

at Rs. 10,000 should have been raised. May I point out that in relation to our per capita income the exemption limit for income-tax in our country is already relatively high. We cannot raise the exemption limit further without causing serious erosion of resources particularly because such erosion will affect the States most adversely. As Hon. Members are aware 85 per cent of revenue from income-tax is distributed amongst the States.

Shri Kanwar Lal Gupta and some of the other Hon. Members have urged that the rates of income-tax should be reasonable and that relatively low rates of taxation will permit better tax compliance and curb generation of black money. I do not deny that there is some force in these arguments. I would only like to point out that if we have been constrained to raise the marginal rates of income tax slightly from 69 per cent to 72 per cent, it is because in a year when, on budgetary considerations, we have been obliged to raise resources on a significant scale relatively better off sections of society could not have been left out on considerations of equity.

Shri Kanwar Lal Gupta has referred to the need for levy in income-tax on agricultural incomes exceeding Rs. 12,000. Without going into the question whether this suggestion is desirable or feasible, I would only like to point out that under the constitution the taxation on agricultural incomes fall within the ambit of the States. We do, however, take agricultural incomes into account for purposes of determining tax rates on non-agricultural incomes.

**SHRI KANWAR LAL GUPTA** (Delhi Sadar): Will you recommend to the State to tax the rural rich?

**SHRI VAYALAR RAVI**: Yes please implement the Raj Committee Report.

**SHRI SATISH AGARWAL**: I am coming to that.

It may also be relevant to point out that the Committee under Dr. K. N. Raj, which had gone into the question of feasibility of agricultural income-tax had come to the conclusion that levy of agriculture tax will result in many problems and the same objective could be better achieved through an agricultural holdings tax.

**MR. SPEAKER**: How long are you like to take?

**SHRI SATISH AGARWAL**: I will finish in a few minutes, before 3 o'clock. Even this suggestion has not been acted upon by most of the States.

Shri Vinodbhai Sheth has criticised the proposal to curtail tax concessions in respect of savings in the form of Life insurance, subscription to provident fund etc.

**MR. SPEAKER**: Shall I interrupt your speech for a moment. The Prime Minister has to make a statement; the matter is very important.

14.43 hrs.

# STATEMENT BY PRIME MINISTER RE: ACHARYA VINOBA BHAVES FAST AND PROPOSAL TO AMEND THE CONSTITUTION

**THE PRIME MINISTER (SHRI MORARJI DESAI)**: The Home Minister made a statement the other day in the House about Acharya Vinoba Bhave's fast. The latest reports that have reached us would indicate that Achary's condition is fast becoming unsatisfactory. We have already explained the efforts we have been making to find a satisfactory way out. It has been suggested to us that we should also consider legislative proposals to suitably transfer the entry regarding preservation, protection and the improvement of stock from the State List to the Concurrent List. Leading Sarvodaya workers have conveyed it to us that the Congress (I) Party as well as the Congress Party in Parliament will extend

[Shri Morarji Desai]

their whole-hearted support to a proposal for amending the Constitution in this behalf. We shall, therefore, bring forward an appropriate Bill to amend the Constitution during the current session itself and subsequently introduce the necessary legislation in this behalf. We hope that all the Parties will extend their support to ensure speedy passage of the Constitutional Amendment and the legislation in the two Houses. Such a Constitutional Amendment will not only require the support of two-thirds majority in the two Houses of Parliament but also ratification by legislatures of not less than half of States. With the cooperation from all Parties I hope it may be possible to complete the entire process at the earliest by March 1980 (Interruptions).

**SHRI SAMAR MUKHERJEE** (Howrah): We are glad that Acharya Vinobha Bhawe has withdrawn his fast. But we are opposed to this type of measure. If any assurance has been given to Acharya Vinobha Bhawe over our heads, we cannot accept this position. I want to make it perfectly clear. But we welcome that he has withdrawn his fast.

**SHRI MORARJI DESAI**: Sir, I have not said that they have promised support. I know that they are going to oppose I am not much worried about that. (Interruptions).

**SHRI G. M. BANATWALLA** (Ponnani): It is shameful that the Government has fallen a victim to blackmail.. (Interruptions).

**MR. SPEAKER**: At a proper stage we could express ourselves.

**SHRI G. M. BANATWALLA**: The Government's decision is most deplorable. (Interruptions).

**MR. SPEAKER**: The Minister will continue.

14.46 hrs.

FINANCE BILL, 1979—Contd.

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(**SHRI SATISH AGARWAL**): Shri Vinodbhai Sheth has criticised the proposal to curtail tax concessions in respect of savings in the form of life insurance, subscriptions to provident fund etc. Government are fully conscious of the need to provide adequate incentives for promotion of savings. Contributions to life insurance, provident fund etc. upto an annual limit of Rs. 5,000 will continue to enjoy tax concessions at the same rate as before.. Curtailment of concessions applies only to those in the higher income brackets because they alone can save more than Rs. 5,000 in a year. It is because we felt that taxpayers in higher income brackets were getting somewhat disproportionately larger benefits on their savings in approved forms that we have abridged the concessions to some extent. In any scheme of direct taxation, we have to strike a balance between equity and the need for provision of adequate incentives for work and savings. Budget proposals seek to strike such a balance.

Shri Vinodbhai Sheth has also suggested that the threshold for payment of advance tax in the case of registered firms should not have been lowered to Rs. 20,000 but should in fact have been raised further to Rs. 30,000 or even more. I would like to invite his attention to the fact that under the existing law, individuals and Hindu Undivided Families have to make payment of advance tax in cases where the current income exceeds the exemption limit i.e. Rs. 10,000. The exemption limit in the case of registered firms is the same as in the case of individuals. There is, therefore, every justification for reducing the limit for payment of advance tax in the case of registered firms. I would also like to clarify that the reduction of limit for payment of advance tax does not in any way enhance tax liability; it only enables Government to realise its due a little earlier.

In conclusion I would like to mention to the House that we have appreciated the genuine difficulties posed by the tax proposals and made