

Shri Alladi Krishnaswami Ayyar (Madras: General) : Mr. President, after the very full exposition of the report by my Honourable friend Mr. Gopalaswami Ayyangar I had not intended to take Part In the debate on the Resolution now before the House, namely, the Report of the Committee on the Union Powers being taken into consideration. But I felt compelled to do so by reason of certain remarks of my

Honourable friend Shri Santhanam (for whose opinion and remarks I always entertain a high regard) which suggest that the Committee did not seriously go about their business. The remarks of my Honourable friend fall under two heads: (1) Bearing on the subject of federal finance and the distribution of taxing power between the Federation and the units. (2) The general encroachment on provincial legislative power by the addition of certain items to the Federal List or to the Concurrent list. I shall deal with the two points seriatim.

There is no gainsaying that the subject of federal finance and the distribution of the taxing power is a difficult and complicated problem in any federal scheme of Government and has to be approached with caution and discerning and at every stage when we are dealing with this subject we have to remember that, after all, it is an individual or a corporation that is taxed though there may, be two taxing agencies, and that there is no unlimited scope for taxation. Secondly, the industrial, commercial and agricultural economy of the country is so closely knit together that the taxation in one sphere must necessarily have its repercussions on taxation in another sphere. Bearing these points in view, let us approach the consideration of the taxing system. of other Federations and see if on the whole the system adopted in India is not an improvement on the system in other countries with due regard to the peculiar conditions, the poverty and the taxable capacity of the average citizen in this country. In Australia the Commonwealth has plenary powers of taxation with the only safeguard that it cannot discriminate between States or parts of States. I am mentioning Australia particularly because it is a Federation in which the residuary power is in the Union. The States have plenary powers of legislation and it is only in particular matters that powers are confined to 'lie Centre. Even in that country with the growing needs of a modern state, it was felt that the Federation must have plenary powers of taxation. There its no limit at all to the power of taxation in Australia in the Centre excepting this, namely, that it shall not discriminate between State and State. In regard to excise and customs the power in the Commonwealth is exclusive though in regard to other subjects of taxation the Commonwealth has a Concurrent and coextensive power with that of the States. In the Constitution of the Dominion of Canada the power of the province in the matter of taxation is confined to direct taxation and to shop and Other licenses for the raising of revenue and it is in the exercise of the power of direct taxation that Provinces in Canada have been raising Corporation taxes, income-tax and succession duty, where the succession has taken place within the limits of the province. So far as the Dominion is concerned it has plenary and unrestricted power. The Royal Commission appointed recently to investigate Dominion and Provincial relations was definitely in favour of the Provinces withdrawing from all Corporation tax except beneficial licence taxes, tax on real estate or consumption taxes applicable to corporations and other consumers. The differential taxes levied by different provinces in Canada have led to the crushing of enterprise, the lack of uniformity and efficiency from divided jurisdiction. and double and treble taxation. The subject of succession duty by provinces has led to friction of jurisdiction and has been a source of friction and litigation before the Privy Council and double income-tax both by the Provinces and the Centre has been the subject of adverse comment by the industries concerned. A through revision of the taxing system was recommended by the Committee with a view to secure uniformity, the main recommendation being that the taxing power should reside in the dominion and that an adjustment should be made between the Provinces in regard to the taxes levied. While on this subject I may point out I am in favour of a definite proportion being fixed between the provinces and the Centre though the tax-collecting medium may be the Centre in the interest of uniformity. I have no doubt that if a financial Commission or a Committee goes into this matter, they will be able to arrive at a

satisfactory conclusion. so that the Provinces may get the necessary quota for the purpose of meeting the various social service expenditure in the provinces. In America again Under Section 8, a general power of taxation is vested in the Congress, subject only to the restriction that the duties imposed including excise shall be uniform throughout the United States and that no tax or duty shall be levied on articles exported from any State. Under the scheme, of financial distribution in the Government of India Act and to some extent as envisaged in the present Report as far as possible the Object is kept in view to prevent a double levy on the citizen from two different sources. That is why certain specific taxes have been assigned to the Centre and certain other taxes to the Provinces. Even in regard to taxes in respect of which the Centre is the collecting agency on grounds of convenience, provision is made for the distribution. of the same to the provinces, subject only to collection charges or for division of all the proceeds between the Centre and the Provinces. In regard to certain taxes like corporation tax, customs and certain specific. items of excise the Centre the both the collecting agency and the authority entitled to the proceeds thereof. In regard to other items like estate duty, succession duty and so on, in the interest of uniformity, speedy collection and administrative efficiency the Centre is constituted the collecting agency, the proceeds being distributed between the Provinces. In regard to income-tax the, scheme is for the distribution between the Centre and the Provinces. The Provinces have the sole right of collection and exclusive beneficial interest in a few items of taxation. While I do not dispute the need for readjustment or even reallocation in regard to a few items of taxation in the light of the recommendations of any Committee appointed for the purpose, I venture to state, that the scheme of distribution in the Government of India and to some extent outlined in the First Committee's report is a sound one and in some respects an improvement upon the scheme of taxation in other countries.

Beyond making certain general observations, my honourable friend has not chosen to state in what respects the scheme of taxation and the distribution is unsound and in what respects the recommendations of the Committee are radically defective. So much for finance.

In regard to the scheme of distribution of powers, the House will realise that there is nothing to take exception to generally. While a good number of items in the Central list can be brought under the head of Defence, Foreign Affairs and Communications, the three main heads envisaged by the Cabinet Mission Scheme, the items such as Bills of Exchange, Banking, Corporation Law, Inter-unit trade bear upon the general welfare of the country. It is possible in regard to Banking, Corporation Law and Insurance, following the Australian and Canadian model to differentiate between Corporations having purely provincial objects and Corporations whose objects extend beyond the limits of the Units. If so, it would be open to any Committee or to this House to take that into consideration and canvass that point whether it is possible to make any exception in regard to Corporations or Banks having purely provincial objects. We have been crying about a strong Centre. If you look at the provincial lists, very few if at all of the provincial list have been taken up and transferred to the federal list. It will be a much more useful purpose to take item after item in the provincial list. We ought to take item after item in the Central first and see which of them can be transferred to the provincial list instead of arguing abstractly, Centre versus Provinces, a strong Centre versus weak Centre, strong Provinces versus weak Provinces. This is of no assistance when we are dealing with the practical question of evolving a constitution for the future. We shall have to concentrate our attention in the next few days on particular items and see which of the items deserve to be modified. That would be a much more useful purpose than a general attack upon what might be called a strong Centre or a weak Centre. There may be very few items in the Centre

and yet that Centre may be strong. Today it cannot be said that Australia has not a strong Centre; today it cannot be said that America has not a strong Centre. Therefore, having regard to the exigencies of the Indian situation, concentrating our attention upon the main topics of national interest in their relation to the subjects we have to see which of them can find a place in the Central list, which of them can find a place in the concurrent list and which of them can find a place in the provincial list. That would be a more useful mode of approach than a general attack upon the Centre, Provinces and go on. Very few if at all of the items of the provincial list have been taken over to the Centre, as I have already stated.

The existence of a concurrent list in matters like the general code of Indian law, or Hindu Law makes for a uniformity of law. Here again, it is a very useful feature in our constitution. For example, take a matter like the Transfer of Property Act, the Hindu Law, the Law of Succession and so on. There is nothing to prevent even the States from adopting most of the items in the concurrent list. I do not see any reason why the States for example in the interests of sovereignty must be really going on copying or making some small differentiations and passing their own acts in regard to matters of vital and common interest to the whole of India. The common practice that is now obtaining in most of the States is, after an Act is passed by the Indian legislature, for the same Act to be copied in the Indian States with some slight modifications which may add to the purse of the lawyer and not help the uniformity of the law in the different units of India.

Then, coming to the break-down provisions, if the breakdown provisions have been introduced, it was at the instance and on the insistence, if I may say so, of some of the provincial representatives who are occupying responsible positions of Ministers in the different provinces of India. Therefore, Sir, I venture to state that the labours of the Union Powers Committee deserve careful consideration at the hands of the Assembly, and I have no doubt that at the end of your labours and after searching criticism which I have no doubt will be coming from enlightened quarters of this House, you will find, it contains nothing that can be taken exception to. I therefore support the motion that the Report be taken into consideration by the House.