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Extract from
Mr. M. R. Masani's speech in the Lok Sabha on 18.4.64
while moving an amendment re: Estate Duty to the
Finance Bill, 1964

The effect of this clause is to make it impossible for any one to possess or continue to possess a large estate. That arises from the fact not only of the savage rates of estate duty, but of the fact that capital gains tax has to be paid by the estate when it passes from one hand to another.

If a middle class man buys a house, and owing to the accretion in the value of urban property, he dies at a time when the house has acquired a larger value, then not only have his heirs to pay estate duty, but they have to pay the capital gains tax on the increase in the value of the estate. The combined effect of the estate duty and the capital gains tax would be to wipe out altogether major properties or estates in this country; and not only that, but also not to leave a reasonable inheritance to middle class people whose properties may have appreciated.

The Finance Bill proposes to raise the rates of estate duty to as high as 85 per cent on a slab exceeding Rs.20 lakhs and, as the Minister very frankly conceded a few minutes ago, that is a power to kill or destroy which he wants to be exempted from the laws of natural justice.

Let us say a person with a large estate dies. By the time his heirs have to pay the estate duty and the capital gains tax on the rise in the value of the estate since the man bought it, they will find that they have not got the money to pay the estate duty or the capital gains tax. I have moved two amendments which I shall now explain.

The purpose of amendment No. 112 is this. Supposing the heirs of a man have to pay estate duty, but they have not got the cash, they have to sell the immovable property. If they sell it, they make a capital gain, and tax would be extorted on that again. So, what is suggested is that when property has to be sold under compulsion, when a distress sale has to be made in order to pay estate duty, certainly the increase in the value of that property should not ~~be~~ itself be penalised and capital gains tax extorted, because otherwise nothing would be left. Where you are forced to sell your property not because you want to make a profit or a gain, but to meet the demands of the tax-gatherer, certainly the gain that you make in that process should not be taxed a second time. That is the purpose of this amendment.

The other part of the amendment that I have moved would allow people who have shares or immovable property or factories in their hands but no liquid cash to give to the Government at a fair value the immovable property or the share or their other assets in specie. This is allowed in England. In Britain, immovable property can be handed over to the Government in payment of estate duty, because that way you do not have a distress sale, you get a better value than you may be able to get in the market by being forced to put in on the market on a particular date.

My amendment No. 113 seeks to delete the enhanced rates of estate duty. If this amendment were accepted, the present rates of estate duty would continue, and the acceptance of this amendment would mean that the present rates are fair, as indeed they are, and should not be unduly enhanced as they are sought to be done.

As I have said, the cumulative effect of the estate duty and the capital gains tax on estates would be the breaking up of institutions which have served this country, which have given this country goods and services. We are opposed to this kind of vindictiveness, this kind of killing or destruction. As the hon. Minister was good enough to admit, this is a power to destroy. He is welcome to destroy, his Government is welcome to bring this country down in ruins as it is doing year after year but certainly those who see this happening have a right to raise their voice and warn the country against this destructive killing that this murderous Government is taking in hand.