

Shri Biswanath Das (Orissa: General) : Sir, the, consideration of this article takes me to the consideration of the recommendations of the Sarker Committee appointed by you to recommend the financial relationship between the Centre and the provinces. Due to certain difficulties the report of the Committee could not be discussed in this Assembly. Necessarily therefore along with this article you will please allow us to discuss fully and frankly the contents of the Sarker Committee Report.

I expected that the terms of the Sarker Committee would be wide enough to include more things than have been undertaken for investigation. I plead with you and with the honourable Members of this House that the time has come when attempts should be made to find out means for evolution of a proper system of finance both for the Provinces and the Centre. Our finances have been allowed to develop without taking care to develop them properly and in a scientific manner. In the result, they have grown in their own way without any consideration of the scientific evolution of such an important question as this. The Sarker Committee Report has nothing in it to face the problem squarely and well. All that it has done is to recommend to this House in what manner certain items of revenue have to be distributed both between the Centre and the provinces as also among the provinces themselves. The limited scope of recommendations therefore makes me confine myself to the recommendations themselves. Considering this article I cannot go beyond the terms of this article, namely, the allocation of the proceeds of the Income-tax. The Sarker Committee proposes that 60 per cent. of the proceeds should go to the provinces while 40 per cent. should go to the Centre. I had expected that sufficient explanation should have been given why the Centre should have 40 per cent. In this connection let me refer to the report of Professor Adarkar and Mr. Nehru wherein they have shown that in Australia the Commonwealth retains to itself only 25 per cent. of the Income-tax. Why should you have 15 per cent. more than what Australia keeps for herself is a matter on which the Committee ought to have given us an explanation. True it is that the Centre requires more money under the present circumstances. But the present difficult circumstances are not to be perpetuated. I have little complaint with any one who pleads for some more expenditure for the Centre in the first three or five or ten years of its existence, but to have a permanent allocation of 40 per cent. out of Income-tax seems to me not very justifiable.

Having stated so far regarding the allocation of the proceeds between the provinces and the Centre, I come to the principle of distribution among the provinces themselves. On this question again I must join issue with the recommendations of the Sarker Committee. Till 1935, Income-tax was not a provincial source. Under the Government of India Act, 1935, Income-tax was kept with the Centre. Though its levy, assessment and distribution is kept in the Centre, yet it was clearly laid down that 50 per cent. of the net proceeds will be distributed among the provinces. Sir Otto Niemeyer's Award stood till 15th August 1947. Unreasonable as the principles of distribution are, it has crippled the smaller provinces. I must in this connection state that provinces under the British Government have had their peculiar existence. The British started, not to develop India in a distinct and defined manner, but wanted to have their own conveniences and set up administration and trade centres with a view to help British trade, with the result that the three presidencies have been propped up with a certain amount of prestige and convenience, all attached to the British administration and attached to the then conveniences of British trade. That being the position, all the business houses had been concentrated in the three presidency towns, and if they are in any other province it is in a few fortunate provinces like the United Provinces. That being the position, the proceeds of Income-tax have unfortunately been allowed by Sir Otto Niemeyer to be distributed mainly on the basis of collection, which is a very unfair and artificial method, for Income-tax or tax on income accrues out of consumption and utilisation of goods by the generality of the masses. Therefore, in whatever manner trade-foreign or internal may proceed from certain definite and established trade centres, it is unfair to say that the provinces having in their areas the business firms as the centrally distributing agencies or manufacturing centres should alone earn the profits. And therein lay the unfairness and unscientific method of the basis of distribution.

As I have already said, the British never attempted to evolve a national system of finance. The business view and the business propensities of the Britisher necessarily told him to look at it from the point of view of collection of taxes because in their country the various local areas have been uniformly developed. If one area has developed its trade the other area is developed in agriculture. So both the areas get the benefits in their due proportions and in due course. In our country unfortunately this is not the case. Therefore, the point of view taken up by Sir Otto Niemeyer cannot be regarded as justifiable. The failure of it can be seen from the recommendations of another Committee. I am referring to the expert enquiry, the Federal Finance Committee that submitted its report in 1933 as a result of the Round Table Conference. Therein you find a decision has been taken that the principal basis ought to be population. Of course it was only an expert enquiry.

In this connection I again refer you to the recommendations of Professor Adarkar and Mr. Nehru wherein they have laid down three principal basis, namely, the basis of population, the basis of area, as also the basis of collection. They have given the last place to the basis of collection and rightly so because collection is after all an artificial process. True it is that centres like Calcutta, Bombay and Madras need attention. Let them have something. But it is unfair to claim the major share from the distribution of Income-tax. Friends from the three presidencies will excuse me if they feel that I am hard on them. It is nothing of the kind. I want a uniform process of development—I do not want any province to be inconvenienced. In fact, I always feel as an Indian and speak primarily from the point of view of an Indian. While thinking of the three developed and advanced provinces I also want them to see that their brothers and sisters in other provinces also follow them. Let them be behind them but let them follow them. Otherwise they will be left singularly alone to themselves. Therefore I do not agree with the principle of distribution on the basis of collection.

The Sarker Committee committed the same blunder—mainly though not exactly as the blunder committed by Sir Otto Niemeyer. The Sarker Committee has taken a step forward by recommending 60 per cent. for the provinces and 40 per cent. for the Centre. I claim that they should have given more to the provinces who are in charge practically of all the nation-building activities of the country.

Severe condemnation of the report comes on another count also, and that is on the recommendation regarding the distribution of the proceeds on the basis of collection to the extent of 35 per cent. out of the 60 per cent. That means practically about 60 per cent. of the proceeds to be distributed on the basis of collections. This to me is very unfair. As I have already stated, I repeat that the Income-tax or tax on income accrues from the incomes of the people and that is measured in terms of consumption or production. The agricultural provinces produce raw materials. The industrial provinces undertake the process of industrialisation and produce the finished goods. There again there is a round-about process. There again those industrial goods are taken and the proceeds are distributed to the same fortunate provinces with the result that the business houses are all located in those three provinces and the agricultural provinces are being deprived of the benefits of the Income-tax, though they have—rightly earned the Income-tax. Under these circumstances I do not agree that the basis of 35 per cent. out of the 60 per cent. is fair to the smaller provinces.

I further request the honourable Members of this House to think of a certain reserve fund. When I speak of a reserve fund I have before me certain precedents. You have got the Petrol Cess Fund, commonly known as the Road Cess Fund. That has been distributed on a certain specified basis. About 15 per cent. of it or 9'0 is kept with the Centre to develop the undeveloped areas. Therefore, let the Centre keep something to itself and distribute it properly and equitably, keeping in view the interests of the whole of India. With these words, I request the House to give due consideration to the aspects that I have raised in my speech.