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Extract from the speech of Mr. M.R.Masani in the Lok Sabha on 21st April, 1964, while moving amendments to the Finance Bill, 1964.

in the Schedule

There are only three points/to which I would like to draw the attention of the House. The first is at page 60, and that is the attempt to raise the corporate tax on 'Section 23-A companies' in which the public are not substantially interested, from 50 per cent to 60 per cent, that is, the basic tax.

These companies are precisely the companies which should be encouraged. They are small man's companies, middle class people's companies where family investments are made and private limited companies run. We talk a great deal of concentration of power, but here are companies where power is distributed, where enterprise is distributed. These are the small entrepreneurs and yet, for no reason at all, an extra 10 per cent has been imposed as a punishment on these companies. This is something that deserves to be opposed, and we oppose this particular provision.

The second point is in regard to the Dividend Tax. The proposed dividend tax, as has already been argued, is something quite uncalled for. All dividend taxes till now have exceeded a certain percentage. In the past, when we had a dividend tax in this country, it was laid down that when a company gave a dividend over 6 per cent, then that percentage which was over 6 percent would be taxed. Today, that 6 per cent would normally be 10 per cent, because the Finance Minister and all of us are agreed that both private and public sector enterprises have no right to exist unless they earn a return of 10 percent. But this dividend tax, which taxes you whether you give a 1 percent or 2 percent or 10 percent dividend, is the most indiscriminate and arbitrary kind of taxation. It has not yet formed part of, or found place on, the statute book. It is, in fact, a disincentive to making a profit which is the yard-stick of efficiency. Therefore, this dividend tax itself deserves to be opposed.

Finally, I would like to oppose amendment No. 85. This is about the most extraordinary of the lot. Amendment No. 85 moved by the Finance Minister today, unlike most other amendments that he has given notice of since the Finance Bill, is another burden which is of a retrogressive character. It says that private limited companies which already are going to pay 60 percent instead of 50 percent will pay 64 percent, through the attraction of the dividend tax, if 75 percent or more of the capital of a private company is owned by charitable trusts and the income goes to the recipients of charity.

I would have thought that when charitable trusts and the recipients were the beneficiaries of the profits of a company, special concessions mightbe given to them. But here is a Finance Minister of a Government which happens to resent anyone else doing charity except the Government of India, and he seeks to penalise those companies where 75 percent or more of the capital is held by charitable trusts. It is a most amazing proposal. It just shows that what we say is correct — that these people do not want anyone else to do anything for the people except themselves. If anyone is going to do a good deed, that

that becomes an encroachment on the monopoly of Government. As Rajaji has on many occasions pointed out, our budget proposals for the last two years strike at the roots of compassion and charity. We resent anyone else doing charity. The net result of this particular amendment is that on a company which was going to pay 60 percent as a private limited company, now 75 percent or more of the proceeds of that company which go to charity will pay 64 percent in place of 60 percent.

The Finance Minister may say 'What about the remaining 25 percent? Supposing 24 percent of the capital of the company is held by private interests and 76 percent by charitable trusts, why should be remaining 24 percent get the advantage?' That is a fallacious argument. There is no advantage really. Today, if you are notlargely owned by charities, you pay 60 percent as a private limited company. So it is only fair that those who are not charitable trusts should also get the same treatment. In other words, this amendment penalises the charities that form part of such a company and the non-charities. Neither should be taxed because, on the hon. Minister's own statement, 60 percent is a fair tax for private limited companies. This amendment is particularly pernicious, because it strikes at the roots of compassion and charity, and, therefore, I strongly oppose it.

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