

said just now, after the issues have been well defined.

12:51 hrs.

**BENGAL FINANCE (SALES TAX)  
(DELHI AMENDMENT) BILL**

**The Deputy Minister in the Ministry of Finance (Shrimati Tarkeshwari Sinha):** In behalf of Shri Morarji Desai, I beg to move:

"That the Bill further to amend the Bengal Finance (Sales Tax) Act, 1941, as in force in the Union Territory of Delhi, be taken into consideration."

At a meeting of the Chief Ministers of States held in January, 1963, it was more or less agreed that the tax on certain luxury goods mentioned in Schedule I of the Act which are now taxed in almost all the States including Delhi, at a uniform rate of 7 per cent, should be raised to 10 per cent. Most of the State Governments have already taken steps to implement this decision, while others are expected to do so shortly. The amendment proposed in sub-clause (i) of clause 2 of the Bill seeks to implement the said decision in the Union Territory of Delhi.

It was also found the general rate of sales tax in Delhi is comparatively lower than that obtaining in the neighbouring or adjoining States. It may not be possible to bring about absolute parity in sales tax rates between Delhi and the neighbouring States, in view of the trade peculiarities of Delhi which has no hinterland of its own, and has developed into a big distribution centre. It is, however, desirable that the existing disparity should be reduced as far as possible in order to safeguard the revenue and trade interests of the adjoining States and also enhance the revenue of the Union Territory of Delhi. The matter has been carefully examined in the light of the observations I have made earlier, and after taking into account

the existing rates of sales tax in the neighbouring States and the consequences of Delhi having lower rates of sales tax, it is proposed to increase the general rate of sales tax in Delhi from 4 per cent to 5 per cent.

Sub-clause (ii) of clause 2 of the Bill seeks to give effect to this proposal. The proposed change will considerably reduce the existing disparity between Delhi and the adjoining States in the matter of sales tax rates. The above changes, as I said, would also help in getting the much-needed additional revenue to the extent of Rs. 1.15 crores in a full year. In 1963-64, however, because the additional revenue will accrue only for two quarters of the year, the revenue actually earned would be about Rs. 57.5 lakhs.

Having regard to the present need for additional resources and the desirability of effecting as much uniformity as possible in the rates of sales tax in Delhi and the adjoining States, this proposal has been brought forward before the House. I feel that the House would agree to the changes in the rates of tax proposed, because they are quite nominal, and I trust that the House will accept the amendments proposed in the Bill. With these words, I move.

**Mr. Speaker:** Motion moved:

"That the Bill further to amend the Bengal Finance (Sales Tax) Act, 1941, as in force in the Union Territory of Delhi, be taken into consideration".

**Shri Prabhat Kar (Hooghly):** So far as this Bill is concerned, it relates to sales tax, but as everybody knows, today, the term 'sales tax' is a misnomer. It is really a tax on the consumer, in the sense that the tax is being paid by the consumers. Whether it is multipoint sales tax or single-point sales tax, or double-point sales tax and so on, all the time, the tax that is imposed is being paid by the consumers.

[Shri Prabhat Kar]

I know, as has been pointed out by the Deputy Minister, that there was a discussion with the Chief Ministers on this matter, and with a view to increasing the revenues, the sales tax rates have been increased in other States, and so, it is now proposed in this Bill to increase the sales tax rates in Delhi so as to bring them on a par with those prevailing in the adjoining States. That is what I have been able to understand from the Statement of Objects and Reasons and also from the speech made by the Deputy Minister.

It is a well known fact that Delhi is now the costliest place in the whole country. For example, I can tell you how things have moved. Ever since the upgrading of the Delhi city to a class A city, which resulted in an increase in the emoluments of the Central Government employees, the prices have gone up. With the increase in the rates of sales tax, the prices will go up still further.

It may be argued by the hon. Minister that it is only in respect of certain luxury goods that the sales tax is being increased. But, as we know, whenever there is the imposition of any tax on a particular commodity, it has its repercussions on the prices of other commodities, and the prices of the other commodities also go up. So, naturally the increase of the sales tax which is now proposed will give an impetus to the businessmen to raise the prices of other commodities, which will further worsen the plight of the common man who is already suffering on account of the increased taxation during this year.

Therefore, I would only request the hon. Minister to see that this sales tax is not turned into a consumer's tax, and let not the consumers be asked to pay more, because the sales tax is a tax which has to be collected at the point where the sales take place in the factory or at the level of the industrial unit.

I think that the hon. Minister has said that the proposed increase will yield a revenue to the tune of about Rs. 53 lakhs.

**Shrimati Tarkeshwari Sinha:** Both these proposals will result in an additional revenue of about Rs. 1.15 crores per year.

**Shri Prabhat Kar:** Naturally, that much of amount will have to be paid by the consumers, and to that extent, the prices of the commodities will go up. Therefore, I do not agree to this Bill, and, I would, therefore, request the hon. Minister to reconsider it.

**Shri S. M. Banerjee (Kanpur):** From the Statement of Objects and Reasons, we find that:

"...it was agreed at the last meeting of the Chief Ministers of States that the rate of Sales Tax on certain luxury goods, which are now taxable in almost all the States at a uniform rate of 7 per cent may be raised to 10 per cent."

If the taxes are increased on luxury goods, I do not mind, and in the interests of the country, and in the interests of having more resources for the country, I have no objection to it. But my objection is only this, namely why a particular point which has been agitating the minds of the people in the various States has not been discussed by the Chief Ministers at their meeting. My point is that in some of the States, the sales tax is a multi-point sales tax, and in some others, it is a single point tax. I want to know from the hon. Deputy Minister who is piloting the Bill, whether this matter was ever discussed at the meeting of the Chief Ministers.

. For instance, in Delhi, it may be a single-point tax, while in UP it may be a double-point tax, and somewhere else, it may be a multipoint tax and so on, in respect of various commodities, with the result that this is not a sales tax but this is actually a pur-

chase tax, that is to say, the man who purchases has to pay this tax.

I would like to know whether this particular aspect of the sales tax was discussed, at the meeting of the Chief Ministers.

The second point that I want to raise is this. In Delhi, so far, the sales tax has been less, and now it is being increased to a uniform rate so as to be on a par with that in other States. You will kindly agree with me that the people of Delhi have always suffered because they have no legislature. No Member from Delhi, elected from Delhi, is also present here today. Of course, only Shri Brahm Prakash is there, but I find that he is also going out.

**Mr. Speaker:** There are Members from Delhi who want to speak, and I have received chits from them.

**Shri S. M. Banerjee:** I would only like to know whether this particular question was discussed, and whether prior consultations were held with the representatives of Delhi, and with the various political parties of Delhi, because ultimately this House is going to pass a Bill which applies only to Delhi in the matter of sales tax, where the prices of commodities have already gone up, and where I am afraid the prices will go up still further if the sales tax is increased.

As such, I would request the Deputy Minister to answer these two points in the course of her reply, firstly, whether this aspect of sales tax, namely that it is actually a purchase tax was discussed at the meeting of the Chief Ministers, and secondly, whether proper consultations were held and it was agreed that this Bill should be brought forward.

13 hrs.

**Shri Heda (Nizamabad):** I join the two preceding speakers who made the point that the sales tax has to be borne by the consumer, and from this

angle, it is never a desirable thing. The worst part of it is that many times the consumer pays the sales tax, but it does not necessarily go to the coffers of Government. It is appropriated in the process. Then a new thing starts. The shopkeeper says to the customer, 'Do not ask for the receipt; then I shall not charge you sales tax.' In his interest, the consumer also agrees and thus he saves the sales tax and the trader his income-tax. This creates a further problem.

But I am very glad that this Bill has brought sales tax on par with adjoining States. Otherwise, it was the complaint of the nearabout markets of Punjab, Rajasthan and West UP that because Delhi was having a lower rate of sales tax, it was taking hold of those markets. Instances were not lacking when goods from Calcutta would come to Delhi first and then go back to Agra. In this way, an extra burden is also put on the transport and communications system. By increasing the sales tax and bringing it on par with adjoining States, that burden is saved. For all these reasons, I support the Bill.

There is one more point. That is about arrears. I understand that among all the States, arrears of sales tax are far higher in Delhi than anywhere else—the proportion is far higher. I could not lay my hands on the exact figures, but these arrears are increasing year after year. It would not be very impossible for one to think that soon those firms, which are in arrears, would either have been liquidated or would have otherwise gone out of existence and new bogus firms would come to take over their assets and liabilities; then it will be nearly impossible for Government to recover those arrears. Sales tax is a thing which should be recovered immediately month by month, year by year and should not be allowed to remain pending for a long time.

**Shri Shiv Charan Gupta (Delhi Sadar):** The amending Bill under consideration is the outcome of our requirement to augment resources to

[Shri Shiv Charan Gupta]

meet the expenditure on developmental programmes. It does involve hardship to the people of Delhi, but it is inevitable.

I have to mention one or two points. You will remember that in 1957, the Government of India merged sales tax on cotton, sugar and tobacco into excise. The revenue has increased from Rs. 32.50 crores in 1956-57 to about Rs. 42.43 crores in 1962-63. I have not understood why this procedure has not been followed regarding other items because, according to me, this will give additional resources to the State and will help them in meeting their increasing requirements for funds. Further, it will stop leakage and simplify the taxation structure, give relief to traders and also reduce expenditure on collection. Whatever estimate has been made by experts, they feel that if this procedure is followed, then not only will revenue increase but it will result in an additional benefit by simplifying the taxation structure. Therefore, I request Government to consider this matter.

There is no doubt that the States are allergic to this proposal. At the time of the late Pandit G. B. Pant, former Home Minister, and the late Maulana Azad, they put pressure on the States and got it done. I would urge on Government, the Finance Minister and the Prime Minister, to look into this question and deal with it effectively so that this long-felt demand is met.

The other point I have to mention is about the sales tax tribunal. The income from sales tax has gone up from Rs. 1.20 crores to Rs. 7 crores. At present, the judicial function with regard to the sales tax law is also discharged by the chief executive, that is, the Chief Commissioner in Delhi is the final tribunal as far as sales tax is

concerned. When the volume has increased to such a great extent, it is necessary that a sales tax tribunal should be established and judiciary separated from the executive.

Now I come to my third point. Some years ago, there was a Taxation Advisory Committee in Delhi in which representatives of the people, the trade and the consumers were associated. It used to go into the question of how the sales tax law is functioning and what are the difficulties. After the popular set-up in Delhi was abolished, this Committee was also abolished. Our experience in Delhi is that this Committee functioned in a very nice manner; the Government had created a liaison between the people, the traders and the Government, and many of the ills of the sales tax law and its implementation were removed. Therefore, I would request Government to consider this question also.

In the statement of objects and reasons, it has been mentioned that Government have considered it necessary to bring forward this Bill to bring sales tax in Delhi on a par with that in the adjoining States of Punjab and Rajasthan. I would urge upon Government to go into this question, because according to my information, it is not a fact. In many cases, Delhi is at a disadvantage. What happens is that decisions are taken. The Government of India honour them promptly and bring forward laws for the purpose, whereas the other States do not act so promptly with the result that traders in Delhi are put to a disadvantage. I say this because Delhi's economy depends mainly on its distributive trade. Delhi is a small State. It has no hinterland. If all these things are taken into account, the trade is likely to be affected and the economy of Delhi is likely to be jeopardised. Therefore, I urge upon Government to look into this question. I would also plead with the adjoining States not to put Delhi at a disadvantage in this

respect; otherwise, things will worsen in Delhi.

I hope Government will look into these matters.

**Shrimati Tarkeshwari Sinha:** A few points have been raised about sales tax. Shri Prabhat Kar and Shri Banerjee asked why at the Chief Ministers' conference, a proposal for more uniformity in the structure of sales tax was taken up. We have been discussing this matter time and again with various State Governments. We have also been pointing out to them that if they changed the structure of sales tax to bring it more in conformity and also into a pattern whereby easier collection is ensured, probably they would be better beneficiaries of the tax; it would be easier to collect and there would be avoidance of evasion of sales tax as well as income tax. With this specific purpose in view, at a conference of the Chief Ministers with the Finance Minister, a proposal was put forward to appoint a committee. A committee was appointed with the late Dr. B. C. Roy as Chairman to discuss the problem of sales tax with various State Governments and bring about uniformity. Various representations had been received by Government requesting them to approach the State Governments and request them to convert sales tax into excise duty so that from the revenue point of view there would be better collection and it would also avoid the evasion that was taking place, in sales tax and income-tax also.

The committee met the representatives of the various States, and tried their level best to pursue this matter with the States, but unfortunately some of the States were not agreeable to the last, and therefore the Committee were unable to make uniform recommendations about sales tax being converted into excise. It is beyond the competence of the Union Government to press or force the State Governments to adopt certain procedures, because it is in their right and juris-

diction to levy the sales tax in whatever manner they like. That is the limitation from which we suffer. In spite of being aware of the hardships, we have not been able to proceed much further.

**Shri S. M. Banerjee:** Can you not advise them to have uniformity?

**Shrimati Tarkeshwari Sinha:** We have been advising them, meeting them and discussing with them, and as I said a little while earlier—perhaps the hon. Member and not hear me—a Committee was appointed under the chairmanship of a person of the stature of Dr. B. C. Roy to convince them about this point of view. That committee suffered from the same limitation; it could only make recommendations, it could not make the State Governments accept such recommendations.

The second point raised was about the possible effects of the sales tax in Delhi. Hon. Members know that because of the peculiar situation of Delhi, most of the Delhi goods are going into the hinterland in other States. It is a big distributive centre, but it has no hinterland of its own. Therefore, the ultimate effect of this tax is also felt by the adjoining States. So, the adjoining States were very much particular that the Delhi rate structure should be more or less, if not completely, on a par with that in the adjoining States. They have been impressing upon the Government of India to keep this point in view. They were also requested to raise sales tax on some of the luxury goods which have been listed from 7 to 10 per cent for two reasons; to avoid more consumption of these items, and to increase if possible an easier source of revenue, because it does not really affect the commonman's demands so much. All the State Governments agreed, and were prepared to raise it from 7 to 10 per cent. So, Delhi could not be left alone because it directly affects them.

That answers the point raised by the hon. Member at my back. Spec-

[Shrimati Tarkeshwari Sinha]

financially because it covers those areas which do not come into the hinterland, we cannot keep the Delhi rate structure completely different from the rate structure of the adjoining States.

Another point raised was that shop-keeper does not make out a bill, which means sales tax is avoided. To a certain extent, in stray individual cases it may be true, but we have put safeguards also to prevent this. The dealer has not only to make a bill of sale to the individual, he has also to keep an account of his purchases. When he makes an account of his own purchases, he can be caught if he does not have a proper accounting of the sales tax. In spite of that, some people are so ingenious as to avoid all the wings of the law. It is very difficult to keep a check on them.

**Shri Prabhat Kar:** Gear up your organisation.

**Shrimati Tarkeshwari Sinha:** We are trying to improve our organisation. Because of that we have been able to reduce the arrears of income-tax to a considerable extent, and we are trying to see that this organisation of sales tax is also improved, but as this organisation really covers the jurisdiction of the State administration, there are certain limitations also in this regard.

So far as multi-point sales tax is concerned, I know it is a difficult problem for the consumers and also for the purchasers who have to pay it. But it is also under the jurisdiction of the State Governments. It is for them to levy a single-point or multi-point tax, and we cannot go very far in this matter.

I am grateful for the general support given to this Bill.

**Shri Shiv Charan Gupta:** It is not merely the rate of taxation. We want to have uniformity as there are certain things also involved, for example exemptions. If the hon. Deputy Minister sees the list of Delhi, Punjab and Rajasthan, she would be convinced

that there is no uniformity of rates.

**Shrimati Tarkeshwari Sinha:** The Delhi. All these problems were considered, and after they were discussed, a common formula was devised, and on that basis this Bill has come before the House.

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

"That the Bill further to amend the Bengal Finance (Sales Tax) Act, 1941, as in force in the Union Territory of Delhi, be taken into consideration."

*The motion was adopted.*

**Mr. Speaker:** There are no amendments

The question is:

"That Clauses 1 and 2, the Enacting Formula and the Title stand part of the Bill."

*The motion was adopted.*

*Clauses 1 and 2, the Enacting Formula and the Title were added to the Bill.*

**Shrimati Tarkeshwari Sinha:** I beg to move:

"That the Bill be passed".

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

"That the Bill be passed."

*The motion was adopted.*

13.18 hrs.

# DEMANDS FOR EXCESS GRANTS (GENERAL). 1960-61

**Mr. Speaker:** The House will now take up discussion and voting on the Demands for Excess Grants in respect of the Budget (General) for 1960-61.