the price level may not rise. That is the most important point which I wish to bring to your notice. I end by saying be ready for the propaganda which is sure to be launched about the Enquiry committee and though the incidence of taxation is nominal the propaganda will be much greater, their focus will be 30 per cent evasion and not few pies of Business Profit Tax.

**The Honourable Mr. Liaquat Ali Khan** (Finance Member): Sir, it is really extraordinary. My Honourable friend Dr. Zia Uddin Ahmad has stated that by agreeing to reduce the tax, I am ruining the interest of the poor. The industrialists say that by levying the tax, I am ruining the interest of the poor. Both of them cannot be right and therefore I submit I am right.

Now, Sir, let me deal with some of the points that were raised during the course of the debate. My Honourable friend Mr. Manu Subedar wanted to know whether premium on shares would be considered for the purpose of capital computation. It will be. The premium on shares put to reserve will be considered for capital computation.

**Sir Cowasjee Jehangir** (Nominated Non-Official): That means it will be added to the capital. It is part of the capital.

**The Honourable Mr. Liaquat Ali Khan**: My Honourable friend wanted to know whether the deposits refunded to companies would be treated as income to be taxed or not. I suppose he means deposits that are with the Government on account of E.P.T. They will not be considered as income for the purposes of this particular tax, because these deposits have already paid taxes and there is no further tax on that.

**Mr. Manu Subedar** (Indian Merchants' Chamber and Bureau: Indian Commerce): Will not these deposits be considered as capital because had they not been in deposit with the Government, they would have been put to the

reserve of the company and they would have then come under the present definition, but only the time lag between them prevents them from being included. Therefore, Sir, the request was that these deposits should be included in capital for the purpose of abatement.

**The Honourable Mr. Liaquat Ali Khan:** These deposits have been excluded as laid down in the Bill itself. Now, I would refer him to Schedule II clause 3 which says:

“Any deposits with the Central Government under section 10 of the Indian Finance Act, 1942, or section 2 of the Excess Profits Tax Ordinance, 1943, shall not be regarded as investment or other property for the purposes of this Schedule.”

**Sir Cowasjee Jehangir:** These deposits are being received from 1st April 1947. If this Act is extended to 1947-48. Then I take it that these deposits will be counted as reserves which have incometax for that year. I can understand they are not being counted for 1946-47, they are not being received. I can understand this clause that you read out. But if this Act happens to be extended to 1947-48, then these deposits, I presume will become reserves on which tax has been paid.

**The Honourable Mr. Liaquat Ali Khan:** I am concerned with the position in 1946-47. This tax does not apply to the income for 1947-48; that is a matter that will have to be considered at the appropriate time. At present this Bill is confined to profits earned during 1946-47; and so I think my Honourable friend would not ask me to answer a hypothetical question which may or may not arise later on.

The other point that was raised by Sir, Cowasjee Jehangir was that it may be difficult to find what was taxed reserve and what was not taxed reserve. On that point I can assure him that the income-tax people will assist companies and help them to find out what is taxed reserve and what is not, and I think there will be no difficulty about that. Then my Honourable friend also asked me to state definitely that this tax was for one year, 1946-47. I can state definitely that as the Bill stands the tax is only for 1946-47; I cannot make a more definite statement.

My Honourable friend Mr. Gole said that I had deliberately hidden some of the income in my budget for 1947-48 so that I might be able to come before the House and ask for more taxation. This statement is based either on complete ignorance or a deliberate attempt to impute a motive of deception to me. I shall be charitable and say that this is due to my Honourable friend's ignorance. The revised estimates of revenue for 1946-47 are 386 crores and the budget estimate of revenue for 1947-48, exclusive of new proposals, is 279 crores. So there is a difference of 57 crores between the income of last year and the budgeted revenue of next year. This is made up as follows: The estimate is less by Rs. 32 crores in the next year on account of E.P.T., less carry-over; there is a decrease of 3½ crores on account of central surcharges, less carry-over; an increase on account of income-tax of 14 crores. Then there is a special item in 1946-47 of 29 crores on account of transfer of balances from war risk insurance funds, and the increase in income-tax paid to provinces is 5 crores. And other items net are about 1½ crores. So our revenue next year on account of these various items would be less by 71 crores and there would be an income of 14 crores more, thus leaving a difference of 57 crores. That is the position. It is not that I wanted to hide something from the House so that I might be able to persuade the House to pass these new taxation measures that I have proposed.

My Honourable friend Mr. Ayyangar asked me why I did not accept E.P.T. which big business prefers to B.P.T. I gave a reply to that in my previous speeches; there are four important reasons. I can say that when I was considering this question I examined this position whether we could re-impose the

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E.P.T. or whether we should have some other kind of tax. During this examination I came to the conclusion that the E.P.T. was very complicated and it was difficult to work, with the result that there were bound to be a large number of cases in arrears as there are today. And if we have got to make up and do away with all the past arrears we should have a tax for this year which would be easier to work. The second consideration was that the incidence of E.P.T. as between one trader and another was not fair because it depended too much on pre-war profits, which really have no connection with conditions at present. It benefitted those companies which had better pre-war profit standards and it worked against newly started companies or those that did not have a pre-war good standard of profits.

**Prof. N. G. Ranga** (Guntur *cum* Nellore: Non-Muhammadian Rural): Is my information correct that Tata's were the only prominent big firm which is likely to be benefitted by the E.P.T. as compared to other firms, because they were supposed to be the biggest firm having a very large percentage of profit in pre-war times?

**The Honourable Mr. Liaquat Ali Khan:** There may be several other companies also. I cannot give all the information to my Honourable friend off-hand.

**Sjt. N. V. Gadgil** (Bombay Central Division: Non-Muhammadian Rural): They were very few anyway.

**The Honourable Mr. Liaquat Ali Khan:** Yes. But what I say is that if injustice is done to many and the benefit goes to a few there is a better case for changing that system than there otherwise would be.

The third point was that E.P.T. excluded incomes from vocations and professions, and I felt that there was good justification for putting this tax on profits and large incomes from vocations and professions which were really the direct result of the conditions prevailing in the country.

These were the considerations that prompted me to go in for B.P.T. in preference to E.P.T. Then I have not yet been told one thing. If industry would really have to pay more for E.P.T. why should they be anxious to pay more and not accept a lower tax?

**Sri M. Ananthasayanam Ayyangar:** They know the working.

**The Honourable Mr. Liaquat Ali Khan:** As far as the E.P.T. is concerned let me tell my Honourable friend that, as I have said, it is very complicated. But this new tax is the easiest tax and it is very simple. I think even if I were Income-Tax Officer I could manage it, and I have no doubt that every Honourable Member of this House will be able to assess this tax much more easily than if they had to go by all the rules and complicated methods of the E.P.T. I can assure you that there is no mischievous design behind this. It is an easier tax to collect and easier tax to assess and as it is it will not fall heavily on the industry.

**Mr. Sasanka Sekhar Sanyal** (Presidency Division: Non-Muhammadian Rural): And easier to pay:

**The Honourable Mr. Liaquat Ali Khan:** It is easier to pay because you know beforehand what it would be that you would have to pay.

Then, Sir, there is another point. My Honourable friend, Mr. Ayyangar, did not seem to be very pleased with the concession that was made to Hindu undivided family.

**Sri M. Ananthasayanam Ayyangar:** I said smaller men might have been given greater exemption.

**The Honourable Mr. Liaquat Ali Khan:** I can assure my Honourable friend that nothing would have pleased me more than to raise the limit of exemption from 2,500 to 3,000.

**Sri M. Ananthasayanam Ayyangar:** I want 5,000 for the Hindu Joint family.

**The Honourable Mr. Liaquat Ali Khan:** My Honourable friend wants an exemption of 5,000 from income-tax for the Hindu Joint family I think I dealt with that point when I was dealing with the amendment of my Honourable friend, Pandit Bhargava, in connection with the Finance Bill. What I said was that this matter could not be decided in the form of amendment to the Finance Bill. It concerned the whole of Income-tax Law and it could only be considered when you were really deciding or considering the amendment of the Income-tax law.

**Mr. Sasanka Sekhar Sanyal:** Do Government propose to bring in an amending Bill?

**The Honourable Mr. Liaquat Ali Khan:** The Government at present have no such intention.

**Sri R. Venkatasubba Reddiar** (South Arcot *cum* Chingleput: Non-Muhamadan Rural): Will they accept a non-official Bill?

**The Honourable Mr. Liaquat Ali Khan:** I do not know whether there was any other point on which any Honourable Member wanted me to say something, but if I have missed any point and if Honourable Members are in doubt about any particular matter, I shall be glad to deal with it.

**Sri M. Ananthasayanam Ayyangar:** I wanted an Industries Fund.

**Mr. Manu Subedar:** There was a point, if I may remind the Honourable the Finance Member, with regard to reserves which were carried over for conflagration or some kind of catastrophe by Fire Insurance and Marine Insurance companies and also such reserves which were kept by shipping companies—whether these reserves could not get the benefit of calculation for abatement purposes? I will be satisfied if Government will examine this question in due course. I do not want the Honourable the Finance Member to commit himself to any formula, but it is a hard case and it deserves consideration.

**The Honourable Mr. Liaquat Ali Khan:** I cannot say anything definitely at this moment, but as the Bill is at present it provides that any reserves which have paid tax will be considered as capital. That really is the definition.

**Dr. Zia Uddin Ahmad:** If this principle applies to companies, it should apply to individuals also.

**The Honourable Mr. Liaquat Ali Khan:** I thought that as far as individuals are concerned, in the case of vocation and profession it is mostly the individual's brain that makes an income and there cannot be any reserves which have paid tax in a case of this kind.

**Mr. President:** The question is:

"That the Bill to impose a special tax on a certain class of income, as reported by the Select Committee, be taken into consideration."

The motion was adopted.

**Mr. President:** We will now take up the Bill clause by clause.

**Mr. Manu Subedar:** Sir, I beg to move:

"That for part (a) of sub-clause (1) of clause 2 of the Bill, the following be substituted, namely:

- (a) in the case of a company, not being a company deemed for the purposes of section 9 to be a firm, six per cent of the capital of the company on the first day of the said period computed in accordance with Schedule II, or one lakh of rupees, whichever is greater, or."



[Mr. Manu Subedar]

This is one of the concessions which the Honourable the Finance Member has given. It is something which every one in this House had urged in so far as the absolute limit of 1 lakh would not cover cases of companies whose capital exceeded certain large amounts. Sir, I do not wish to take up the time of the House by saying anything more on this point. Sir, I move.

**Mr. President:** Amendment moved: .

"That for part (a) of sub-clause (1) of clause 2 of the Bill, the following be substituted, namely :

'(a) in the case of a company, not being a company deemed for the purposes of section 9 to be a firm, six per cent. of the capital of the company on the first day of the said period computed in accordance with Schedule II, or one lakh of rupees, whichever is greater, or.'

**Dr. Zia Uddin Ahmad:** I just want to say only one thing on this amendment. The effect of the amendment moved by my Honourable friend will be that the Government will lose to the tune of 18 crores.

**Mr. Manu Subedar:** It will not be. I am sorry to have to contradict my Honourable friend.

**Dr. Zia Uddin Ahmad:** The Honourable the Finance Member said that the effect of both these amendments, which the Honourable Member is going to move, will be a loss of Rs. 18 crores. My Honourable friend, Mr. Subedar, ought to have suggested the way in which he would advise the Government to meet this deficit. The effect of this will be double profit to the capitalist and a great loss to the consumers unless a method is discovered to meet this deficit of about 18 crores. If the Government moves it I do not mind, but when it comes from a non-official Member I would like to know from him how he proposes to meet the deficit.

**Sri M. Ananthasayanam Ayyangar:** With all respects to Dr. Zia Uddin, he assumes that it is good. That the Bill as framed was exceedingly nice. But it made no difference between one company and another. A man with a flat rate of one lakh is given exemption. But it may apply to a company with Rs. 20 lakhs or Rs. 5 crores. The mistake was corrected in the Select Committee.

**Dr. Zia Uddin Ahmad:** On a point of personal explanation.

**Mr. President:** Order, order.

**Dr. Zia Uddin Ahmad:** I am not talking on the merits of the case.

**Sri M. Ananthasayanam Ayyangar:** That is not by imposing an improper obligation upon people. One lakh is a flat rate irrespective of the capital of authorised companies. That is corrected by giving 6 or 5 per cent. or whichever is greater. Therefore, it is not by imposing an unnecessary and improper obligation that you must raise the finances of this Government. My friend has been longer in the field with respect to finance and therefore he in collaboration with the Finance Member might think of other means.

**Mr. President:** Order, order.

**The Honourable Mr. Liaquat Ali Khan:** As I have already stated I accept this amendment.

**Mr. President:** The question is:

"That for part (a) of sub-clause (1) of clause 2 of the Bill, the following be substituted, namely :

'(a) in the case of a company, not being a company deemed for the purposes of section 9 to be a firm, six per cent. of the capital of the company on the first day of the said period computed in accordance with Schedule II, or one lakh of rupees, whichever is greater, or.'

The motion was adopted.

**Pundit Thakur Das Bhargava** (Ambala Division: Non-Muhammadan): Sir, I beg to move:

"That in part (1) (c) of clause 2 of the Bill, after the word 'family', the words 'trading business' be inserted."

I have to submit few words about it. I moved at the time of the Finance Bill that the Hindu undivided family should not be taxed as such. I gave all the reasons I could think of at the time. I do not want to repeat all those arguments. But I want to add a few to them.

In the first place I stated that the Hindu joint family is a social unit of existence and therefore in a business tax the social unit should not be taxed. I would refer the Honourable the Finance Member to Chapter 9 of Hindu Law of Dr. Gaur and he will find on page 468 a chapter known as The Trading Joint Family. In the Hindu undivided family, there is a class called the 'Trading Joint Family' whose incidents are quite different from those of the Hindu undivided family. Whereas the Hindu joint family is a social unit of existence, the trading joint family is a trading unit. Its incidents are mainly those of partnership. In certain respects it differs from partnership also. But where there is a conflict it will appear from page 481 of Gaur's Law, section 143 that "in a conflict of rights and obligations arising under the law of the joint family and the general law, the general law shall prevail." Here is a proper subject which can be taxed, the trading joint family. In including the undivided Hindu family in this tax, a distinction is made between Hindus and others as such. Therefore my submission is that there is no reason why the rule of uniformity should be departed from specially when there is an institution akin to that of partnership. It is that institution which should be taxed as a profit making concern.

Then again, Sir, the Honourable the Finance Member has just admitted that the case of the undivided Hindu family as such is to be referred to the Taxation Enquiry Committee whenever it is set up. From that I conclude that he agrees with the previous Finance Members that the case of such families require looking into. It follows that according to him and his predecessors, it is doubtful if the Hindu undivided family should be taxed as such. These being the premises, may I enquire that when the undivided Hindu family is being taxed for the first time in this business tax is it fair to tax it as such? If the case is doubtful with regard to its liability to taxation and it is a fiscal measure, the doubt should go to the subject and not to the Crown. Therefore even if it is taken that the case of the undivided Hindu family is doubtful for the purpose of income-tax, in the new tax the family should not be taxed.

Apart from that, since the exemption is not the same as in the case of individuals, it appears that the Members of the Select Committee themselves have accepted the principle that the individual stands on a different footing from the undivided Hindu family as such. Now may I enquire if this is so why have they fixed abatement at Rs. 2 lakhs? Is there any undivided Hindu family in which the members are less than two? If they are more, then it is a case where the principle of equality of taxation has not been followed. Therefore judged from whatever standard, the provision needs amendment. Moreover the exchequer shall not lose a pie by this amendment because after all, in cases of such families which will have an income of more than two lakhs of rupees, it is clear they can only be joint trading families and not others. According to the strict definition of undivided Hindu family, it is a purely social unit of existence and it is not necessary for any undivided Hindu family to have any property at all. There may be no property at all and yet H. U. family may exist. You will find at page 356 of Gour's Law where it says:

" . . . . As such, members have mutual rights and obligations with reference to it. But while Hindu Law postulates and presumes the existence of joint family, it does not

[Pundit Thakur Das Bhargava]

either postulate or presume the existence of joint family property, the result being that where a member of a joint family sues another in respect of any property admittedly in possession of the family, he starts with no presumption in his favour as to its jointness.

It is an admitted proposition of law that the Hindu joint family need not possess any property. That being so, I fail to understand why it is legal or just or expedient to tax the Hindu joint family.

I submit that nothing is lost if this amendment is accepted by the Honourable the Finance Member, because not a single pie of the income will be lost, but the principle of taxing the Hindu Joint Family will not be accepted by the House.

When the Honourable the Finance Member was replying in regard to the Finance Bill, he said since the House accepted in 1939 the law which was then enacted by the House, the House had accepted the principle of taxing the undivided Hindu family. Therefore, it becomes all the more necessary that I should submit for your consideration that this is a new tax and this question should be examined afresh and rather seriously whether the Hindu undivided family should be taxed or not. It appears to have been taken as a postulate that a Hindu undivided family is a proper subject for taxation; without taking into consideration its incidents it is being taxed. I submit that when new taxations are going to be imposed the question should be gone into afresh. This is the proper time, not when it is referred to the Taxation Enquiry Committee. Such committee may submit its report after five years and in the meantime all these persons who are wrongly assessed will be paying their taxes. They may be poor people, labourers, who are getting Rs. 30 or 40 per month and their incomes are pooled together and made taxable. I hope that this amendment would be accepted by the Honourable Member.

**Mr. President:** Amendment moved:

"That in part (1) (c) of clause 2 of the Bill, after the word 'family', the words 'trading business' be inserted."

**The Honourable Mr. Liaquat Ali Khan:** Sir, I am sorry I am unable to accept the amendment but I would like to know how many poor Hindu undivided families are there that make a profit of even one lakh a year.

**Pundit Thakur Das Bhargava:** Therefore I ask you to accept the amendment.

**The Honourable Mr. Liaquat Ali Khan:** Now it is two lakhs a year. My friend brings in every time the case of those poor labourers who are getting Rs. 30, 40 or even Rs. 100 a month whose incomes are lumped together and taxed. It must be a very large family to have an income of two lakhs, when each of its members is earning only Rs. 40 or 50 a month.

**Prof. N. G. Ranga:** Even then it must be income from business.

**The Honourable Mr. Liaquat Ali Khan:** Yes, apart from that, this tax is on business as defined in the Bill and if the Hindu undivided family carries on business I do not see that there is any reason why it should escape tax and why it should not pay the tax like any other person or firm. I am sorry, Sir, I cannot accept this amendment.

**Mr. President:** The question is:

"That in part (1) (c) of clause 2 of the Bill, after the word 'family', the words 'trading business' be inserted."

The motion was negatived.

**Pundit Thakur Das Bhargava:** Sir, I am not moving the next amendment which is practically the same as the one I had just moved.

**Lala Deshbandhu Gupta** (Delhi: General): Sir, I beg to move:

"That in part (17) of clause 2 of the Bill, the following be added at the end, namely :  
'after deducting such amount not exceeding ten per cent. of the profits as the assessee may devote to public charities, including charities to research and educational institutions approved by the Government'."

The object of my amendment is very limited and does not need much explanation. At the time of the consideration of the Finance Bill I had appealed to the Finance Member to raise the super-tax limit so that charities may not be adversely affected. In proposing this amendment I am only suggesting that it should be made possible for business concerns and persons who are charitably minded to devote up to ten per cent. of their income to charities. The effect of this amendment if accepted—I hope the Honourable Member will be pleased to accept it—would be that on a charity of Rs. 50,000 Government would be losing about Rs. 8,000. By losing Rs. 8,000 in tax Government would be inducing a donation of Rs. 50,000 to such charities as would be approved by Government. I think, Sir, it does not need to be emphasised that in all civilised countries, charities have played a great part in furthering the various constructive activities of the nation. In framing his taxation proposals my Honourable friend has taken his cue mostly from the U.S.A. and even there if my Honourable friend will look up, he will find that millions and millions of dollars are donated every year by charitably minded persons and most of the educational benefits and other amenities enjoyed by the public are financed by such charities. This amendment is a very modest one and I hope the Honourable the Finance Member will be pleased to accept it. With these words, Sir, I move:

**Mr. President:** Amendment moved:

"That in part (17) of clause 2 of the Bill, the following be added at the end, namely :  
'after deducting such amount not exceeding ten per cent. of the profits as the assessee may devote to public charities, including charities to research and educational institutions approved by the Government'."

**The Honourable Mr. Liaquat Ali Khan:** I am sorry, Sir, I am unable to accept the amendment. If anyone is charitably inclined then he should pay to charity after having paid the government tax: otherwise it would mean that the charity is being paid by the Government and not by the person who wants to spend some money for the good of his soul.

**Mr. President:** The question is:

"That in part (17) of clause 2 of the Bill, the following be added at the end, namely :  
'after deducting such amount not exceeding ten per cent. of the profits as the assessee may devote to public charities, including charities to research and educational institutions approved by the Government'."

The motion was negatived

**Mr. President:** The question is:

"That clause 2 as amended, stand part of the Bill."

The motion was adopted.

Clause 2 as amended was added to the Bill.

Clause 3 was added to the Bill.

**Mr. Manu Subedar:** Sir, I move:

"That in clause 4 of the Bill, for the word 'twenty-five', the words 'sixteen and two-thirds' be substituted."

I had no intention to make a long speech but my Honourable learned and gallant friend Dr. Zia Uddin Ahmad.....

**The Honourable Mr. Liaquat Ali Khan:** He is not here

**Mr. Manu Subedar:** I have already paid my compliments to him and will not say what more I wanted to say. He said that when we suggest alterations and modifications we should suggest also the ways and means of covering the deficit. These alterations and modifications in this particular case which we have suggested had the support of all sections and they have been accepted by Government. They are not controversial and therefore I want to say nothing more about it. But when we come to the Capital Gains Tax, I will indicate in what manner Government can make up what they think they lose. I do not want to take away or detract from the compliments which I have paid to the Honourable the Finance Member for having taken into account all factors. He has tried to reconcile the various tendencies and he has ultimately fixed on this percentage and that is something in response, as we all expected, to the wishes of the House and people outside. The question is not as my honourable friend Dr. Ziauddin supposed. It is a question of how much burden industry can bear and in what manner. The House may not be aware, but I have learnt this morning with very great apprehension

**1 P.M.** that the call money rates in Bombay and Calcutta have gone up to 2 per cent. as against  $\frac{1}{2}$  per cent. which was very difficult to realise for a very long time, even for six months fixed. That is the dire indication. The importance of this can be understood only by those who understand finance. The indication is not at all good. There is a considerable amount of apprehension and fear and two stock exchanges have been closed. They tried to open them but they are unable to open them. They will in due course open and we trust without serious crashes, more serious than the failure of one large bank which I have already indicated, the position may be improved. But this is a serious matter. If I may indicate to the House for the sake of information these are issues which require closer thinking into and not the kind of superficial treatment which my Honourable friend gives to it. If I may say so, between now and the period when the Finance Minister brought his Budget, as much as Rs. 400 crores worth of value—on paper I admit—have been written down. This much wealth with various individuals, small and big, has disappeared into thin air. My honourable friend has not got that much or any substantial share out of it. What is the legitimate burden which can be carried and what is the burden which will cause dire and undesirable consequences is, as I have previously mentioned, extremely difficult to say. I do not think any Member of this House should run away with the feeling that this is an issue in which we are only making a debating point or trying to coerce the Finance Member into giving away something which more patriotic members of this House are not willing that we should do. It is a question of reconciling of factors, of considering the effect all-round, of seeing the immediate effect and the far-reaching effect and of ultimately fixing the burden where it should rightly belong. As I said before, the Honourable the Finance Minister has in this case actually taken into account all these diverse factors and he has ultimately agreed to adopt this rate which gives a relief to the assesses to the extent of about one-third of the rates which he has previously proposed. Sir, I move this motion.

**Mr. President:** Amendment moved:

“That in clause 4 of the Bill, for the word ‘twenty-five’, the words ‘sixteen and two-thirds’ be substituted.”

**The Honourable Mr. Liaquat Ali Khan:** Sir, I accept the amendment and I do not think I need say anything more about it.

**Mr. President:** The question is:

“That in clause 4 of the Bill, for the word ‘twenty-five’, the words ‘sixteen and two-thirds’ be substituted.”

The motion was adopted.

**Sir Cowasjee Jehangir:** I beg to move:

"That in the Proviso to clause 4 of the Bill, after part (c) the following new part be inserted namely:

(d) all profits from any business which, if it had been assessed, in respect of the chargeable accounting period, under the provisions of the Excess Profits Tax Act, 1940, would not have been liable to pay any excess profits tax."

Sir, this brings us back to the comparison between the Excess Profits Tax and the Business Profits Tax which is introduced. My Honourable friend the Finance Member with his great shrewdness began to suspect the advice given to him that E.P.T. would be preferable to his proposal of B.P.T. and that it was suggested notwithstanding the fact that it would bring in the same amount as he originally wanted. He rejected that advice because it came from what he felt interested quarters and he thought that such advice could not have been tendered unless there was some snag in it. Let me tell him candidly that it is always preferable to accept the devil one knows than the devil one does not know. There was no question of not giving him the amount; it was a question of method. The method which he suggested was so unacceptable that even more was offered to him, but he would not have it. He gave reasons for not accepting the extension of the E.P.T. and one of them was that E.P.T. was unjust on a certain class of assessee. What I presume he meant was that certain assessee had very low standard profits and therefore they paid a very high rate of E.P.T. while others may have had a very high standard profit and naturally they paid less E.P.T. That must happen. What is the standard profit? The standard profit is the profit made in a certain year before war broke out. It might happen that a company might have made in that year very little profit while another might have made a decent profit. I do not see how that would act unjustly. It means that the company was not able to make profits in pre-war time and made its profits in war-time and another company was able to make a fair profit in pre-war time and therefore the difference was not so great in its case.

But my amendment seeks to do away with another injustice. It is possible that there are many companies which, if the E.P.T. had been accepted, would have paid no E.P.T. Their profits for 1946-47 would have resulted in no E.P.T. being paid. Then why should they pay E.P.T.? If E.P.T. was so unfair to certain companies, I say spare those companies who would not have paid E.P.T. but who have to pay B.P.T. That is the essence of my amendment. I hope I have made myself perfectly clear. Let me repeat it. Certain companies, if E.P.T. had been accepted, would have paid no E.P.T. but it is possible that they will pay B.P.T. I know what the answer will be. The answer will be that now that 6 per cent. is allowed on capital and 6 per cent. on reserves with qualifications—in short I say 6 per cent. on reserves—there will be very few companies which will pay this tax which would not have paid E.P.T. That is not correct. I know of several instances where they would not pay E.P.T. but will have to pay this tax. I am not going into the details but I know of several such companies and to contend that no company would pay this tax which would not have paid E.P.T. is not a correct contention. If the Honourable Member's arguments are correct, then he must accept this amendment. It is a logical consequence. He says that B.P.T. is fairer than E.P.T. He has adopted it because it is fairer. If there are any companies in which B.P.T. is not as fair as E.P.T. then exclude those companies and that is my amendment.

I put the Honourable Member to the test. I put him to the test of his own arguments. If his own arguments are correct, then logically I contend he must accept my amendment. I do not want to take up more time. Most probably I know the fate of the amendment. However fair it may be, however logical it may be in consequence of his own arguments. I am afraid we know the fate of it. But I would like to have a reply. I move it and I trust

[Sir Cowasjee Jehangir]  
that the Honourable Member will consider it favourably and not punish a few companies—there may be many—which he never intended to punish.

**Mr. President:** I do not know whether I should speak out a difficulty which I feel. I was just wondering whether a prosperous company which may not pay E.P.T. now will not get the double advantage of escaping this tax also.

**Sir Cowasjee Jehangir:** No, Sir. It will not be so.

**Mr. President:** Amendment moved:

"That in the Proviso to clause 4 of the Bill, after part (c) the following new part be inserted namely :

(d) all profits from any business which, if it had been assessed, in respect of the chargeable accounting period, under the provisions of the Excess Profits Tax Act, 1940, would not have been liable to pay any excess profits tax."

**Mr. Mazu Subedar:** May I understand, for the sake of understanding, whether my Honourable friend does not want to give the Government an option that in those cases where the adoption of the E.P.T. standard would make the Government lose they could pay the B.P.T. standard but in other cases let them adopt the E.P.T. standard?

**Sir Cowasjee Jehangir:** What I mean is that where a company would not have paid E.P.T. if the E.P.T. Act had been extended to the year 1946-47, it should not be made to pay this tax and that is exactly how I have framed it. You will see now it fits into the Bill and you will see what it means.

**The Honourable Mr. Liaquat Ali Khan:** My Honourable friend Sir Cowasjee Jehangir has talked of logic. Here is a sporting offer. Let the rate of tax be 66 and 2/3 as in the case of E.P.T. on all the companies that come under this Bill and I shall exclude those companies that were excluded from E.P.T. You cannot have it both ways.

**Sir Cowasjee Jehangir:** What is the sporting offer?

**The Honourable Mr. Liaquat Ali Khan:** Let the rate of tax be 66 and 2/3 applicable to all those companies that come under this Bill and I shall exclude from this tax those companies that were not liable to E.P.T.

**Sir Cowasjee Jehangir:** May I explain. It is just those cases I mean. I mean those companies that would not have been liable to E.P.T. at all, whether it be 33 and 2/3 or 66. I want those companies excluded. That is exactly the meaning of my amendment.

**The Honourable Mr. Liaquat Ali Khan:** I know that. I was only talking of logic. There is one difference between these two forms of taxation which seems to have escaped the notice of the Honourable Members. This is not E.P.T. This is B.P.T. and that is why the rate of tax is so low as 16 and 2/3. Had it been E.P.T., then the rate of tax would not be 16 and 2/3. It would have been 66 and 2/3 or 50 per cent. or something like that. My friend Mr. Joshi wants it at 100 per cent. That was so in England. Anyhow I regret I am not able to accept this amendment because I do not think that this tax will fall very heavily on those companies, as the Bill is now before the House.

**Mr. President:** The question is:

"That in the Proviso to clause 4 of the Bill, after part (c) the following new part be inserted namely :

(d) all profits from any business which, if it had been assessed, in respect of the chargeable accounting period, under the provisions of the Excess Profits Tax Act, 1940, would not have been liable to pay any excess profits tax."

The motion was negatived.

**Mr. President:** The question is:

"That clause 4 as amended, stand part of the Bill."

The motion was adopted.

Clause 4 as amended, was added to the Bill.

The Assembly then adjourned for Lunch till Half Past Two of the Clock.

The Assembly reassembled after Lunch at Half Past Two of the Clock, Mr. President (The Honourable Mr. G. V. Mavalankar) in the Chair.

**Mr. President:** I find that so far as clauses 5 to 10 are concerned, there are no amendments excepting those which stand in the names of Mr. Gole and Mr. Jhunjunwala. The amendments are that the particular clauses be omitted. I am afraid they will not be in order. They can vote against the clauses. Do they want that all these clauses should be put separately?

**Mr. P. B. Gole** (Berar: Non-Muhammadan): No.

**Mr. President:** The question is:

"That clauses 5 to 10 stand part of the Bill."

The motion was adopted.

Clauses 5 to 10 were added to the Bill.

Clause 11 was added to the Bill.

**Sir Cowasjee Jehangir:** Sir, I beg to move:

"That to sub-clause (3) of clause 12 of the Bill, the following proviso be added, namely:

'Provided that in the case of a firm engaged in the profession of solicitors or auditors, each working partner shall be assessed individually in respect of his share of the profits of the firm for the chargeable accounting period.'

As the Honourable the Finance Member explained, professions and avocations have been brought within the mischief of this Bill which were excluded from the E.P.T. There are a few men in the professions, such as Barristers and doctors, who make more than a lakh of rupees and they will have to pay this tax. But may I point out to the Honourable Member that even in the case of these men—Barristers and doctors—who make more than a lakh of rupees, they will also have to pay an extra super-tax which he has levied under the Finance Bill? So, they are mulcted twice—not only by this tax which we are considering but also by the higher slabs in the super-tax. That is by the way. Now, Sir, I am pleading for a class of professional men who make no more today than they did before the war. There are many professional men in this House, lawyers and some of them may be auditors, and, I think, they will confirm me when I say that due to war conditions these men make no more today than they did before. The Hight Court, I admit, has allowed their fees to be enhanced due to higher cost of living and also due to the higher cost they have to incur to keep up staffs. Some of these men who earn individually much less than a lakh of rupees will have to pay this tax. Take some firms of solicitors. There are a number of firms all over India where there are 8 or 9 partners and the share of each partner is much less than a lakh of rupees. But the income of the firm as a whole will be more than 2 lakhs because there are 8 or 9 partners in the firm. The tax will be levied on over 2 lakhs and each of the partners will, therefore, get less for their share than they would have on account of this Bill. I do not think that is very fair. If there is a partnership of only two or three members, they can get off cheap; they will not have to pay anything. But where the partnerships are of 6 and 7 and where each member of the firm does not expect to get more than Rs. 30,000 or Rs. 50,000 in the year after very hard



[Sir Cowasjee Jehangir]

work, each will have to pay. It is a hard case and I would like the Honourable the Finance Member to take such cases into consideration. He won't lose much money. In fact, he will lose very little and he will be doing justice to a very hard working class of men. The auditors, I can say with some confidence, are getting no more today than they got before the war notwithstanding the higher profits of companies. They are not paid on profits; they are paid on the work they do. Their fees have been enhanced lately due to higher cost of keeping their staff. They have got to pay dear food allowance and other allowances to their staff and thus their cost has been increased and companies are very careful as to what they pay their auditors. It was due to proof having been supplied to companies that the cost of auditors had gone up by leaps and bounds due to war conditions that their fees have been slightly increased. There are many firms of auditors with 6 or 7 partners who get a fair living but nothing like a lakh of rupees and they will all fall within the mischief of this Bill. May I point out that this particular amendment of mine will if accepted be doing justice to a very useful class of professional men in this country who otherwise will suffer. I have had representations from this class and it is due to their representations that I moved this amendment. I trust it will receive the sympathetic consideration of the Finance Member and of this House. I have nothing further to say.

**Mr. President:** Amendment moved:

"That to sub-clause (3) of clause 12 of the Bill, the following proviso be added, namely :

'Provided that in the case of a firm engaged in the profession of solicitors or auditors, each working partner shall be assessed individually in respect of his share of the profits of the firm for the chargeable accounting period.'

**The Honourable Mr. Liaquat Ali Khan:** Sir, as a matter of fact the Select Committee has already made an amendment in the original Bill by allowing abatement of Rs. 50,000 in case of each partner and the total not to exceed two lakhs, in any case.

**Sir Cowasjee Jehangir:** That is the trouble.

**The Honourable Mr. Liaquat Ali Khan:** That means that if there are four partners, then there is no trouble because each will get Rs. 50,000. If there are more than four partners, then the difficulty or the hardship which Sir Cowasjee Jehangir mentioned may arise. But the point is this, that for one thing I do not think that the tax which has been levied now is a very heavy one. Secondly, I do not agree with my Honourable friend Sir Cowasjee Jehangir that these firms of auditors and solicitors have not benefitted on account of the conditions prevailing in the country. Their incomes have definitely gone up and I know of some firms of auditors where their profits are something like 10 to 12 lakhs a year. It is a well known fact that these firms of auditors are getting paid much better and are making more money than what they did before the war.

**Sir Cowasjee Jehangir:** Not in Bombay.

**The Honourable Mr. Liaquat Ali Khan:** It is natural because of increase of work and the imposition of E.P.T. which has made the work of auditors more complicated and for which they demand payment and are paid. I think the provision made in the Bill is very fair and I do not think that any further concessions are called for in this case. I am sorry, I cannot accept the amendment of my Honourable friend.

**Mr. Manu Subedar:** May I get a little explanation on this topic. We all sympathise with the point of view put forward by Sir Cowasjee Jehangir. There are cases where a partner is called a partner, but he is paid only Rs. 24,000 a year, and by means of such partners the total number may exceed

four for whom provision is made in the two lakhs. What would be the effect of leaving the law as it is? Would this little man be exempted by this or would his income be cut proportionately?

**The Honourable Mr. Liaquat Ali Khan:** If they are partners, then their profits are taken into consideration as partners of the firm, but if they are people who are paid salaries of Rs. 24,000 a year or whatever it is, well then these salaries are deducted from the profits of the firm.

**Mr. Manu Subedar:** They have got the status of partners, they are not salaried people, but their earnings are cut at the limit of Rs. 24,000. In that sense he is my partner but his income will go up to only Rs. 24,000 and no more.

**The Honourable Mr. Liaquat Ali Khan:** I am sorry that they cannot have it both ways. If they are partners, then they are liable to all the drawbacks or handicaps of a partner. If they are paid servants, of the firm, then of course their salaries will be deducted from the profits of the firm.

**Mr. President:** The point seems to be like this. They are regular partners, but under the terms of the partnership, there is a provision that they will get one-sixth or one-tenth share, whatever it may be but not exceeding Rs. 24,000 a year. I believe the Honourable Member has that in mind. What will happen to those whose profits are limited to a certain extent though they have got the status of a partner, but the share is sometimes so small.

**The Honourable Mr. Liaquat Ali Khan:** This will not affect the contract which this particular person has with the firm. Is it my Honourable friend's point whether in a case like that, Rs. 50,000 as abatement will be allowed or not?

**Mr. Manu Subedar:** Rs. 50,000 is allowed, where there are four partners. But supposing by means of such partners the total number is increased to six or seven, then this limit of Rs. 50,000 will not apply. This little man will have to pay his share of profits, whereas he is prevented from sharing fully in the growth of the profits of the firm.

**The Honourable Mr. Liaquat Ali Khan:** There is a limit of two lakhs and if there are more than four partners, then naturally it cannot be helped. That is all.

**Mr. President:** The question is:

"That to sub-clause (3) of clause 12 of the Bill, the following proviso be added, namely:

'Provided that in the case of a firm engaged in the profession of solicitors or auditors, each working partner shall be assessed individually in respect of his share of the profits of the firm for the chargeable accounting period.'

The motion was negatived.

**Mr. President:** The question is:

"That clause 12 stand part of the Bill"

The motion was adopted.

Clause 12 was added to the Bill.

Clauses 13 to 24 were added to the Bill.

Schedule I was added to the Bill.

**Sir Cowasjee Jehangir:** Sir I move:

"That in Schedule II to the Bill, after Rule 2, the following new Rule be inserted and the subsequent Rule be re-numbered accordingly:

'3. Any premium realised by a company from the issue of any of its shares shall be regarded as forming part of its paid-up capital for the purposes of Rule 2.'

Sir, the Honourable Member very kindly informed us that premiums on shares would be a part of the capital. I should like to know under what provision this is. Rule 2 (1) of Schedule II says:

"Where the company is one to which clause (a) of rule 3 of Schedule I applies, its capital shall be the sum of the amounts of its paid-up share capital and of its reserves in so far as they have not been allowed in computing the profits of the company for the purposes of the Indian Income-tax Acts, 1922."

[Sir Cowasjee Jehangir]

I presume that what they mean is that the last two lines cover premiums on shares; I should like to be perfectly clear on that. I should like to know what is meant by "profits of the company for the purposes of the Indian Income-tax Acts, 1922." There is some doubt in the minds of people all over India with regard to this clause and there should be no legal tangle left after the Bill is passed. I am not a lawyer; I can only take the best advice I get, and I have been approached from all parts of the country with regard to this and I have been asked to get the point clear that premiums on shares will be taken as capital. I need not go into the reasons why it should be so; the point has been admitted, and it cannot be anything else. Therefore I should like to know how this covers the point I have raised in the amendment. And if there is any doubt about it to the Honourable Members on the Treasury Benches my amendment should be accepted because it makes the point clear. The point is that even if the Honourable Member tells us that that is the intention, if it is not borne out by the wording of the section we shall have trouble. No officer can challenge it and Government cannot help us. A large number of companies will be affected and there should be no room for doubt about this.

Sir, I move.

**Mr. President:** Amendment moved:

"That in Schedule II to the Bill, after Rule 2, the following new Rule be inserted and the subsequent rule be re-numbered accordingly:

'3. Any premium realised by a company from the issue of any of its shares shall be regarded as forming part of its paid-up capital for the purposes of Rule 2.'

**Mr. C. W. Ayers** (Government of India: Nominated Official): Sir, the whole point made by my Honourable friend Sir Cowasjee Jehangir is that in regard to the premium on share capital. When shares are so issued, the whole price of the issue must go on the asset side of the balance-sheet, and there must be a corresponding entry on the liability side of the balance-sheet. On the left of the balance sheet you will have the amount of the share capital issued which will account for a part, but you have got left the premium, and in order to make your balance-sheet balance you must enter on the liability side of the balance-sheet the amount of this premium. So far so good; it is a reserve and so it comes within this rule.

**Sir Cowasjee Jehangir:** It is a reserve that has not been taxed.

**Mr. C. W. Ayers:** I am coming to that. Now a question was asked as to the relevance of the later words of rule 2(1),—"reserves in so far as they have not been allowed in computing the profits of the company" for income-tax purposes. The whole point of that is that all reserves of a nature which might be allowed for income-tax purposes shall be brought into capital computation so far as it is fair to do so. For example, a reserve is made for bad and doubtful debts a liberal reserve to cover all possible liabilities and perhaps more. The Income-tax Officer examines the case and says, "Only one-half of this reserve is properly required for the liabilities here and now existing; the other half I do not allow." That other half that has not been allowed as a deduction in computing income-tax profits will be brought into capital computation under this rule. The same with stock reserves, depreciation reserves, etc. If you can afford to carry a lot more to depreciation reserve than is necessary, the surplus is reserve that has not been allowed and it will go into capital. The reserve built up by applying the proceeds of issue of shares at a premium cannot possibly have been allowed for income-tax purposes and therefore automatically it will come in within rule 2(1). I therefore submit that the amendment is quite unnecessary.

**Mr. Manu Subedar:** Sir, I should like to support the point made by my Honourable friend Sir Cowasjee Jehangir. There has been such a plethora

of income-tax advisers and such a large number of law cases take place through uncertainty of the wording used by the Act that it seems to me very necessary that the language used should not be capable of all the doubts raised, as my Honourable friend said, from all corners of India. The explanation that my Honourable friend Mr. Ayers has given is quite clear but it is not quite satisfactory to me. I raised the point yesterday and I raise it again; what will happen to the catastrophic and conflagration reserves which a company may set aside? If the Income-tax Officer allows this as a legitimate part of the business of that particular concern it is not included in the capital; if he does not allow it then it is included in the capital. It seems to be a topsy-turvy picture. How can the Income-Tax Officer judge the amount of risk and danger that I am running in the business that I am conducting? How am I to convince this gentleman that this is a very necessary provision which I am making? And if I make this provision and carry a reserve under this head will it or will it not be included? According to the explanation given by my Honourable friend it should be excluded? I raised this point yesterday and I specifically requested that this point should be accepted by Government. My Honourable friend may resolve my doubts in this matter. Am I correct that conflagration and catastrophic reserves carried by fire and marine insurance companies will be reckoned under capital for the purpose of this Schedule?

**Mr. C. W. Ayers:** The position is exactly as I explained in connection with bad debts and other reserves. Reserves for future losses made by Fire and other Insurance Companies so far as they have been allowed as a deduction in computing profits are not reserves to be included in capital. But if the reserves are greater than the amount allowed for income-tax purposes to meet these contingencies then that excess will be reckoned as a reserve within sub-rule (1) of rule 2.

**Mr. Manu Subedar:** These reserves even under these names would be allowed?

**Mr. C. W. Ayers:** Yes, in so far as they exceed the limit allowable they would rank as capital.

**Mr. Manu Subedar:** I feel, with regard to the question of premium which my Honourable friend has raised, that it is true, as my Honourable friend Mr. Ayers has said, that premia received cannot possibly come in for allowance, and therefore being outside the allowance made by the Income-tax Officer they must necessarily be included in the definition of capital as given here. But this is all an inference. May I know what is the difficulty and what is the objection of Government to putting in clear words what they mean and what we mean and on which there is no difference. If the Honourable the Finance Member feels that the particular wording which my Honourable friend has used ought not to be there, will he accept some kind of explanation going into this Schedule so as to make this very difficult point clear. I say it is difficult because we have been trying to study this Act very carefully and as I said in another place the man who drafted some of these clauses should get a Gold Medal, and I still say it. Is there any objection to helping the public who will be concerned with the provisions of this Bill, to throwing in an explanation of this in bracket, or to issuing a press note promptly to make the specific kinds of reserves clear. They have been mentioned in the debate in this House and Government have given us explanations and they have said that they include catastrophic and conflagration reserves, premium reserves, and E.P.T. deposits coming back. Is there any objection why either my Honourable friend's amendment should not be accepted, or if that cannot be accepted, why an explanation cannot be thrown in the body of this Schedule, and if that cannot be done, may I ask whether Government could not issue a press note to make this position clear beyond doubt for the guidance of the public?

**Mr. P. J. Griffiths** (Assam: European): I should like to support Sir Cowasjee Jehangir's amendment. I agree what Mr. Ayers says is undoubtedly the correct interpretation of the Bill. What is clear to me and is clear to us may not be so clear to subordinate Income-tax officers. We can afford no ambiguity in this matter, and I suggest first and foremost it would be right and wise to accept this amendment. If Government cannot do that, at least firm executive instructions together with a press note should be issued to make clear that what Mr. Ayers has said is Government's intention, and it is their firm intention regarding the interpretation of this Act. But better still would be to accept this amendment which can do no harm in so far as it conforms with the wishes of the Government.

**Mr. Shavar A. Lal** (Government of India: Nominated Official): The difficulty in the way of accepting the amendment would obviously be this: There is a comprehensive formula in the Bill and if a special case is provided for by way of an explanation that will throw doubt on the construction of that formula and difficulties may arise in other cases where that formula is to be interpreted. As you will realize explanatory provisions do more harm than good because the interpretation of other provisions of the Bill will be thrown open to doubt. The formula itself is very clear. All that has to be shown is whether a particular item has been allowed for in computing the profits of the company and that is always very clear. In the assessment proceedings it will always be obvious what has been allowed for in computing the profits and what has not been allowed for in computing the profits. That is a plain fact which is obvious to every Income-tax Officer and to assessee himself. More than that it is not necessary to say. The question of interpretation would arise in the case of premium or in relation to some other item and if we have to provide an explanation in respect of one we shall have to provide explanations in respect of all of them. That will be the difficulty in the way of accepting an amendment of this kind.

**Mr. Manu Subedar**: May I get an explanation from the official side on one point? What is allowed for comes in when an assessee's account comes before the Income-tax Department 'in due course', and that 'due course' is sometimes 18 months and in the meanwhile the party may have put in the reserves of the kind or he may have acquired premium money and the transactions may be over. By the time the accounts are written and by the time the question of assessment comes up there is sometimes a period of 18 months, and I fear, notwithstanding what my Honourable friend Mr. Lal says, that it would be necessary in some manner—not perhaps in the manner of getting one specific point of reserve excluded—to give explanation to the public as to what is meant by this, because between the process of allowing and actual setting aside of funds there is a time gap of something like 18 months. In my opinion—that is not covered, and therefore it will cause endless confusion to assessees, and we would request the Government either to put in an explanation here, or by other methods, namely a press notes and instructions in the income-tax manual which will be read clearly by anybody. I think in some manner this must be provided.

**Sjt. N. V. Gadgil**: Instead of putting it as a separate rule, the same wording can be inserted between the word 'capital' and 'and'. It will read thus:

"Where the company is one to which clause (a) of rule 3 of Schedule 1 applies, its capital shall be the sum of the amounts of its paid-up share capital including any premium on shares realized by a company from the issue of any its shares. . . . etc., etc."

That will avoid the possibility raised by my Honourable friend, Mr. Lal.

**Mr. President**: I might point out the difficulty which has struck me. The real point seems to me whether the word 'reserves' covers premiums, and looking to the ordinary associations with the word 'reserves', it is open to arguments that premia is something different from "reserves." The clause reads

and of its reserves in so far as they have not been allowed in computing the profits of the company for the purposes of the Indian Income-tax Acts, 1922'. This contemplates reserves built up out of the profits.

**Mr. C. W. Ayers:** That is so.

**Mr. President:** Then, this expression "reserves" which can be allowed in computing the profits of the company includes bad debt reserves, and other reserves. Does the word 'research' cover Premium?

**Mr. C. W. Ayers:** It covers.

**Sir Cowasjee Jehangir:** What is the objection to accepting our suggestion?

**The Honourable Mr. Liaquat Ali Khan:** I think the position has been made clear and my honourable friend, Mr. Griffiths has said that he fully understands and the meaning is quite clear. But there seems to be some doubt that it is possible that some of the Income-tax Officers may not be so clear in their minds regarding this particular matter as our experts or my Honourable friend, Mr. Griffiths is. I can tell the House that the Government will issue very clear instructions to all the Income-tax officers not only with regard to this particular matter, but with regard to the working of the whole Act, and I think that should meet the requirements of the Honourable Members and I personally have no reason to doubt that the interpretation which has been given on the floor of the House will not be adhered to by the Income-tax officers.

**Sir Cowasjee Jehangir:** What is the objection to Mr. Gadgil's suggestion?

**Mr. Shavax A. Lal:** It is merely changing the form of the amendments. But the comprehensive formula will still be altered.

**Sjt. N. V. Gadgil:** Put it after the word "capital".

**Mr. President:** I am not still out of my difficulty. I cannot get out of the feeling that the word "reserves" does imply a relation to the profits of the company, though they may be earmarked differently. Bad debts will also be from the profits. The depreciation reserves will also be from the profits of the company and any other reserve which the company puts aside will be from the profits of the company. So I cannot dissociate the profits of the company from the word "reserves", and "premium" having nothing to do with the profits of the company is possibly likely to be interpreted differently. It could not be a proper subject matter to be included in the "reserve" looking to the sequence and the context in which the word "reserves" appears in these two lines. That is my difficulty.

**Sir John Sheehy** (Government of India: Nominated Official): I do not think an accountant would find any difficulty.

**Mr. President:** I am arguing as a lawyer. I do not know the accountant's Language:

**Mr. P. J. Griffiths:** Several accountants have found difficulty in interpreting this. The objection of Mr. Shavax Lal was a very valuable objection as regards Sir Cowasjee Jehangir's amendment. But is there any objection to Mr. Gadgil's amendment which leaves the matter clear?

**Mr. President:** It will then read: ".....forming part of its paid-up share capital inclusive of premium and all its reserves."

**Mr. P. J. Griffiths:** Make us happy once!

**The Honourable Mr. Liaquat Ali Khan:** My honourable friend, Sir Cowasjee Jehangir has put up a very—shall I say—strenuous and continuous fight against this measure and to show that he is not fighting a lost cause, altogether, I am willing to accept his amendment.

**Mr. President:** What will be the wording then?

**Sir John Sheehy:** It would let out the premium which is paid out as a dividend. The amendment deals with the premium that is realised. It does not provide that it must be kept in the business.

**Mr. President:** That is how I understood the Honourable the Finance Member, when he first said that the premium is its reserve employed in the business.

**The Honourable Mr. Liaquat Ali Khan:** That is right:

**Mr. Shavax A. Lal:** We will settle the form later on.

**Sir Cowasjee Jehangir:** You want to add after the word "shares" the words "employed in the business?"

**Mr. President:** I will keep over the schedule just for the present. This will give him a couple of minutes more. I will put clause 1.

The question is:

"That Clause 1 stand part of the Bill."

The motion was adopted.

Clause 1 was added to the Bill.

**Mr. President:** The question is:

"That the Title and the Preamble stand part of the Bill."

The motion was adopted.

The Title and the Preamble were added to the Bill.

**Sir John Sheehy:** This amendment of Sir Cowasjee Jehangir's we have included in this way, though we have done it in a hurry: namely!

"Any premium realised by a company from the issue of any of its shares so long as it is retained in the business shall be regarded as forming part of its paid up capital for the purposes of rule 2."

**Mr. Manu Subedar:** That only applies to the premium part of the reserve. It does not apply to any other part.

**Mr. Shavax A. Lal:** No.

**Mr. President:** He is accepting the amendment as put in by Sir Cowasjee Jehangir. It will be Rule 3 and the next Rule will be Rule 4. Shall I put it to the House in this amended form?

**Sir Cowasjee Jehangir:** I am quite agreeable. I thank the Honourable the Finance Member. Will you put it to the House?

**Mr. President:** Before he has time to reconsider it! The amendment is:

"That in Schedule II to the Bill, after Rule 2, the following new rule be inserted and the subsequent rule be re-numbered accordingly:

'3. Any premium realised by a company from the issue of any of its shares, so long as it is retained in the business shall be regarded as forming part of its paid-up capital for the purposes of rule 2.'

**Sir John Sheehy:**

"Any premium realised by a company from the issue of any of its shares, so long as such premium is retained in the business. . . ."

**Mr. President:** I will put in the amended form. The question is:

"That in Schedule II to the Bill, after Rule 2, the following new rule be inserted and the subsequent rule be re-numbered accordingly:

'3. Any premium realised by a company from the issue of any of its shares, so long as such premium is retained in the business shall be regarded as forming part of its paid-up capital for the purposes of Rule 2.'

The motion was adopted.

**Mr. President:** The question is:

"That Schedule II as amended, stand part of the Bill."

The motion was adopted.

Schedule II was added to the Bill.

**The Honourable Mr. Liaquat Ali Khan:** Sir, I beg to move:

"That the Bill as amended, be passed."

Sir, I do not propose to make any speech and I hope that I have at last succeeded in satisfying my Honourable friend Sir Cowasjee Jehangir and he would agree with me now that the Bill would be so injurious to industry as he imagined it to be.

**Mr. President:** Motion moved:

"That the Bill as amended, be passed."

**Sir Cowasjee Jehangir:** Sir, I have to thank the Honourable the Finance Member for the concession he has made in this Bill and I trust that he will agree that the agitation that was put up against the proposal was not agitation against him or any cause he has at heart but against the provisions of a Bill which we felt were injurious to trade and industry. I have already explained that industries are prepared to pay their proper share to the Government treasury and I trust he is now assured of the *bona fides* of industrial concerns in India.

**Mr. P. J. Griffiths:** Sir, I would like to join with my Honourable friend Sir Cowasjee Jehangir in thanking the Honourable the Finance Member for the very reasonable spirit in which he has met our objection. In my case of course there was no agitation but only reasonable objection but as the Finance Member met those objections helpfully and in an understanding spirit we much appreciate the improvement he has made in the Bill.

**Prof. N. G. Ranga:** Sir, I wish to congratulate the Honourable the Finance Member on the success he has achieved in getting this Bill passed. I am extremely anxious that he as well as the Interim Government as a whole should take steps during the next year to see that the business community will not be able to play as many pranks as it has done ever since this Bill was published. Sir, it came indeed as a sort of shock to me when the Finance Member himself said that the share markets had closed and this morning we were told by Mr. Manu Subedar that some of the share markets will continue to be closed and prices have been written down to the extent of 300 crores or even more. It all seems to be some sort of magic to which only the capitalists seem to have the key. Whenever they want they simply write it down and when they want it, they write it up. There seems to be something wrong with the business community. My Honourable friend just now assured us that they are anxious to cooperate with the Government but I am afraid that they have got all that they wanted and perhaps much more than they had hoped for by their non-cooperation and I do not know whether they will really cooperate as heartily as some of their advocates here seem to assure the House. If they had been cooperating with the Central Board of Revenue there would not be as much arrears and evasions and tax-dodging. (*Sir Cowasjee Jehangir:* It is the fault of the Central Board of Revenue). It is not only the fault of the Central Board of Revenue, however angry I may be with it, but it must be due to the non-cooperating spirit and evasiveness of many of our own people at the top. Therefore it is high time that my Honourable friend takes the earliest steps to inquire into the way in which the business community carries on its propoganda and functions as a sort of class in this country in order to be better able to come and face this House with his taxation proposals, so that they may have a better reception than the present Bill has received.



[Prof. N. G. Ranga]

Sir, I wish to dissociate myself from sentiment expressed by some people that whenever you think of imposing fresh taxation you should try to impose it as much on the poor as on the rich. I cannot agree with that. Next year it is quite possible that more taxes will have to be imposed but on whom should they be imposed. So I wish to congratulate my Honourable friend for having had the courage to come before this House and say "I want so much more money and I am going to collect it only from the rich people and not from the poor." I am extremely glad also that when I suggested that he should remove some other tax, like the one on betel nut, he said that it would be his purpose to try to relieve the poor of as much of their tax burden as possible. I welcome that assurance and I hope he will see to it and also that the Interim Government will see to it that next time, when my Honourable friend is faced with another deficit (which God forbid) he would be coming before this House with proposals for the imposition of fresh taxation upon the rich people and not on the poor. He should try to impose either this tax or some other tax on the rich people and see that they are not able to carry on a successful campaign as they have done on this occasion. My Honourable friend has taken care to say that this taxation is being imposed only for this year and he has evaded giving any sort of assurance that the tax will be continued next year also. I sincerely hope that this Government as well as its successors will find this tax to be a convenient one, they will retain it and collect not only the 16 2/3 per cent. but much more out of the surplus profits which the business community has made. Wherefrom all these business profits have been derived? These gentlemen seem to think that it is being derived from the one or two hundred thousand capitalists of this country. These people are only at the top of the community drawing from every service and section of society the surplus value that is being produced by peasants and workers. They get a sort of cream at the top. My Honourable friend Sir Cowasjee Jehangir was saying that they are sacrificing with their blood and toil and suffering. But it is not my Honourable friends who are sacrificing bleeding and toiling. It is the peasants and workers. Therefore the more you take off at the top the better it will be for the nation, provided (it is a very important proviso and that is where my Honourable friend has not satisfied me) he is going to utilise that money in order to raise not only the taxable capacity but also the producing capacity and purchasing capacity of the masses of India. Sir, I am very glad to be able to support this Bill.

**Mr. Manu Subedar:** Sir, it speaks very highly for the broadmindedness of the Honourable the Finance Member, because ever since his proposals came before the Select Committee and elsewhere there have been criticisms, we have all put forward our points of view and suggestions for improving the provisions of this Bill, but he has taken it all so firmly and good humouredly and he has tried to meet as far as it was possible for him to meet our objections and suggestions. I would only very briefly mention some of the points which have laid before him and for which there is no provision in the Bill, that is with reference to enterprises like banking, investment trust, utility companies, fire and marine insurance companies and shipping companies. These are highly specialised types of enterprises. Any country in the world would be proud of having enterprises of this type started and run with efficiency within its borders. It is a test of civilisation that those who can plan and run these enterprises are advanced and those communities that are unable to run enterprises of this kind are backward. I am sure the Honourable the Finance Minister shares with me the outlook by which we feel that nothing should be done which will unnecessarily check the growth of enterprises of this kind. I feel that the Finance Department should have examined the full effects of such a levy with regard to every type of enterprise and that some of the enterprises must realise exactly how under different clauses they will come in. Therefore I

appeal to the Honourable the Finance Minister to bear in mind and to give instructions to the Department that when issues relating to enterprises of this kind come on the scene—such for instance as public utility companies—that they will not go by the letter of the Act but that they will bring them up to him for directions, showing clearly what is the principle involved.

We had a little while ago a clear discussion on some of the sections. This House, according to me, possesses some men with very clear acumen the like of whom you may not find in this country. Similarly we had the highest income-tax authority collectively near us, and between us we had difficulty in the interpretation of one of these clauses. Can it not be then that when account of a particular type, events of a particular category, come on the scene, a situation may arise which might not have been foreseen at all on the side of the assessee or on the side of the Government; and should such a condition arise in respect of any class or category of enterprises or assessees, may I not request that the Honourable the Finance Minister will give instructions to the Department not to deal with them by a rule of thumb or by the letter of the law but to bring up every new type of case right at the top and get clear instructions thereon.

Then my Honourable friend Prof. Ranga said that businessmen and Government do not understand each other. It is true that except Dr. Matilal who had been for a short period—in a very peculiar way—in the Directorate of one of the biggest business firms in this country, there is no businessman on the Treasury Benches. This is in one sense a misfortune. It is extremely necessary in my opinion that if Government do not include businessmen amongst them they must at least keep constant touch with people who understand these problems. Their officials who are isolated from business except when they meet them as tax-gatherers have no more experience of business than when they order two suits and three shirts. That is all the business transaction that some of the officials have had. It is an extremely difficult position and we deplore it. I am not speaking with any bad feeling about it but I deplore the lack of understanding between those who are conducting enterprises in this country and the permanent officials of Government as well as the Treasury Bench. I deplore that this lack of understanding should be as great as was disclosed by the discussion of this Bill and I do feel that something should be done in the future to secure a closer understanding.

Sir, the Honourable the Finance Minister pleaded for the co-operation of the tax-paying community. I endorse that appeal. It is the public duty of all of us to help the Government which is our Government now in the task of collecting the taxes. It is the duty of every citizen in this country to place the information in his hand at the disposal of the Government in order that anybody who is trying to evade may be caught. Nobody ought to sympathise with the evaders because the *bona fide* taxpayers have to pay that much more. Such an appeal could get response from the business community only if the business community felt that their problems were sympathetically considered and understood. In their turn Government could very easily ask the business community 'Government has to be carried on; money has to come; if you don't like my suggestion put up an alternative'. I don't wish to detain the House longer but this is a topic in which I do feel that on both sides there is considerable room for improvement, and I make an appeal to both sides that the improvement should come about.

I have pleaded in the course of my remarks that in one matter at all events, in the company taxation, the rates are alleged to be higher in this country in certain reaches of capital construction than in the United Kingdom and I made the request that the public should be given the benefit of these comparisons so that this thing, if it is a misapprehension, should go and if it is not a misapprehension it is for Government to consider whether enterprises in this country can bear taxation at the same rate as in the United Kingdom.

[Mr. Manu Subedar]

I also made the suggestion, which I reiterate and on which I should be very happy if the Finance Minister will give some kind of assurance to this House, about the system of refunds. When the refunds started originally it was 24 pies in the rupee. Now it is 84 pies. There are a good many persons who are not paying 84 pies in the rupee, they are not paying even 60 pies which is being taxed. There is a large number of them. That this number was very large came from the Finance Minister himself the other day when he said 'From these rich men I am only taking Rs. 2½ crores as super-tax. What are they grumbling about? How can they say the industry will suffer? 218 crores of rupees capital applications were made and the bulk of the money will come from the small man. - I agree. Similarly the Shareholders Association say that the number of small Shareholders runs into millions. If that is so, are not these small men for whom he has professed sympathy penalised under the present rules of refund and whose penalty becomes very much greater because of the tax now levied. The poor beggar gets only refund in respect of 5 annas as against, may be, the taxation of 9 annas in any company. Therefore I would request the Finance Minister to consider whether the whole system of refund cannot be re-examined sympathetically so that those to whom you intend to give relief let them have relief and those whom you intend to strike let them be struck.

My Honourable friend Prof. Ranga gave a dose of socialism to the Honourable the Finance Minister. He was speaking at the Honourable the Finance Minister, pointing out 'Don't take any notice of these businessmen. Even if you want money next year, don't worry. Keep this up'. I hope that the interchange of socialism between one great socialist at this end and the other at the other (treasury) end will bear some fruit.

Sir, I support this motion.

**Khwaja Nazimuddin** (Burdwan and Presidency Divisions, Muhammadan Rural): Sir, let me join in the praise and congratulation that is being showered on the Honourable the Finance Member. I find it is really a great achievement that he has gone over to the cause of socialism with Prof. Ranga or rather he has got him back again. In that case one must wonder how this transformation has come about him. It must be that the great tact and accommodating spirit shown by the Finance Member that has worked miracles. But I do hope that this Bill will result in the development of industries and not in their curtailment as was apprehended at first and I hope the industrialists and the capitalists will now take steps to see that this depression in the stock exchange and share market goes. It is I think in their power to remove the misapprehensions that was caused. I think that the revival will come in the stock exchange after the session is over and when all the Bills have been passed. They still hope that if this thing is kept they may get some more concessions. I now trust that the rest of the Bills will get the support of the House as this one has received.

**Sjt. N. V. Gadgil:** I want to impress on the attention of the Finance Member certain implications which I draw from the discussion that took place in the course of the last four weeks. I am told that if a tiger is wounded he is more vicious than when he is killed. I have no doubt that whatever the advocates of capitalism may say here they know what things are now prepared for them and I have great doubt whether they will co-operate with the Government in further industrialisation of this country. I have heard many of them offering their intelligence, their patriotism, their co-operation but the way they have behaved in the course of the last four weeks has just shown to us as nothing else has done in the last so many years that the Indian society today consists of two nations, the few upper whom I call the 'haves' and the many and multifarious—the have-nots. This discussion has been successful in lifting partly the curtain behind which these two nations—not the two

nations, the Hindus and Muslims—which is wrong but the haves and have nots are coming to real grips. In the name of the poor and teeming millions of this country, I request the Honourable the Finance Member that from now till the next year he or whosoever may be in his place should leave no chance but in the course of these 365 days come out with a ready made plan for the industrialisation of this country, because on that depends employment and on employment depends peace and order in this country. I am told that on the 28th February the smile became conspicuous by its absence but I have noticed now both in the European Group and on the faces of some of us here that the smile is gradually returning. That only shows that the Finance Member has been more kind than considerate. This being a new tax, I would rather like him to move very cautiously, because the implications of a new tax are very difficult to assess. They are very precarious. Therefore I do not want to blame him for being more kind than considerate. My friend Mr. Subedar said the other day that the business community felt just like the man thrown from the balcony. I have a saying, Mr. President, in my language, I should say in our language because you and I speak the same language, that a cat may be thrown from any height and it always comes down on its legs and never gets its body injured. I would liken the capitalist to this animal. They have been thrown out, not consciously but you have seen that although they were thrown out from 25, they have safely landed on 16½. I want to urge again that I stand for gradualness because it is inevitable in the context of circumstances today but I will not forgive the Honourable the Finance Member if this time next year he merely repeats the manner and method of taxation without making any plan. That will be disastrous.

At the same time I want to appeal to the advocates of capitalism who if they had been half enthusiastic about industry they would have certainly done full justice to the country. I also appeal to them in spite of my firm belief that this appeal will cut no ice. In the course of the last six years you have helped a foreign government by paying all sorts of taxes. You have not helped the national movement. All your talk about helping the national movement is moonshine. I can speak for my province. What you have done is to see that your pockets are full. You have kept my countrymen half naked. You have kept my countrymen in dire need of essential things. You have helped the Government that was dead against India's aspirations. I am prepared to forget that, provided you play the game. I do not want India to be in the hands of these money barons. I want them to work for the toiling millions and not for the benefit of the few upper thousands or 1200 whatever their number may be. If they play the game, well and good. They should harness their energy and talent to help the Government which is national in personnel and spirit. But if they don't play the game and the Finance Member allows things to drift on for another year, he will be playing their game and not doing us any justice. Therefore in the end I urge on the consideration of the Finance Member that from now onwards he must be ready with a plan so that he can put it into execution before the next year is out.

**Miss Maniben Kara** (Nominated: Non-Official): This is the third reading of the Bill. The Finance Member has been showered upon with congratulations from all sections of this House. I would have certainly joined in congratulating him had he stuck to his original proposals and not have accepted the huge deficit of 18 crores. When we are at the last stage of the Bill once again the terms of socialist language have found expression in this House. People have talked about nationalisation of industries and given all sorts of warning to the Honourable the Finance Member and said—"remember next time before you dare bring such a Bill you have also to nationalise industries." I would give a warning to you and say—"remember that when you next consider a Bill like this, don't produce minutes of dissent." The nationalisation of the air

[Miss Maniben Kara]

services Resolution was brought before this House by my Honourable friend Sardar Mangal Singh. At that time he was compelled to withdraw his Resolution. Even today those who talked in the name of the poor, including Prof. Ranga, have produced dissenting minutes and forced the hands of the Finance Member to accept reduction in taxes in the Bill. Sir, let us remember that we are no longer in a position to talk two languages. Those days are gone. All these days the Members in the Assembly had been playing the opposition role and they had been talking in leftist languages. But today you have the power. Who is going to prevent you from nationalising all the industries, except the Federation of the Chambers of Commerce, whose spokesmen you have been, and you have forced the hands of the Honourable the Finance Member to bring down his proposals. (*An Honourable Member: And the Press.*) The Press is also equally responsible because it is being controlled by trade, commerce and industry of the country.

When I am making my remarks on the third reading of this Bill, I want to make it very clear that my criticism is not against individuals because I have great admiration and sympathy with many of my Congress friends whom I have also worked shoulder to shoulder and I know they are genuine and sincere workers. But it is not possible for them, so long as they remain under the influence of the Indian Chambers of Commerce, to do anything of what they are preaching. It is all right to talk to the gallery by saying that we want to nationalise the industry. Will you tell me at this stage what is it that is preventing you from doing this. I would request you Mr. President, to give a chance to any of the congress persons to reply to my important question: What is there that is preventing you from nationalising all industries if you want to do so? Sir, they do not mean all that they talk. They only talk certain things in the name of the 'Haves' and 'Have-nots'. But actually when the burden of taxation was put on those who have and have plenty of it, they said: "Oh, no; this won't do. You will crush them and they will die, and, if they die, the nation will also die along with them."

Sir, capitalism at a certain time in history was not a bad thing. In those days capitalism could play a progressive role; it could increase the standard of life of the people. Today taking into consideration the entire world situation, capitalism has no scope. If any class of persons think that they can introduce capitalistic system in our country when the world is going ahead, it will only result in Fascism and not in capitalism. Sir, this time again—though I always get a chance to speak last,—I would warn the Honourable the Finance Member on the next Bill which is still to come before us, because I am really nervous since the Honourable the Finance Member seems to be in a very generous and very compromising mood. That is the Bill to penalise the tax evaders. I sincerely admit that I am frightened at what I read in the press. The press says that attempts are being made by congressmen to see that even those who have evaded taxes are not individually and personally brought to the public notice. I do not know what is happening in the Select Committee, because I am not a member of that Committee. Anyway, I give a warning to those who may be the members of the Committee and to the Honourable the Finance Member that this is a very important Bill and my Honourable friend Mr. Griffiths was perfectly justified in saying that that Bill should not have been postponed any further because it does give rise to fear and suspicion in the minds of the people. That is a straightforward Bill. Those who have acted against the nation and evaded taxes have acted in an anti-social spirit, should be brought before the public and the public should know that these are the people who in the name of the patriotism have swindled the public at the cost of the poor.

[At this stage Mr. President vacated the Chair which was then occupied by Mr. Deputy President (Khan Mohammad Yamin Khan).]

Such Bills should not in the least be changed from what they were before. From what you have done to this Bill, it gives me every reason to be suspicious and doubtful as to what you will do to the other Bill. I would, therefore, request the Honourable the Finance Member that the other Bill is a very important Bill, and under no circumstances it should be modified in any way. No honest person in this House can ever want to change that Bill from what it is today.

After all, none of us believes that a country can be run without taxation. It is not possible to run the economy of the country without taxation. Taxation we must have, but it must be such that it can be of a progressive character. The entire system of taxation will have to be revised. Taxation will have to be levied on those people who can bear the burden of it. This is the first time that such a proposal has come before this House. It is a matter of great sorrow and disappointment that anybody in this House who holds a responsible position should have opposed these proposals. I for one would be the last person to consider the Honourable the Finance Member a socialist. In fact, I do not consider any Member of this House to be a socialist. If they were socialists, things would have been different. But when a Bill has been introduced which does not go the whole way, but which goes to the extent of taxing the rich you as patriots should certainly accept it and not say that because you have not nationalised the industry, you should not tax the rich. That is no logic.

I only want to say this to all my friends in this House that the days of talking to the gallery are over. We have got to sit down together and do some constructive work. Remember that we are the framers of the destiny of our own country. It is no use our mere lecturing in this House that "We should nationalise industry". You are in a position to do it and if you do not do it, you are betraying the people. You are only playing to the gallery. All these years, everybody was posing as a socialist. Now, the history is going to prove who is, a socialist; who stands by the people and who stands by the upper classes; and who takes the side of the 'Haves' and who belongs to the 'Have-nots'. With these words I will once again warn and say that let not the fate of the next Bill be what the fate of this Bill has been.

**Dr. Zia Uddin Ahmad:** Sir, I was very much interested in the congratulations which have just been expressed by my Honourable friends Sir Cowasjee Jehangir and Mr. Griffiths. They practically supported Sadi:

نیم نایم خورد مرد دگر  
بدل دوشمنان دی تم دگر

It means: When a pious man eats half of the bread, the other half he gives in charity. This is what the Honourable the Finance Member has done: He has eaten half the bread himself and has given the other half to the children of orphanage popularly known as Mill Owners' Association. Now we will test their *bona fide* in the next two Bills. If their intentions are *bona fides* and if they really show the spirit they have expressed today and respond to the remarks made by Miss Maniben Kara, we will appreciate their sentiments.

Now, I refer to one or two other points raised by previous speakers. In the first place, we all agree and several speakers have said this that we need thorough examination of the taxation policy. Our taxation policy was framed 20 years ago and since then circumstances have so much changed that we need entire revision of the policy. But in the absence of any authoritative pronouncement from a Taxation Commission, one has to fall back on what the Financial Minister considers to be social justice or justice to all. The question has been raised whether we ought not to have gone back to E. P. T. in preference to B. P. T. now proposed. The reply has already been given by the Honourable the Finance Member and I need not repeat it. In the case of E. P. T. the tax was merely a gamble. It all depended on the standard profits earned in the particular year

[Dr. Zia Uddin Ahmad]

provided in the Bill. But here you have a tax which falls uniformly on everybody. This is evenly spread out and everybody would know how much he has to pay. The incidence of taxation in this case is trifling. E. P. T. was removed altogether last year presumably under the influence of capitalists. Its reintroduction would have been more unpopular than fresh taxation with trifling incidence of taxation. It is less than half an anna and in case of bigger companies less than half a pice in case of smaller companies. The incidence being so trivial I do not think there will be any difficulty by business men in accepting this measure. My Honourable friend Mr. Manu Subedar expressed a desire that there should be a businessman in the Cabinet. Even without the actual presence of the businessman in the Cabinet, we are all at present following the lead of the multi-millionaires. Of course, I have repeatedly pointed out that the businessmen in India are not the same as the businessmen in other countries. Our Cabinet will be much better off if there had been no businessmen therein. The duty of the Government is to keep the balance between business on one side and labour on the other, socialists on one side and capitalists on the other. If you have any businessman actually in the Cabinet, then the Cabinet will not be able to form an impartial judgment. That is why I am keen there should be no businessmen in the Cabinet. In fact we have got now some businessmen in the Cabinet already, though they are not labelled as capitalists. They are as good capitalists as anybody else.

My Honourable friend Mr. Manu Subedar drew pointed attention to the difficulties that might arise in regard to the interpretation of the law. Finance Member has already replied that however clever the incometax officers may be, yet businessmen are more clever and more intelligent and therefore there is no chance of the law being interpreted against them. If there is the danger of misinterpretation it is against the income-tax officer and not against the assessee. As regards the wordings of taxation Bills, I find them more difficult than wordings in any other law. Taxation laws everywhere are complicated and even the Income-tax Officers cannot draw up his own income-tax return properly without the aid of experts. The income-tax officers cannot cheat the millowners, whereas the latter can cheat the honest income-tax officers. The millowners receive instructions in the school of evasion. There may be a good deal of propaganda against the other measures, but I am sure the Honourable Members of this House will remain firm and will get the Bills through without delay.

We are passing the deficit budget which will lead to inflation of prices. All the other countries in the world have succeeded in lowering the price level to about two-third but in India the tendency is towards the rise in prices. Abolish controls or the controls will terminate the Government. The Government should not be influenced by Chambers of Commerce, but they should adopt a policy of doing greatest good to greatest number. We seek the assistance of honest businessmen to help the Govt. to catch evaders, and this will tend to lower the deficit. Avoidance of evasion and abolition of control both tend to lower the price level. The Members of the Government must have realised that the propaganda about B. P. T. was carried on almost on nothing. Incidence of taxation is nominal. Stock exchanges created panic in the country for their own benefit and these exchanges should be abolished at an early date.

**Sreejut Rohini Kumar Chaudhuri** (Assam Valley: Non-Muhammadan): Mr. Deputy President, Sir, having roused myself from the peaceful slumber which was brought about by the soporific influence of the soft tone opposition to this Bill in this House, I offer my congratulations and greetings from this remote corner of the House to the Honourable the Finance Member. I am sure my congratulations coming as they do from a province to whom he and his predecessors have perpetrated great injustice would be more palatable than the

congratulations which he received from his more fortunate friends with whom he would share all the fortunes he will get from this Bill. Let me congratulate him today for all the wealth of the land which he has secured. I mean the taxable income which he has been able to secure. May I expect, Sir, that he would behave like the noble soldier of thrace, who was through a misnomer described as the robber in the dialogue between him and Alexander the Great? May I expect that he will distribute his spoils, I mean the wealth which he gathers by these taxation measures amongst the poor, and by poor, I mean provinces like Assam. In my last speech, I congratulated him with all the warmth I could possess and with very high expectations that he will show sympathy towards my poor Assam. But I was keenly disappointed when he did not even make any reference to my province. I had read in the newspapers that my friends in the Council of State had a better fortune when the Finance Secretary assured the House that in the distribution of export duty on tea, Assam will get some share. Also the Finance Secretary assured the House that so far as relief in the matter of taxation on betel nut is concerned, he will place the grievances of Assam before the Honourable the Finance Member. I have placed my grievance before him more than once and I have been disappointed. But let me hope that the request which will come from his Secretary will be treated as a farewell request and will be received with all the cordiality and meet with fulfilment due to the request of a man who is leaving these shores, a Secretary who, as was said the other day, has served this Government faithfully. I hope the request will be heeded and we shall get some relief in the matter of betel-nut and tea. I am sure the House is bored by my repetition but I can tell you that I will repeat this again and again, not till the Finance Member is tired but till I am tired. I will din it into his ears so that he may turn his deaf ear to all provinces alike and not merely to Assam.

Sir, with these words I congratulate him and I admire him for the way in which he has carried this legislation unscathed.

**Sri M. Ananthasayanam Ayyangar:** Sir, all wars in the world's history have been fought at the instance of women. And I am sure that at the instance of our Honourable lady friend the war will be relentlessly fought with capitalists. She somehow thinks that on the third reading of the Bill people have suddenly become socialists on this side, and though they have had opportunities of putting their professions into practice they have not done so. I want to remind my Honourable lady friend that many steps have been taken in that direction. It is only this morning we inquired whether all forms of insurance—fire, life and other forms of insurance—ought not to be nationalised. The Honourable Commerce Member said that he had appointed a committee to go into this question and will soon find out what steps are to be taken. We have seen that in other departments also. So far as airways are concerned we appealed to the Honourable Member and passed a Resolution; he said he would take time to consider what forms of national transport—highways or bye-ways—should be taken up immediately, how the whole machinery is to be taken up, whether all at once or piecemeal. With regard to other forms of industry also steps are being taken. Take banking. With regard to the Reserve Bank the Finance Member has already given an assurance and has, I believe, introduced a Bill to nationalise that Bank. I do not know with what greater speed my Honourable friend Miss Kara wants us to run.

**Miss Maniben Kara:** Ask Prof. Ranga.

**Sri M. Ananthasayanam Ayyangar:** But he does not run. My Honourable friend has out Herod Herod. I remember she was on my left last time, when Sir Archibald Rowlands was here as Finance Member and sometimes I was wondering how she could walk into lobby with the imperialist of imperialists. Now she changed colour, though not physically.



[Sri M. Ananthasayanam Ayyangar]

I am really surprised to hear her talk like this. We do not want that capitalists should be destroyed immediately. We do not want to kill the goose that gives us the golden eggs. At any time we can take away their capital. If today Sir Cowasjee Jehangir escapes the payment of taxes where does he take that money away? He does not throw it into the Arabian Sea. He keeps it with him and next year when we want money we will certainly take it from him. But why is my Honourable lady friend in such a great haste. Before I know what I have to spend it on am I to spend away this money? Sir, this reminds me of a small story. Soon after I took my degree I was a teacher in a school where there was also a science teacher. All of a sudden and quite unexpectedly he got from Government a grant of three or four thousand rupees for the purpose of buying instruments and other equipment for his laboratory. The poor man had no plan and so he purchased 30 sets of saws and hammers and screw-drivers, and so on. My Honourable lady friend, if she were the Finance Member, would collect all the money from Sir Cowasjee Jehangir and make a poor man. Of course I have no objection to that because Sir Cowasjee can afford to be a poor man, just as I am a poor man. But for what end? It will be thrown into the sea without any plan. That is exactly what my Honourable friend Mr. Gadgil objects to. The Honourable Finance Member does not have all plans with him. He must take time to consider what plans are good and what are not good. As a matter of fact we got the biggest asset we can ever have; we have long ago nationalised the railways which are our biggest national asset. We have one of the ablest administrators at the top there, but he still finds himself unable to make the railways work properly. Even a small thing he is unable to do. To go 1,300 miles to Madras it takes us 52 hours. He has been corresponding with various administrations. My Honourable lady friend has no responsibilities—that is my fear—either at home or abroad. So she does not know that it is not so easy to put things in practice.

**Miss Maniben Kara:** I run my own house.

**Sri M. Ananthasayanam Ayyangar:** I am glad she has a house but she has not all the responsibilities that I have. Therefore let us not take a leap in the dark. We heard from the Honourable President that there are so many Bills. We are rushing post haste through the various Bills.

**The Honourable Mr. Liaquat Ali Khan:** There is no post haste about this Bill.

**Sri M. Ananthasayanam Ayyangar:** With regard to every Bill we want to take time. I am glad the matter has been gone through with elaborate patience and the Finance Member has considered both sides. As a matter of fact my Honourable friend does not want us to become Fascists. It is a sign of democracy that as soon as a Bill is introduced in the House there are various persons who are interested come forth with their objections or suggestions. Does the Finance Member claim perfection or absolute correctness for any measure that he introduces. He thinks one way and places it before the House; the Assembly and the people affected must take time and give their suggestions. To say that the people affected have influence with the members is wrong; the boot is on the other leg. I am glad my Honourable lady friend drew me out; otherwise I would not have talked on the third reading. She wants an assurance that none of us should talk on the next Bill or lay our views before the House for consideration and the Bill should be accepted, as brought out. It is not as if she or any other Member has got complete plans and they should be accepted without any criticism or scanning.

Sir, I support the motion that the Bill be passed.

**Mr. Shavax A. Lal:** Sir, I have to suggest verbal change in the amendment of Sir Cowasjee Jehangir with regard to Schedule II which was accepted by the House, and with your permission I shall move it. Sir, I move:

"That for Rule 3 of Schedule II, as accepted by the House through the amendment of Sir Cowasjee Jehangir, the following be substituted:

3. So much of the premium realised by a company from the issue of any of its shares as is retained in the business shall be regarded as forming part of its paid-up capital for the purposes of Rule 2."

It is purely a formal change in the wording and I hope it will be accepted.

**Mr. Deputy President:** The question is:

"That for Rule 3 of Schedule II, as accepted by the House through the amendment of Sir Cowasjee Jehangir, the following be substituted:

3. So much of the premium realised by a company from the issue of any of its shares as is retained in the business shall be regarded as forming part of its paid-up capital for the purposes of Rule 2."

The motion was adopted.

**Mr. Deputy President:** The question is:

"That the Bill, as amended, be passed.

The motion was adopted.

## INCOME-TAX AND EXCESS PROFITS TAX (AMENDMENT) BILL.

**The Honourable Mr. Liaquat Ali Khan:** Sir, I move:

"That the Bill further to amend the Indian Income-tax Act, 1922, and the Excess Profits Tax Act 1940, as reported by the Select Committee, be taken into consideration."

I would just like to point out the main changes that the Select Committee has made in the Bill which was referred to it by this House. The first important change is that the figure of Rs. 5,000, which was the exemption figure, has been raised to Rs. 15,000. The second important change is that the sale of house property which has been in the assessee's possession for not less than 7 years has been excluded from capital gains tax.

**Sir Cowasjee Jehangir** (Nominated Non-Official): Does that include land?

**The Honourable Mr. Liaquat Ali Khan:** No. It is house property only. The third is that compensation awarded for the compulsory acquisition of property for public purposes will not be regarded as capital gains, and the next change that has been made is that transfers by a principal company to a 100 per cent. subsidiary will not be regarded as capital gains. Sir, the most important of all the changes is the one that capital gains have been classed as separate income, and any income received from this source will not be added to the other income and income-tax charged on the whole amount. This income from capital gains will be assessed as separate income and the rates of tax that have been fixed for this are different from income tax rates. I may point out that the rates are indeed very low. Up to 50,000 it is only 1 anna in the rupee, and it goes on increasing till it reaches the maximum rate which is only 5 annas in the rupee if the capital gains exceed 10 lakhs. I think the House will recognize that the Select Committee has made very substantial changes in the Bill and whatever fear there was in the minds of a section of people that this tax would work unfairly and to the detriment of industrialization of this country should not exist any more in the mind of any reasonable man. That fear should not be there at all. The tax, as I say, is very low. If you make a capital gain of over 10 lakhs, surely you do not mind 5 annas in the rupee, or 1/3rd of that, going to the State. After all whatever capital gains are being made now are in the nature of unearned increment and the whole population of the country has contributed in different ways towards

[Mr. Liaquat Ali Khan]

creating those conditions. As a matter of fact the people of the country have suffered on account of these conditions that have been created and I do not see any justification why only certain persons should benefit by this and why some of those unearned gains which accrue should not go to the State so that it could be utilized for the good of the people as a whole.

Sir, I have stated when we were discussing the Finance Bill that I would be prepared to accept an amendment to exclude personal effects from capital gains and my reason for doing this is that it was pointed out to me that this might cause a lot of inconvenience to the assessees. For one thing it would be difficult for them to keep a regular account of their personal effects and then the Income-tax officer might start harassing them and so on and so forth, and therefore I am willing to accept an amendment to exclude personal effects from capital gains because it is not my desire that there should be any harassment to any assessee. This is, Sir, a new tax as far as India is concerned. There is no doubt about it, but the newness of a tax should not be anything that we should shun. There is no reason why if a tax is new and has not been in India before we should not introduce it in our country. What we have to see is whether it is a fair tax or whether it is not a fair tax. If it is a fair tax, then as far as I am concerned, it is immaterial whether this tax exists in any country or whether it does not exist in any other country of the world, and I submit, Sir, that as this Bill has emerged from the Select Committee the tax and the incidence of taxation could not be regarded by any means as very hard or very heavy. I do not propose to deal with the arguments that have been advanced by some of the Honourable Members of the Select Committee in their Minutes of Dissent against this Bill, or against this form of taxation. I submit that this is a very fair kind of taxation; I submit that if people have made large gains through no effort of their own, but on account of the conditions that have been created, the State should have a share out of that gain; and I submit that the rates that are proposed are low enough not to affect either production or industrialization in this country adversely. Sir, I move.

**Mr. Deputy President:** Motion moved:

"That the Bill further to amend the Indian Income-tax Act, 1922, and the Excess Profits Tax Act, 1940, as reported by the Select Committee, be taken into consideration."

**Mr. Manu Subedar** (Indian Merchants' Chamber and Bureau: Indian Commerce): I will agree at once that the Bill as it now emerges from the Select Committee, with the further provision which the Honourable the Finance Minister said with regard to apparel, furniture, moveables, and personal effects, is a tremendous improvement on the previous Bill as he had originally introduced, and I again repeat what I said in connection with the previous Bill that it shows his forbearance and his responsiveness to criticisms made and the manner in which he has tried to meet them.

He mentioned just now that this was a new tax: that being a new tax, though it did not exist in any other country in the world, we ought to have the courage to put it in if we want it in this country and we must see it function. That much is common ground. What I do feel is that when a new principle is adopted, a principle that is foreign to the system of taxation which has been hitherto thought of a considerable amount of care and a considerable amount of circumspection are required. The Honourable the Finance Minister in his budget speech referred to adventitious gains which people made and for which it was desirable to tax all capital gains made in recent years and still being made owing to prevailing conditions and described them as unearned increment. The object is not exceptional and we are all agreed that where there are gains of this type, they should be roped in. There is a special ground for the imposition of this tax this year in the sense that

large transactions running into fabulous amounts have taken place: large promotions have taken place and it is only fair that Government should get some share out of these gains. Nobody is objecting to the principle of this tax. What was urged at that time, and several of the features of the Bill have been subsequently changed on account of it: originally it was proposed to join it to the income-tax of an individual which would create a very heavy tax for a small person who sells a capital asset during any particular year once in a lifetime and he finds himself paying taxes at the rate which a millionaire pays and even on his meagre income he should find himself paying heavily at this high rate. That was a complication we all felt and I am happy that the Finance Member recognised that while the State is entitled to take a share out of this adventitious gain, it is not joint to the normal income-tax of a person and thus swell the levy and expose a small person to the payment of supertax during that year.

We must congratulate the Finance Member on his acceptance of the question with regard to personal effects. I having applied my mind to this topic, I found that it would be impossible to apply it to things like jewellery. If you take a jewel today and call three jewellers, even today they would not agree as to the value of it. If that is so how do you expect the same three jewellers to agree to the value of the same article as it was in some period in 1939. This double appraisements and backward appraisements would create problems of very great difficulty, and therefore, Sir, I am glad that he has accepted it. But then the Finance Member, whatever his exterior attitude of things may be, he puts a bold face. But he is a wise man. Had he included jewellery he would have had the concentrated opposition and attack from the entire womankind of India in due course, and I think he has very wisely anticipated such an attack and such opposition and he has very wisely agreed that this should be removed. I think the wisdom further lies in the fact that owing to paucity of income-tax officers about which we have been talking throughout yesterday, the difficult task of assessing personal effects and their exchanges and registering what was and what has been and what will be, and what was the value and what is the present value and what will be the further value he has avoided those pitfalls and avoided the administrative dislocation which would have arisen if personal effects had been included.

The only point to keep in mind is this. As it is a new levy, I am entitled, I think, Sir, to utter a word of caution. As it is, in certain types of capital assets in this country, there are obstacles to transfers. For example there is a heavy transfer duty as much as six per cent. in Bombay City. So if the property is changed three or four times in 10 years, about one-quarter of the total amount has already gone. But Government in addition to such transfer fees which goes to the Provincial Governments, the Central Government is now coming in with a levy, which in certain ranges of value will be very substantial. Will this affect the rapidity of transfer or the rate of transfer of capital assets in the manner in which discussion is going. As it is, Sir, this tax has been copied from the United States of America where capital gains are great and rapid. Not only that everybody is anxious to scrap his old motor-car for a new one and to go in for the latest model, and there is somebody else who finds use for it and within the reach of each person's opportunity, there is a much quicker turnover in that country. The production of wealth is faster than anywhere else and in that country the change-over of wealth is also faster than in any other country. Are those conditions prevailing in India? It is true a good many small men have been self-made and have made large fortunes in this country and during the war a still larger number of men made those fortunes but taking by and large, I regard this country as conservative even more conservative than the United Kingdom in which also though some self-made men make fortunes, the number of

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percentage is very meagre compared to the total number. In England it is not that a very large percentage of new rich is added every year to the rank of the well-off. In this country again, it is even less. Therefore, while importing a new measure, and a new principle, which was hitherto not embodied in our taxation system, and when getting from a country in which economic and other conditions are entirely different, it is only wise, and I sound a note of warning that the full effects of this levy, the principle of which the House is agreeing to, should be carefully studied. That in the course of the work, if issues arise of a type which are not foreseen now, and not foreseen by the assesses, or the Government, these issues could not be decided by the letter of the law as it is passed now but that these issues should be considered by the Honourable the Finance Member and his immediate advisers, and that the objective should be, while the principal objection of roping in any money of this kind may be carried out, to see that it does not interfere with the legitimate and free transfer of capital that is in this country and that it does not lead to other consequences which were not foreseen.

Now it was indicated to me that one of the consequences would be that people who hold shares—unless of course the amendment which my Honourable friend is bringing in in which he wants to apply to shares the same rule and exemption to seven years' holding as is being applied here to properties of every description—if they are not to be transferred because the gains will be taxed, then a large number of holders will hold the shares. That means a small number of shares will be on the market. That means that some speculator will corner those shares and there will be a battle royal between the bears and bulls and there will be some bear squeeze or cornering device and the effect on the financial machinery may be a jerky effect. This is also a direction in which it is the duty of the Government to watch and see that while everybody is entitled to do what he likes with his own money he does not do it in such a way as to disturb the stability of the general conditions or to violate financial credit. Therefore I say that the effects of the introduction of an entirely new principle would have to be faced.

With regard to the exemption of property, which has been held continuously during the last 7 years, the Honourable the Finance Member did recognise and I am glad he recognised that this class of asset ought to be exempted. Had it not been exempted literally millions of owners of house property in this country (though they are not out to sell today) would have been affected. They have a mental feeling that their properties are worth so much but that mental feeling would be immediately shaken by the fear that if and when they sell their properties they will have to pay so much to the Government. In other words the burden would have been very much larger than the amount of money falling into the hands of the Government. I am glad the Honourable Member has recognised this and made this very wise provision so far as it goes. But in my opinion it does not go far enough. I strongly feel that with regard to houses purchased by people and immediately taken and sold which is a normal business transaction, these provisions may be wise and proper but they are not proper in another way. According to the American law, from which this idea of taxation is taken, the provision is that only properties transferred within a year or two of the purchase become liable to capital gains tax and four years is the final limit. I am sorry to say that none of these matters was placed before us and the Finance Department itself did not possess a copy of the American provisions earlier than six years from today. These provisions in the Bill have been quickly conceived and rushed and they require more careful looking into than appears to have been done. When a party makes quick money by a quick deal, he should be roped in.

But who sells house property in this country? Normally house property is sold when the family is in distress. People always talk of buying a property. Possession involves a matter of prestige. Many families who do not possess houses are very anxious to acquire it. Nobody wants to sell house property and it is generally sold when the family is in distress or when the daughter is to be married or if the son is to be educated or some other family occasion. In other words it did seem very strange and I put it forward for the consideration of the House, whether the circumstances under which houses properties are sold are such which should entitle a Government to come in and extend its hand. It is the distress of the family that has necessitated the sale of a property and the Government comes forward and says "Here you have made something over the value of the property in 1939. Therefore I will take so much out of it." This would create social and other difficulties and in any case it seems to be a great hardship.

Apart from this there is another and very serious contradiction in Government's own policy and I will try briefly to refer to it. Last year the Honourable Sir Archibald Rowlands declared it as the policy of the Government to encourage house construction and residential housing in this country and towards this and in order to facilitate this he specifically declared it to be the intention of the Government to exclude from income-tax all properties whose construction would be finished two years after the date of the declaration. This date has not yet passed. I assume that this Government has accepted this part of the policy of their predecessor. (But the houses which by the declared encouragement of this very Government have come into existence will now be liable under the rules as provided in this Bill to a capital gains tax. In other words Government proposes to take away by the right hand what it gave by the left hand. The Government meant to encourage house building, which would bring in more employment, create a new field for the investment of surplus money, serve as an anti-inflationary measure and create much needed accommodation. It would be a great pity that the first Indian Finance Member should put forward a measure of this kind which contradicts the Government's own declared policy of encouraging the building of new houses and the increase of housing accommodation which is so very badly needed in this country just as much as in any other part of the world. Other Governments are making very heroic effort towards this end. Are this Government making the same efforts?

The House will remember that throughout this session and on more than one occasion I have brought up this topic and had pressed on the attention of the Government the numerous directions in which much could be done and I do feel that the inclusion of house property which may be constructed in the next three years to the liability of this capital gains tax levy seems to be a contradiction of the past Government's declared policy. How many new houses does the Honourable Member expect will be constructed during the next three years? I do not think that their number will be so considerable as to put a hole into the possible gains which will come to the Government exchequer. Government's objective was to tax gains which were adventitious but with regard to the construction of new houses there is no question of adventitious gains. Already the various provincial Governments have a confused idea with regard to the rent tax and their position is very uncertain as it is. Why add to the uncertainty and why deprive the motive from all those people who may be in a position and who may be intending to put in their money in this direction? Why check the flow of capital into house construction, when government themselves are unable and they have not got the finance, I submit, for this purpose. Why do it in such a manner which

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contradicts their own previous professions and destroys their own declared policy in this direction.

As in the previous Bill this is a compromise which does not suit the Honourable the Finance Member. He thinks that many nice things which he wanted have been cut down. We think that this Bill which deserves a close and leisurely enquiry could have come before us after two or three months. We do not feel satisfied with this Bill. As I said with regard to the other Bill a compromise has been reached which does not please either side. Probably it is the correct thing and it is certainly good for the country that a compromise has been reached on this. Therefore I do not propose to deal in any great deal with regard to what has been done in the Select Committee. But I do say that the enquiry which we all suggested and which I again reiterate is a necessity. I do suggest that even while we levy these taxes, it is not wrong, in fact it is the duty of the Government to set up an enquiry whatever the nature and scope of the enquiry might be. They should study the effect of this tax: Do we know when we throw a stone from the window on whom it will fall? It may not hurt anybody. On the other hand it may. It is just as well to see whether our measures will have a good effect or a bad effect, if it is hurting any particular section, if it is contradicting the Government's own declared policies or if it is creating new problems which were not anticipated. I still feel an enquiry is necessary. In taking the American precedent I would suggest to Government to depute a man to America unless they want to use one of the very numerous economists and officials whom they have already put in that continent. I would say yet somebody to go to America. Let him study the experience of that great country with regard to this levy. Let him find out what were the difficulties experienced by them and in what directions they had to make modifications. Let us be up to the mark. Let us not be caught napping with regard to this. I still suggest that that inquiry is extremely necessary and I hope that Government will not burke it, that on the contrary they will find it useful to them because it will throw light on the directions in which something may be done.

The Select Committee mentioned something about estate duty. They said:

"The above considerations assume some importance in view of the fact that an Estate Duty Bill has been introduced in the Assembly, under which capital assets of all kinds belonging to an individual will come under a levy when they pass from an individual to his heirs. The clarification of Government's policy on the matter of the Estate Duty should precede the final adoption of this measure if and when the House decides to take it up."

I still maintain that it could not be Government's intention and it would in fact be a very bad and disastrous thing for society as a whole that certain estates which have borne a very heavy charge, let us say, in the year 1946-47 be again made to bear a heavy charge in 1947-48 merely because the person holding that dies. Does Government want that the same estate should be liable to two or three levies under different names and that it should be so completely crippled and if the assets belonging to the family consist of a business that business should be forced into liquidation? Is that the intention of Government? I do not think so. Therefore I think it should be made clear as to whether the Estate Duty Bill is being proceeded with, and if it is being proceeded with whether it is Government's intention not to make an asset, which has borne duty under this particular levy within a period of five years of the time when the estate becomes liable, to bear a duty all over again. That would meet the ends of justice and I think that would be a very sound thing to do.

The only other point I would make is with regard to yield. Originally the Honourable the Finance Minister and his advisers put down the yield from this measure at Rs. 3½ crores. I had the temerity in the Select Committee as well as in my remarks in this House to point out that during the

last year a good many new companies had been promoted and that many of the promoters of these companies had sold factories and assets themselves to other companies at highly inflated prices. I also pointed out that a good many assets have changed hands, that in Bombay city alone I knew that Rs. 30 crores worth of property had changed hands and that our British friends had also sold considerable assets at highly inflated prices. Taking all these into account at 100 crores and fifty of it as profit, at 5 annas a rupee, the yield I calculated, should not be less than Rs. 17 crores for business assets alone—but it includes many other kinds of assets, it includes stocks and shares. On this account throughout last year the total amount of turnover would be in the neighbourhood of Rs. 40 crores. If the profit is Rs. 5 crores—which is a small estimate—there again there is money coming to the Government of the order of Rs. 2 or 3 crores. Then there is bullion, then there are securities. There are so many bankers, Trusts and there are Indian States and so many other people who have sold on the Stock Exchanges in Bombay and Calcutta government security the total of whose turnover may again be put at nothing less than Rs. 30 or 40 crores throughout last year, the year which is now closing. Therefore I feel that the estimate which the Honourable the Finance Minister and his advisers made of the yield of this tax in this truncated form of only Rs. 2 crores is very far from correct. I repeat it is my opinion that if the Income-tax Department to whom this is going, were energetic they could collect out of this not less than Rs. 20 crores and with Rs. 12 crores which the Finance Minister now estimates, it would be Rs. 32 crores. He expected originally from these two taxes money of the order of Rs. 33 crores. Now from these two taxes, in my opinion, he will still get not less than what he originally expected from both of these. On financial grounds he will have no reason to grumble. He said he will be happy if he gets Rs. 20 crores. I wish him all happiness.

**Shri Mohan Lal Saksena** (Lucknow Division: Non-Muhamadan Rural):

Mr. Deputy President, before I come to the provisions of the Bill I would like to make a few personal remarks. I was not present during the early part of the speech of the Honourable the Finance Member which he made while replying to the motion for consideration of the Finance Bill. So I was surprised to read in the papers that he had said that I had attributed to him dishonest motives that he thought of going away to *Pakistan* after having injured the economy of this country. Sir, I have got my speech here and I read it. If the Finance Member cares to go through it he will find that there is no suggestion of that kind. What I did say was that he had followed in pressing his taxation measures the technique of a quack and if that statement has offended him I am prepared to withdraw it. I had said that he should have an examination of this proposal made by an expert committee and I still maintain that in view of what the Finance Member had said last year that a taxation enquiry was overdue and in view of the fact that he was introducing a new measure—an altogether new measure. He might have got it from America but we know that conditions in America are different from those prevailing in India. While we do not object to the principle of the Bill we did want him to apply it in the first instance to certain specified assets and for the rest to refer it to be examined by a committee of experts. My Honourable friends, on my right, may be prepared to ascribe that expert knowledge to the Honourable the Finance Member of which I am not aware. I do concede that during the short time that he has been in office he has become fairly acquainted with the financial working of the Department as well as the implications of the various taxation measures. In spite of that I told him that we have to be a bit cautious, a bit more circumspect because we know that the condition of the country is such that we cannot afford to take any risks. Even one false step may cause the death of not only thousands but hundreds of thousands. With the best of motives one might make mistake and a mistake



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or a false step might affect the destinies or the well being of millions of this country. So, with due respect I may tell him that I had never intended to attribute any dishonest motives to him. He has to thank himself for what, he said that he may not be here next year and that he was here for one year only. When he was confronted with that statement, he said 'No, it might be brought up by another Finance Member, if he chose to do so'. One Finance Member had removed the Excess Profits Tax notwithstanding our protests and he himself admitted that that was removed a year too early.

5 P.M. I do not know that he must carry on the work of the Finance Member with the idea that he will be here for one year. So far as he is concerned, he is going to get the tax all right. The profits have been made.

**Mr. Deputy President:** I take it that the Honourable Member would like to continue his speech on the next day.

**Shri Mohan Lal Saksena:** Yes.

The Assembly then adjourned till Twelve Noon on Wednesday, the 2nd April, 1947.