

BUSINESS ADVISORY COMMITTEE
FORTY-SEVENTH REPORT

The Minister of Parliamentary Affairs (Shri Satya Narayan Sinha): Sir, I beg to move:

"That this House agrees with the Forty-Seventh Report of the Business Advisory Committee presented to the House on the 19th December, 1956."

Shri Ramachandra Reddi (Nellore): Sir, I would like to know whether the Banking Companies (Amendment) Bill will be taken up in this session. It was the understanding yesterday in the Business Advisory Committee meeting that it will not come up during this session.

Mr. Speaker: Where is it put down? It is put down as item No. 6 in the agenda.

Shri Ramachandra Reddi: I know it and I am asking whether it will be taken up because there was that understanding.

Mr. Speaker: The hon. Member wants to know whether, notwithstanding the fact that it is put down as item No. 6, there is any proposal to put it off to the next session.

Shri Satya Narayan Sinha: It will come today after the business is over.

Shri K. K. Basu (Diamond Harbour): Am I to understand that the Press Council Bill, as passed by the other House, will not be taken up for no time is allotted here?

Shri Satya Narayan Sinha: Parliament is quite conscious of these facts.

Mr. Speaker: The Business Advisory Committee has to decide. The time has been allotted to the business. Generally, there is a discussion. It is for the Government to say which Bill

they want to get passed first. If they want they may change that order.

The question is:

"That this House agrees with the Forty-Seventh Report of the Business Advisory Committee presented to the House on the 19th December, 1956."

The motion was adopted.

UNION DUTIES OF EXCISE (DISTRIBUTION) AMENDMENT
Bill—contd.

Mr. Speaker: The House will now take up further consideration of the following motion moved by Shri A. C. Guha on the 19th December, 1956, namely:

"That the Bill to amend the Union Duties of Excise (Distribution) Act, 1953, be taken into consideration."

Shri V. P. Nayar (Chirayinkil): Yesterday, before the debate on this Bill was adjourned, I was trying to explain how the percentages of distributable Union Excise Duties, as indicated in the interim report of the Finance Commission, did not do justice to the various States. In that context, I gave some facts and figures relating to the State which I have the honour to represent and also indicated that the Finance Commission's interim recommendations were made seemingly on *per capita* basis without consideration of the other factors. The total amount distributed as we find from the details supplied to us, will be about Rs. 18.2 crores and so even if there is an increase by one per cent. it means about Rs. 18 lakhs which poor States like mine cannot afford to lose in this context.

I have said yesterday that I was conscious that this was an interim report. But, I have not found such interim reports being modified at all although very small changes may sometimes be made. It is very clear from

the Statement of Objects and Reasons because it is said that payments will be subject to readjustment in the light of the decision to be taken on the final recommendations of the Finance Commission. It precludes the possibility of any revision at all from the percentages now indicated. The matter is of very serious concern to my State because, as you know, after the federal financial integration, the revenues which were used by our State to meet the gap left by the revenues from land are no longer with our State Government. I was going through the development of trends which accounted for most of our revenue. I find from the Travancore State Manual that thirty years back, our *per capita* foreign trade in that State was to the tune of Rs. 52.75. Today, with very great development projects and changes in the value of money, even at present, India's foreign trade comes only to a *per capita* figure of about Rs. 30. Thirty years back, my State had Rs. 52.75. You may understand from this how important foreign trade was to our State. There is also another point. Although it was a native State, you cannot say that we are levying excise and customs duties on a scale different from what was levied in the rest of India because I find that under an agreement entered into between the old Travancore State and the British Government after a discussion on the inter-portal convention, both the Governments agreed that they would charge only identical tariff rates and excise duties. One of the conditions was that the British Indian tariff valuation would supercede the tariff hitherto in force in the chowkies of the circar—that was the Government's undertaking. On 23rd May, 1865 a similar clause was added that the Travancore and Cochin States would adopt the British Indian tariff for all exports as well as imports. So, there was no question of saying that we were charging fleecing rates in our customs and excise.

Our economy has developed on this pattern, the result being that in the recent past, we were the first State to

introduce basic land tax. We were suffering from the land tax notwithstanding that we were charging the basic land tax because our other resources from customs and excess would not go to augment the deficit which was caused.

On reading through the recommendations I find that proper justice has not been meted out. There is, what is called, a contribution in lieu of a share for jute for four States. That also is a factor which is, probably, taken into consideration by the Finance Commission in formulating their interim recommendations. I find that very little export duty, if at all any, is levied on jute. But, one of the major items which contributed to the coffers of Travancore-Cochin Government is now contributing to the coffers of the Central Government and we are not getting anything in lieu of that. That is also a substantial amount. I find that in the year 1954-55 the amount contributed by way of export duties on black pepper was Rs. 136 lakhs and in 1955-56 it went up to Rs. 151 lakhs.

Kumari Annie Mascarene (Trivandrum): Sir, I rise on a point of order. Who is here to listen to the financial affairs?

Some Hon. Members: Shri Guha is there.

Mr. Speaker: She did not notice his presence.

Shri Punnoose (Alleppey): He has put on a very deceiving colour.

Kumari Annie Mascarene: He is rather invisible.

Mr. Speaker: A black background with a black coat.

Shri V. P. Nayar: Sir, I am submitting that while Travancore-Cochin Government has been realising many lakhs of rupees and when that revenue is surrendered to the Centre, we are not merely not being given anything in lieu of the export revenue which we were earning but we also find to our utter dismay that, while the erstwhile Travancore-Cochin Government

[Shri V. P. Nayar.]

was recommended to be given a grant of Rs. 45 lakhs now, with a portion of Malabar, we are given, as is indicated in this interim report, only a sum of Rs. 41 lakhs.

Our claim for this increase in percentage is all the more forceful because, as you know, Kerala has very many problems, and the Centre's contribution should be more. I would even venture to suggest that having regard to our various problems, the Government of India should also be kind enough to give us some money in lieu of the export duties which they have collected from pepper with retrospective effect from the date of federal financial integration and continue to give it in future.

After going through the report, I do not think that this is based on any equitable considerations. I could not get the figures of off-take of these articles mentioned in each State but I find, for example, Punjab getting 4.6 per cent. I am not at all worried about that; Punjab, if it has to be given, may be given more. But what are the items? The items on which this percentage will be given to the State are tobacco, vegetable products and matches. As you know, Sir, over 40 per cent. of the people of Punjab are really prohibited from using tobacco.

Shri Tek Chand (Ambala-Simla): Why?

Mr. Speaker: They do not smoke, he says.

Shri Tek Chand: But it cannot be 40 per cent.

Shri Punnoose: Not openly.

Mr. Speaker: Let us not wrangle over the percentage.

Shri V. P. Nayar: A very substantial portion of the population of Punjab cannot use tobacco, and the off-take of matches will very much depend on tobacco. That is one point. Secondly, in the whole of Punjab, my experience is that there is a taboo on

vegetable oils. Except perhaps in one or two towns I do not think vegetable oil is used anywhere in Punjab. Again, as you know, Punjab is a State which has a *per capita* average milk and milk products of 16 ounces. So, if you equate in terms of off-take of these articles, I submit that we should be having better claims. These are duties which accrue from the actual consumption of these commodities in the State. Therefore, *per capita* consumption alone should not weigh in the matter of distribution, and overall considerations have to be taken into account before you indicate that Kerala State will be entitled only to 3.8 per cent.

I would, therefore, very earnestly request the hon. Minister to reconsider this question, notwithstanding the fact that it has been suggested by a Commission which was appointed by the Government and also notwithstanding the fact that this is an interim report. I beg of the Finance Minister to take into consideration the various problems of Kerala State, the fact that the undeveloped portion of Malabar District has also been added on to Kerala territory and also the fact that the Central Government have been taking away all possible revenues from the State by way of export duties and other duties, and that too from a State which primarily depends for its own economy on the export of certain agricultural commercial crops. I would earnestly request the hon. Minister to reconsider this and allot the highest possible percentage to fill up the gap which is likely to occur in the budget. It is not a small sum because one per cent., as I indicated, will be Rs. 18 lakhs. I also request him to give us an undertaking to this effect.

Mr. Speaker: Only 45 minutes are left for this Bill. Today we started at 12-15. Therefore, we must conclude it by one o'clock. How long is the hon. Minister likely to take?

The Minister of Revenue and Defence Expenditure (Shri A. C. Guha): I will take ten minutes.

Mr. Speaker: There will be clauses also, but there are no amendments I think. I find only two or three Members want to participate in the debate. Each Member may have ten to fifteen minutes.

Shri A. M. Thomas (Ernakulam): Sir, I do not think there is any scope for any detailed discussion on this Bill, since this Bill is based on the interim recommendations of the Finance Commission and they have not come to any final conclusions at all. This Bill is to facilitate the appropriate governments to prepare budgets for 1957-58.

I concede that the arguments advanced by my friend Shri V. P. Nayar are arguments which should certainly be taken into consideration by the Finance Commission, and I do not think that this is an occasion in which the rights of States or the particular problems of States *vis-a-vis* the distribution of Union Duties of Excise can appropriately be raised.

I wish to intervene in this debate only to clear one or two doubts. Even according to article 275 of the Constitution the Parliament has to decide. Article 275 says:

"Such sums as Parliament may by law provide shall be charged on the Consolidated Fund of India in each year as grants-in-aid of the revenues of such States as Parliament may determine to be in need of assistance, and different sums may be fixed for different States."

So, this House has to decide the allocations under article 275 of the Constitution. According to the interim recommendations of the Finance Commission, the amounts which have to be given under article 275 are also detailed. I do not know what exactly is the position of the Government with regard to that, when we would pass such a legislation or whether Government does not intend to bring such a legislation at all, as it has done in the case of the Union Excise Duties.

I also want to know what exactly is the Government going to do with

regard to the interim recommendations of the Finance Commission with regard to division of income-tax. It is said: "The President may by order". I want to know when that order will be issued, and whether it will be issued in time so that the appropriate governments may prepare their budgets for 1957-58.

My friend Shri V. P. Nayar referred to the grant of only Rs. 41 lakhs to Kerala whereas the previous Finance Commission had recommended a sum of Rs. 45 lakhs under article 275. But, I think, my friend has omitted to note that even by the grant of Rs. 41 lakhs the *status quo* is continuing, because the original grant was to Travancore-Cochin State. A portion of that State has now become part of Madras so that a portion out of this Rs. 45 lakhs has to go to Madras. There was no grant to Madras under article 275, so that Kerala State is not entitled to any grant under article 275 in respect of the portion which is now added to it. That is the position as it now stands. Whatever it be, of course there are certainly arguments in favour of a sizable grant under article 275 to Kerala, but I believe those things will be taken into consideration by the Finance Commission when it makes its final recommendations under article 275.

With reference to the provisions in this Bill I wish to state that this Bill is under article 272. According to article 272, the amount that has to be distributed is not limited to three articles as has been sought to be done by this Bill.

Article 272 of the Constitution reads thus:

"Union duties of excise other than such duties of excise on medicinal and toilet preparations as are mentioned in the Union List shall be levied and collected by the Government of India, but, if Parliament by law so provides, there shall be paid out of the Consolidated Fund of India to the States to which the law imposing the duty extends sums equivalent

[Shri A. M. Thomas]

to the whole or any part of the net proceeds of that duty, and those sums shall be distributed among those States in accordance with such principles of distribution as may be formulated by such law."

According to the present position 40 per cent. of the duties on matches, vegetable oils and tobacco alone is being distributed among the States and that on a population basis. I do not know what exactly is the reason that the Government has chosen only these three articles, whereas under the Central excise as many as 22 or 23 articles come, and according to article 272 only the medicinal and toilet preparations are exempted. I wish to emphasize this aspect in view of the fact that the Finance Commission is considering this question that the States also are legitimately entitled to a portion of whatever excise duties are collected by the Centre on all these articles. It should not be confined to three articles as has been envisaged by the interim Report of the Finance Commission and also the provisions of this Bill.

We have to take into consideration the commitments of the States *vis-à-vis* the Plan. For the fulfilment of the Plan the Centre is giving subsidies, grants etc., to the various States concerned. For the states to depend mainly on such aid, is not a healthy feature at all. As far as possible the States must depend upon specific allotments for each year and should not depend upon the sweet will and pleasure of the Centre. It is a pitiable state of affairs that at the time of framing the budget the representatives of the various States have to come to Delhi and ask whether they could be given a certain grant, or a loan could be granted or things like that. On these uncertain foundations the State Government have to function. Of course, as circumstances arise, the Centre should come to the help of the States whenever it is called upon to do so. But I wish to emphasize that the States must have a definite source of income which they can

depend upon, and if this 40 per cent. of duties on all the articles collected by the Centre is to be divided, that will meet to a certain extent the situation and the demands of the States.

Another matter I wish to bring to the notice of the Government is that only 40 per cent. of the duties is being allocated to the States. For the income-tax the criteria that is being adopted is (1) population basis and (2) basis of collection. In this matter several States have given their suggestions; some States wish it must be on a population basis. Bombay and West Bengal may perhaps insist on division on the basis of collection. Whatever it be, we are not concerned with that aspect at present. My only suggestion is that the share in the Union Excise duties which is only 40 per cent. can be raised at least 60 per cent., so that the States may find the necessary resources.

These two aspects, one the widening of the range of duties for division and the other the enhancement of the proportion, would, I believe, be borne in mind by the Centre as well as the Finance Commission when they formulate the final proposals.

With these few words, I support this Bill.

Kumari Annie Mascarene: Mr. Speaker, Sir, I wish to point out that this Bill has no *bona fide* in it, and as far as I am able to see through, I feel that the grant from the Centre on the basis prescribed in the Statement of Objects and Reasons is nothing but a camouflage, because the percentage of grant depends upon only three articles, namely, matches, tobacco and vegetable products. I ask the Minister concerned whether there is any stability in this source of income, especially at this moment when exports and imports cannot have a regular source of income on account of the configuration of trade in the whole world. What surprises me is that for the next coming years you have set apart

Rs. 18.2 crores from the Consolidated Fund of India for distribution among the States, and according to the table given in the Bill, the percentage of distribution to Kerala is stated to be 3.86, which I consider is very small. Our State is the biggest exporting centre of commercial products; it has taken its birth with a prospect of deficit finance and it is now given a further incentive of a camouflage of 40 per cent., depending upon vacillating commercial products. I do not wish to speak much on this subject; I wish to ask the hon. Minister this question: "Are you really serious and true in your statement?" I do not depend on the figures given here, for I have very bitter experience of going through your records and I have found the figures given there are all wrong and undependable. With regard to these figures, I wish to ask this: "What is the fate of Kerala regarding the finance in the coming year?" That is all I wish to ask. I do not wish to criticize any other State. It is of the order of what is being given to Orissa or Jammu and Kashmir which is now coming on the scene. Therefore, I request the Finance Minister or the Home Minister to tell us whether the percentage given in this Bill is real or otherwise, to please give our State a suitable source of income from the Centre, so that the problem of deficit in our finance might be met. I do not wish to make any bitter criticism on the point, because I am more or less aware of the reality of these figures; I know they are very different from what are given here. Our State is the best in commercial products. So, please consider this question and give us a suitable source of income in the way of a grant, so that we may face the pressing problems of finance for development and many other sources of expenditure, with confidence.

Shri M. K. Maitra (Calcutta North-West): Mr. Speaker, the Finance Commission has submitted an interim report and this Bill has been placed before the House to give effect to the

recommendations of that interim report. Past experience has shown that interim recommendations generally become final in the final report and, therefore, what has been recommended here will become final in all probability. If we look to the chart of distribution of the proceeds of these excise duties to the States, we will find that population has been taken as the basis for distribution. In a matter like this it is very difficult to take population as the basis of distribution. Somebody will probably plead for consumption as the basis of distribution. Sir, I will plead that this distribution should take place in accordance with the problems that each State has had to face.

If you take that criterion, you will find that West Bengal is probably the most unfortunate State which has to face very great and serious problems. There is the influx of refugees, there is a large volume of unemployment in general and educated unemployment, and there is the question of rehabilitation. So I am not going into the question of population being made the basis or consumption being made the basis; I will suggest that the problems that each State has to face should be made the basis of distribution of these proceeds, and on that basis these proceeds should be distributed.

If we take the problems of the State as the basis of distribution, West Bengal deserves more. And if you judge the problems that West Bengal has to face today, you will certainly agree that a large amount of these proceeds should go to West Bengal. Even if you take consumption as the basis, West Bengal will get more than what has been allotted to it today.

So I will suggest that there should not be any cut-and-dried rigid basis as is followed now, but there should be some sort of flexibility in it, and by weighing the gravity of the problems in each State these proceeds should be distributed; and along with that I plead the case of West Bengal. The Member in charge of the Bill

[Shri M. K. Moitra]

comes from West Bengal. He personally knows the problems that West Bengal has to face, and therefore I hope he will consider the suggestions placed before this House, carefully and with sympathy.

Shri Sadhan Gupta (Calcutta South-East): This Bill is designed to give effect to the recommendations—interim recommendations, no doubt—of the Finance Commission. As Mr. Moitra has pointed out, it is often the experience that the interim recommendations become the final recommendations. Therefore, I hope that the views expressed by us in the course of this debate may have some influence in shaping the final recommendations of the Finance Commission in regard to the distribution of different kinds of revenue.

I would, therefore, plead, as Mr. Moitra has done, for a somewhat different outlook being adopted in the matter of distribution of these duties or different kinds of taxes. In this instance we are concerned with three kinds of Union excise duties.

There is much to be said, perhaps, about distributing on the basis of population. There may be something to be said on distribution in accordance with consumption. But, whatever basis you adopt, it must not be a kind of a rigid basis or an inflexible basis which does not take into account anything else.

Whether it is the basis of consumption or it is the basis of population, certain problems would face certain States, and those problems cannot be overlooked. For instance, Mr. Nayar has pleaded about certain peculiarities of Kerala, that the Travancore-Cochin, part of Kerala, had been depending upon certain kinds of export and excise duties. He has made out a very effective plea for allocation of a substantial part of those duties to Kerala. I would add my voice to Mr. Moitra's regarding the problems of West Bengal.

The population of West Bengal is near about 2½ crores—and now 3 crores after the reorganisation. But the population hardly is the measure of the problems of West Bengal. Now, we are apt to think of our problems in terms of so much expenditure per head. But that will not represent the problems of West Bengal. Out of these three crores I think well over one-fifth is a population which is an uprooted population and, therefore, brings with it its own problems of rehabilitation. Now, this problem bears no proportion to the expenditure per head that would be expected to be made in the case of other States.

Then there is the question of educated unemployment in West Bengal, or unemployment in general—although there the problem is most chronic.

And then there is a third important problem in West Bengal, that is to say the problem of lack of income from agricultural land. In other parts of India the agricultural land available per head of the population is much greater. But West Bengal is a densely populated area, and due to partition it is a truncated State. And, as a result of this shrinkage of the area of the State, the pressure on agricultural land has also increased. The agricultural land available per head of the population is much less, and, as a result, the income from agriculture—which is the exclusive income of the States—is very much less in West Bengal, per head of the population, than in other States.

Therefore, all these things should have been taken into account in allocating percentages, and not a mere mathematical basis of the percentage of population. I would, therefore, plead that some more amount should be given by way of allocation to West Bengal. That increased amount may be given, firstly, by increasing the percentage of West Bengal in order to provide for these additional problems that she has; and, secondly, by increasing the amount of these excise duties

that would be available for distribution. Mr. Thomas has made a powerful plea for increasing the percentage of allocation. Now, only 40 per cent of the excise duty is distributed. There is no reason why this percentage should not be increased. Today the distributable revenue is Rs. 18 crores. If the share were increased to 60 per cent, it would become Rs. 27 crores; and automatically every State would benefit by one and a half times what it gets today. And, together with that, if the percentage of allocation in the case of States like West Bengal or others which face peculiar problems of their own is increased—and the increase would be a substantial increase of allocation in the case of those States—, that would go a long way in helping to solve many of the problems which they face, and also in bringing the benefits to the people in the shape of greater employment, greater rehabilitation facilities and so forth. I will again plead for increased allocation, whether by percentage or by figures, in the case of West Bengal.

Shri B. K. Das (Contai): My other two friends on that side of the House have already put forward the case of West Bengal. I only support that view that the allocation that has been made here with regard to West Bengal is not adequate. When the Commission considers the final allocation for West Bengal, the case of West Bengal should be reconsidered. Our friends have already pointed out how that State is in need of larger funds and how it started with almost nothing in its coffers, after partition nine years ago. So, I only join my voice with other friends, so that this allocation for the State of West Bengal may be reconsidered. I do not wish to take more time of the House.

Shri A. C. Guha: I think the Members who have taken part in this discussion have deliberately ignored the limited nature of this particular Bill. I can appreciate their anxiety to put forward their claims on behalf of their States. But, if they read the interim report that has been placed on the Table, they will find that the Commission has definitely stated that

they have not had any discussion with most of the States. They have discussed the matter only with three or four States and they have repeatedly said that this is just an interim report, which should not be taken as any indication of the final report.

As a result of the passing of the States Reorganisation Act, the Bihar and West Bengal (Transfer of Territories) Act and also the inclusion of Jammu and Kashmir into the list of States that would be entitled to get a share of this duty, it has been made necessary for the Commission to give an interim report. That is why this report has been submitted. Moreover, this Bill is not in implementation of the entire report. It is only to implement one small portion of it, namely, the allocation of excise duties on only three commodities.

Shri V. P. Nayer said many things about Kerala. I have every sympathy with the case for Kerala; but, I would at the same time ask him to look into certain provisions of the S. R. Act, particularly where it has been provided that the Kerala State will be compensated if there is any gap. Section 74 (2) (b) of this Act provides for the payment to Kerala State the difference by which its share of income-tax and union excises falls short of Rs. 22.38 lakhs. This provision also stabilises the payment of the revenue gap for three years from 1957-58 onwards to the three States of Travancore-Cochin, Saurashtra and Mysore. So, sufficient precaution has been taken in the States Reorganisation Act about Kerala State. The share of Kerala under the previous award was 2.68 per cent. and I think it has been increased to 3.86 per cent. There has been some increase in the present allocation, but still I can realise that there may be many points in favour of Kerala as well as of West Bengal.

Shri A. M. Thomas: That increase is because Malabar has now been added.

Shri A. C. Guha: I know; I have already said that this re-allocation is simply due to the fact that the States

[Shri A. C. Guha]

have been reorganised and also Jammu and Kashmir has become a partner in the funds to be allocated. Otherwise, there would not have been any necessity for this interim report or any fresh allocation of revenue.

Mr. Thomas has referred to income-tax and the grants-in-aid provision. I think he should look to the relevant articles in the Constitution. He will find that under article 272, the President's order would be enough for the allocation of income-tax and I do not think there is any necessity for him to be worried that this President's order will not be issued in time. We are anxious to pass this Bill, so that the budgeting of the Centre as also of the different States may be made easier. The necessary orders for the allocation of income-tax revenue also will be issued in time. For grants-in-aid also, there is sufficient provision in the Constitution. If anything has not been covered by this Bill.

Shri A. M. Thomas: Article 272 says, "Parliament may by law provide..." etc. Where is the Act corresponding to that?

Shri A. C. Guha: Under article 275(2), the President enjoys the authority of the Parliament till the Parliament passes any such Act.

Certain claims have been made on behalf of West Bengal, particularly for jute. I think the allocation for jute has increased from Rs. 50 lakhs to Rs. 52.69 lakhs. So there has been an increase of about Rs. 2.70 lakhs.

As for other things, I think it would be better if the hon. Members ask their respective States to place their claims before the Finance Commission. They should not think that the interim report will simply be the accepted thing in the final award of the Commission also. The Commission has been repeatedly saying—at least twice, I remember—that this

should not be taken as any indication of the final report.

I hope there is nothing more to reply to the points raised. I hope the Bill will be passed.

Mr. Speaker: The question is:

"That the Bill to amend the Union Duties of Excise (Distribution) Act, 1953, be taken into consideration."

The motion was adopted.

Clause z (Insertion of new section 3A)

Mr. Speaker: There are no amendments to the clauses.

The question is:

"That clause 2 stand part of the Bill".

The motion was adopted.

Clause 2 was added to the Bill.

Clause 1, Enacting Formula and the Title were added to the Bill.

Shri A. C. Guha: I beg to move:

"That the Bill be passed".

Mr. Speaker: The question is:

"That the Bill be passed".

The motion was adopted.

TERRITORIAL COUNCILS BILL

The Minister of Home Affairs
(**Pandit G. B. Pant**): I beg to move:*

"That the Bill to provide for the establishment of Territorial Councils in certain Union territories, be taken into consideration."

I have great pleasure in making this motion

13 hrs.

This Bill seeks to give concrete form and shape to the broad decisions which have already been taken by this House. I had occasion to indicate the salient features in the course

*Moved with the recommendation

of the President.