# CHAPTER TWO

## HISTORY OF ESTATE DUTY IN INDIA


2.1 INTRODUCTION

2.2 HISTORY OF ESTATE DUTY IN INDIA

2.3 NATURE OF THE ESTATE DUTY

2.4 BASE OF THE ESTATE DUTY

2.5 NUMBER OF ESTATES ASSESSED

2.6 THE PROBLEM OF VALUATION

2.7 RATE STRUCTURE AND PROGRESSION IN THE RATE STRUCTURE

2.8 EXEMPTIONS, DEDUCTIONS AND OTHER CONCESSIONS

2.9 IMPACT OF DEDUCTIONS ETC

2.10 TAX EVASION

2.11 ARREARS AND COLLECTION OF ARREARS OF ESTATE DUTY

2.12 PROGRESSIVITY OF ESTATE DUTY

2.13 PROGRESSIVITY AND REDISTRIBUTIVE EFFECT OF ESTATE DUTY

2.14 THE DEATH OF ESTATE DUTY

REFERENCES

# :: CHAPTER - II ::

## HISTORY OF ESTATE DUTY IN INDIA

### 2.1 INTRODUCTION :

In this chapter, an attempt is made to give brief historical account of Estate Duty in India.

### 2.2 HOSTORY OF ESTATE DUTY IN INDIA :

In India, the Moghul Emperors consistently claimed the right to impose inheritance taxes on their subjects. Under the Zamorins of Calicut, a duty was levied on the value of the estate of the Mohammedan landlords.[1]

In India, attempts were made to introduce the estate duty once in 1946, by the Late Mr. Liaquat Ali Khan and then in 1948 though the Taxation Enquiry Committee had recommended the levy of this tax as a back as 1924-25. Ultimately the Estate Duty Bill was introduced in the Parliament on August 11, 1952. This was in accordance with the specific constitutional provision (Article 269(2)). This article provides that the tax will be levied and collected by the Central Government but the net proceeds will entirely go to the State of Origin. Mr. C.D. Deshmukh, the then Finance Minister said that the then existing levies did not sufficiently prevent concentration of wealth and that existing inequalities in the distribution of wealth would

be rectified to a large extent by the levy of the estate duty. It was also hoped that it would generate resources for the purpose of financing development programmes. It must be stated here that the imposition of this levy was further backed by a specific recommendation of the planning commission when the levy did land in India. The Central Government imposed the estate duty from October 15, 1953.[2]

2.3 NATURE OF THE ESTATE DUTY :

Death duty is normally of two types. In the first type it is charged according to the value of the property changing hands on the death regardless of its destination. The estate duty Act administered in India is of this type. In the second type, it takes the form of court fees paid to administration and charges for succession certificate and so on.

The estate duty is one of the direct taxes of the Central Government of India. This tax is imposed on the property or estate of a person changing hands after his/her death. It is also known as 'Death Duty'/or Inheritance Tax.

Article 269(2) provides that the estate duty will be levied and collected by the Central Government but the net proceeds will entirely go to the state of origin.

Regarding assignment of revenue from estate duty to states, the recommendations are obtained from the Finance Commission

appointed every five year under the provision of Article 280 of the constitution.

2.4 BASE OF THE ESTATE DUTY :

The constitution of the Republic of India divides responsibility in regard to imposition and collection of the death duties between the Central and State Government. The Central Government can impose death duties in respect of property other than agricultural land only. The estate duty does include the agricultural and other immovable property in the estate of deceased for determining the rate at which the duty would be payable on the property other than agricultural land. On this basis Central Government imposed the estate duty from October 15, 1953.

Under the estate duty act, the duty is to be levied on the principal value of property changing hands on death irrespective of the destination of such property. The principal value of property is defined as the market value of estate at the time of the dath. For determining property, all property, movable or immovable, settled or unsettled, real or personal is taken into account.

The tax is levied on individuals, Hindu undivided families and associations of persons. The duty is leviable on all property

belonging to the deceased, including cash bullion, jewellery, household effects, motor cars and other vehicles etc. The beneficiaries of the property of the deceased have to file within six months of the death of the deceased, the return showing the list and value of the property left by the deceased. In case an individual leaves his interest in a Hindu undivided family property, his share of the property is added to his other property and treated as one estate and taxed.[3]

Gifts given by the person within two years prior to his death are now also taxed as part of estate. Originally estates upto Rs. 1 lakhs were exempted from this tax. This exemption limit was reduced to Rs. 50,000 in 1958. Originally, the rate of this tax varied between 4% and 40%. Since the budget of 1964-65 the rates have been fixed between 4% and 85%. As a result of this, a person who inherits a gross wealth of Rs. 1 crores, after the payment of estate duty of Rs. 85 lakhs, will have only Rs. 15 lakhs left with him.

2.5 NUMBER OF ESTARES ASSESSED :

Table No. 2.1 gives information regarding total number of estates assessed for estate duty and there percentage to total estate. From the data given in this table we can say that though the total number of estates assessed for estate duty has almost more than doubled during 1963-77, as percentage of total estates, there is a significant fall in the number of estates, assessed for estate duty. In the year 1962-63 27% of the estate

were assessed for estate duty whereas only 14 percent of the estates were assessed for estate duty in the year 1976-77.

TABLE NO. 2.1

NUMBER OF ESTATES ASSESSED.

| Years | Total No. of estates assessed for estate Duty. | Total No. of estates assessed as percent of total estates. |
|---|---|---|
| 1960 - 61 | NA | NA |
| 1961 - 62 | NA | NA |
| 1962 - 63 | 3617 | 26.9 |
| 1963 - 64 | 3935 | 23.6 |
| 1964 - 65 | 4801 | 26.4 |
| 1965 - 66 | 4791 | 25.0 |
| 1966 - 67 | 5283 | 26.8 |
| 1967 - 68 | 5539 | 27.4 |
| 1968 - 69 | 5028 | 15.5 |
| 1969 - 70 | 4765 | 13.3 |
| 1970 - 71 | 6496 | 17.8 |
| 1971 - 72 | 6777 | 17.4 |
| 1972 - 73 | 6354 | 15.5 |
| 1974 - 75 | 8267 | 15.7 |
| 1975 - 76 | 8226 | 13.7 |
| 1976 - 77 | 8968 | 13.7 |

Note : NA : Not available.

Source : Government of India, All India Estate Duty, Gift Tax, Wealth Tax, Statistics (Annual) As given in G. Thimmaiah : Prespectives on Tax Design and Tax Reform P. 131.

## 2.6 THE PROBLEM OF VALUATION :

The valuation of taxable estate is an insurmountable problem. The provision of the act is that the value is fixed by the taxation officer. In case the beneficiaries of the estate disagree with the valuation made by the taxation officer, it can be referred to arbitration of two valuers, one of these valuers is nominated by the Government and the other by assessees. If even after this arbitration the disagreement remains, the problem is referred to the third valuer by an agreement of both parties, failing which, by the Central Government and decision of the third valuer is accepted as final and binding.

## 2.7 RATE STRUCTURE AND PROGRESSION IN THE RATE STRUCTURE :

In India the estate duty is a progressive tax. This element of progression in a tax scale may apply in either of two ways. Under one system known as 'totality progression' (means step progression) increasing rates are applied to the entire tax base and not to any part of it only. Under the other system known as 'bracket progression' (means slab progression) the successively increasing rates apply to succeeding increments of the tax base.

In India the rate structure for estate duty has, well from the beginning, been based on bracket progression. India is

perhaps the only country which has adopted bracket progression in respect of estate duty.

In India, the rate structure prescribed in the Act is fixed under a slab system i.e. different rates of duty are applicable to each successive slab in an assending scale. No duty is payable on the first slab of Rs. 50,000 of property which consists of an interest in Hindu Joint Family. In case of other chargeable property the exemption limit was Rs. 100000.

When the estate duty was introduced in India in 1953 an exemption limit of Rs. 50,000 was precribed for the property consisting of a coparcenary interest in Mitakshara Joint Hindu Family and Rs. 1,00,000 for other chargeable property. The property in excess of the minimum taxable limit was taxable at progressive rates. The tax on the Hindu Joint Family property was 5 percent on the slab of Rs. 50001 to 1 lakhs. Therefore the rate was the same both for the Joint Hindu Family property and other property. It was 7.5 percent on the property between Rs. 1,00,000 and Rs. 15,0000 and 40 percent on the estate in excess of Rs. 50 lakhs. Some people represented before the Taxation Enquiry Commission that the exemption limit was too high as compared to other countries where estate duty was levied. The commission felt that since the strength of the staff to administer the tax was relatively small and the staff was in the process of training,

lowering of the exemption limit might considerably increase the working load and cost of collection. However, the commission suggested "The Feasibility of reducing the exemption limit should be kept in mind by Government and all possible efforts made to increase the strength of the staff and to improve its quality, as early as practicable."[4]

Consequently, there was no change in either the exemption limit or the rate of duty upto the assessment year 1957-58. However, in view of the decreasing estate duty collection, the Finance Minister reduced the minimum exemption limit to uniform level of Rs. 50000 for all properties. As the value of the property had gone up on account of general rise in prices, the Finance Minister reduced the rate of duty from 5 percent to 4 percent on the slab falling between Rs. 50001 to Rs. 1 lakhs and from 7.5 percent to 6 percent on the next slab between 1 lakhs and 1.5 lakhs.

The finance Act 1964 granted exemption from estate duty in respect of one house upto Rs. 1 lakh provided the house was situated in a place with a population exceeding ten thousand and the house or a part thereof was used by the deceased for his residence. A new rate schedule was also substituted which raised the maximum rate of the tax to 85 percent against the existing rate of 40 percent and this rate of 85 percent was

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applicable on slab of estates exceeding Rs. 20 lakhs. The rates were steeply increased because, in the eyes of the Finance Minister, "The time has now come to put a check on the passing on of wealth and property covering large amount by inheritance. It is conceded that the right of a person to own and enjoy the fruits of his labour in his life subject to his social obligations should be ensured. But the acceptance of this principle does not justify allowing large family fortunes being passed on from one generation to another."[5]

The Finance Act, 1966 raised the rate of duty between Rs. 1 lakh and 2 lakhs from 8 percent to 10 percent. The Slab of Rs. 2 lakhs to Rs. 5 lakhs was broken into two slabs of Rs. 2 lakhs to Rs. 3.5 lakhs and Rs. 3.5 lakhs to Rs. 5 lakhs, the rate being 15 percent and 25 percent respectively against the existing uniform rate of 15 percent. The rate of tax between Rs. 5 lakhs to 10 lakhs was increased from 25 percent to 30 percent. A new rate schedule was also substituted which raised the maximum rate of the tax to 85 percent against the existing rate of 40 percent and this rate of 85 percent was applicable on slabs of estates exceeding Rs. 20 lakhs. The rate structure is given in the following Table No. 2.2.

TABLE NO. 2.2

RATES OF ESTATE DUTY

| Principal Value of the Estate (Rs. in '0000') | Deaths Between | | | |
|---|---|---|---|---|
| | 15.10.53 & 30.06.60 % | 1.7.60 & 31.3.64 % | 1.4.64 & 31.3.66 % | 1.4.66 & 31.3.78 % |
| On First 5 | NIL | NIL | NIL | NIL |
| On Next 5 | NIL | 4 | 4 | 10 |
| On Next 5 | 7.5 | 6 | 8 | 10 |
| On Next 5 | 10.0 | 10 | 8 | 15 |
| On Next 10 | 12.5 | 12 | 15 | 15 |
| On Next 15 | 15.0 | 15 | 15 | 25 |
| On Next 15 | 15.0 | 15 | 15 | 30 |
| On Next 50 | 20.0 | 20 | 25 | 40 |
| On Next 50 | 25.0 | 25 | 40 | 50 |
| On Next 50 | 25.0 | 25 | 50 | 85 |
| On Next 100 | 30.0 | 30 | 85 | 85 |
| On Next 200 | 35.0 | 35 | 85 | 85 |
| Bl, Exceeding 500 | 40 | 40 | 85 | — |

Source : Wealth Tax, Gift Tax and Estate Duty; Law and Practice by Shiavux Mistry, Second Edition.

By 1984 the rate structure of estate duty as measured by % of gross value of estate was as given below :

RATE STRUCTURE OF ESTATE DUTY

| Estate Value Slab(Rs.) | Rates ( % of gross value of estate) For individuals |
|---|---|
| Upto 150000 | Nil |
| 150001 - 200000 | 10% |
| 200001 - 350000 | 15% |
| 350001 - 500000 | 25% |
| 500001 - 1000000 | 30% |
| 1000001- 1500000 | 40% |
| 1500001- 2000000 | 50% |
| above Rs. 2000001 | 85% |

Source : G.Thimmaiah 'Perspective on Tax Design and Tax Reform' First Edition 1984, Published by S.M.Nangia for Ashish Publishing House 8/81 Panjabi Bagh. New Delhi, 1100 26 P.No. 118.

## 2.8 EXEMPTIONS, DEDUCTIONS AND OTHER CONCESSIONS[6]

1. In order that successors of the estate may not be hard pressed for want of ready cash to pay the tax, the beneficiaries of immovable properties are allowed to pay the estate duty in 8 equal half yearly instalments (with interest at 4% per annum).

2. In case, death of owner of estate follows in quick succession, a proportionate relief is granted, the schedule of such relief is given below.

| | If the Second death within this time (No. of Years) | Percent Rate of Relief. |
|---|---|---|
| 1. | Within 3 months of the first death | Nil |
| 2. | 1 Year | 50 |
| 3. | 2 Year | 40 |
| 4. | 3 Year | 30 |
| 5. | 4 Year | 20 |
| 6. | 5 Year | 10 |

3. Exemption from this is also given for the estate of a member of armed forces as well as police personnel killed in action in the defence of the country.

4. Movable and immovable property out side territories to which Act extends if the deceased was domiciled in such territory

at the time of his death.

5. Property of her husband passing on death of a Hindu wideow if the widow dies within seven years of the death of her husband and duty was paid on the passing of interest resulting from the husband's death.

6. Gifts given away within a certain period ( 2 years) before death are ordinarily liable to the estate duty. But such gifts are exempted if their value does not exceed Rs. 2500 when made for public charitable purpose and Rs. 1500 for any other purpose.

7. The Indian Estate Duty Act gives still another concession to insurance policies by excluding money payable under one or more policies of insurance effected by the deceased on his life, to the extent Rs. 5000.

8, Exemption is given to the amount kept for the marriage of any of his female dependents to the extent of Rs. 10000 for each such dependent. This exemption is defended on social consideration.

9. The estate duty in India exempts household goods including tools of trade to the extent of Rs. 2500(a) books not intended for sale(b) wearing apparel excluding any precious or semiprecious stones or ornments worked or sewn into the

wearing apparel.(c) Paintings, drawings, old manuscripts, photographs, work of art archaeological or scientific collection etc. of national scientific or historical interest not for sale.

10. One residential house upto the value Rs. 100000 (from April 1,1964).

11. National Defence Gold Bonds,(1980) upto fifty kilograms of gold. However, this exemption is available only in case of one death. On a subsequent death no exemption in this regard is available.

DEDUCTIONS :

In India, estate duty act provides for following deductions :

1. Funeral expenses not exceeding Rs. 1000.
2. Dower debts not exceending Rs. 5000.
3. Cost of administration of foreign property, not exceeding 5 percent of the value of property.
4. The whole or part of the estate duty paid in a non reciprocating country. In addition, estate duty payable for obtaining probate letter of administration or succession certificate.

## 2.9 IMPACT OF DEDUCTIONS ETC. :

Table No. 2.3 gives information regarding impact of deductions, rebates and allowances on tax base for estate duty and the net revenue from estate duty. On the basis of the data given in table No. 2.3. we can make following observations.

1. On the average, approximately 6% erosion of the tax base is on account of deductions allowed ( see column No.5).

ii) Similarly the rebates and allowances reduce the amount of gross estate duty by about 40%.

TABLE NO. 2.3

IMPACT OF DEDUCTIONS, REBATES AND ALLOWANCES ON TAX BASE AND NET REVENUE FROM ESTATE DUTY

(Rs. in Lakhs)

| Year's | Gross value of estates. | Total value of deduction | Value of estates assessed for estate duty. | % Erosion of estate duty base on account of deduction ( 3 as % of 2) | Gross estate duty payable | Total value of rebates and allowances | Net estate duty payable | % of Rebates & allowances to gross estate duty. |
|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 1961 - 62 | 5871.28 | 324.64 | 5528.64 | 5.53 | 510.27 | 87.35 | 422.90 | 17.12 |
| 1962 - 63 | 6586.80 | 407.44 | 6179.36 | 6.19 | 480.52 | 50.64 | 429.68 | 10.12 |
| 1963 - 64 | 7008.39 | 327.76 | 6135.63 | 4.68 | 578.54 | 52.16 | 526.16 | 9.00 |
| 1964 - 65 | 8058.76 | 404.49 | 7654.27 | 5.02 | 515.15 | 70.84 | 444.31 | 13.75 |
| 1965 - 66 | 8049.87 | 562.78 | 8487.09 | 6.99 | 518.65 | 72.19 | 446.46 | 13.92 |
| 1966 - 67 | 10125.61 | 662.80 | 9462.81 | 6.55 | 1115.50 | 182.40 | 0933.10 | 16.35 |
| 1967 - 68 | 10260.47 | 699.66 | 9560.81 | 6.82 | 1184.79 | 130.88 | 1053.91 | 11.00 |
| 1968 - 69 | 8793.78 | 670.65 | 8123.13 | 7.63 | 724.39 | 101.30 | 623.09 | 13.98 |
| 1969 - 70 | 9112.84 | 598.60 | 8514.24 | 6.57 | 1061.39 | 119.10 | 942.29 | 11.22 |
| 1970 - 71 | 12754.05 | 835.77 | 11918.28 | 6.55 | 1311.84 | 192.02 | 1119.82 | 14.64 |
| 1971 - 72 | 11121.14 | 730.16 | 10390.98 | 6.57 | 899.62 | 153.42 | 746.20 | 17.10 |

Contd.....(Table No. 2.3)

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|---|---|---|---|---|---|---|---|---|
| 1972 - 73 | 11214.56 | 801.58 | 10412.96 | 7.15 | 1019.30 | 159.30 | 860.00 | 15.63 |
| 1974 - 75 | 13651.31 | 808.53 | 12848.76 | 5.92 | 1117.95 | 155.87 | 962.08 | 13.94 |
| 1975 - 76 | 13251.83 | 758.18 | 12493.65 | 5.72 | 1100.31 | 127.83 | 972.48 | 11.62 |
| 1976 - 77 | 13908.08 | 750.87 | 12157.21 | 5.40 | 1004.39 | 156.08 | 848.31 | 15.54 |

Source : Government of India All India Estate Duty, Gifts Tax, and Wealth Tax Statistics P. 126,127(Annual).

2.10 TAX EVASION :

There are some ways by which an Estate duty can be avoided. The most important form of tax evasion is a gift. Some times it is done in the form of transfer of property to direct heirs to avoid higher rate of taxation, and some time it is done in contemplation of death. These evasions may be checked by providing for stringent legislation in respect of the manner of gift and period within which a gift made would be taxed.

Under valuation of estate is another method of avoidance. The beneficiary may submit a false declaration to real value of his estate and may some times keep some portions of it undeclared. It is difficult to find out as to what interest the deceased had in what properties unless properly declard by the beneficiary. In order to avoid evasion under this head the beneficiary may be asked to submit a true declaration of the property within 3 months after the death of the owner. After 3 months, it may be notified what properties have been truly declared and it may also be notified that any transaction of deceased's property excepting those already declared, will be illegal. This will help a lot to check the tendency of undermining the value of the estate.[7]

TABLE NO. 2.4

ARREARS OF ASSESSMENT AND COLLECTION OF ARREARS OF ESTATE DUTY

(Rs.in Crores)

| Year | Arrears of Assessment | Collection of Arrears. |
|---|---|---|
| 1972 - 73 | 13.41 | 15.29 |
| 1973 - 74 | 14.97 | 15.75 |
| 1974 - 75 | 20.08 | 13.86 |
| 1975 - 76 | 25.47 | 15.31 |
| 1976 - 77 | 27.26 | 15.56 |
| 1977 - 78 | 28.29 | 17.52 |
| 1978 - 79 | 27.80 | 17.11 |
| 1979 - 80 | 34.89 | 17.23 |

Source : Anilkumar Jain" Central Direct Taxation, Administrative Problems" Eastern Economist Feb. 12,1982.

## 2.11 ARREARS AND COLLECTION OF ARREARS OF ESTATE DUTY :

Table No. 2.4 gives information regarding arrears of assessment of estate duty as well as collection of arrears of estate duty for the period 1972-73 to 1979-80. It is clearly seen that,

1. Arrears of assessment of Estate Duty have increased gradually every year except 1978-79.
2. However, it is also seen that collections of arrears of estate duty are increasing gradually but not so fast as the arrears of assessment.

## 2.12 PROGRESSIVITY OF ESTATE DUTY :

Table No. 2.5 gives information regarding pre tax Gini Co-efficient and post tax Gini Co-efficient in respect of estate duty in India for the period 1961-62 to 1978-79. from this data it is seen that estate duty reduces inequality in the distribution of estate but not to a great extent.

TABLE NO. 2.5

PRE-TAX AND POST-TAX INEQUALITIES OF TAXABLE ESTATES IN INDIA

| Years | Value of Estate | |
|---|---|---|
| | G. | G* |
| 1961 - 62 | 0.48183 | 0.45193 |
| 1962 -63 | 0.44862 | 0.42562 |
| 1963 - 64 | 0.45768 | 0.42271 |
| 1964 - 65 | 0.41137 | 0.38820 |
| 1965 - 66 | 0.41603 | 0.39656 |
| 1966 - 67 | 0.50233 | 0.45924 |
| 1967 - 68 | 0.45457 | 0.40772 |
| 1968 - 69 | 0.41864 | 0.38607 |
| 1969 - 70 | 0.45677 | 0.40567 |
| 1970 - 71 | 0.44589 | 0.40599 |
| 1971 - 72 | 0.38847 | 0.35708 |
| 1972 - 73 | 0.40803 | 0.37185 |
| 1974 - 75 | 0.38475 | 0.35258 |
| 1975 - 76 | 0.37724 | 0.34275 |
| 1976 - 77 | 0.36793 | 0.34115 |
| 1977 - 78 | 0.37291 | 0.34531 |
| 1978 - 79 | NA | NA |

Note : NA data are not readily abailable for these years and hence the relevant co efficients are not estimated.

2. G : refers to Gini Co-efficient of pre-tax distribution of taxable estate.
3. G* refers to Gini Co-efficient of post-tax distribution of taxable estate as the case may be

Source : G.Thimmaiah Op.Cit. P. 105.

## 2.13 PROGRESSIVITY AND REDISTRIBUTIVE EFFECT OF ESTATE DUTY :

TABLE NO. 2.6

PROGRESSIVITY AND REDISTRIBUTIVE EFFECT OF ESTATE DUTY

| Years | Estate Duty | |
|---|---|---|
| | $\frac{G}{G^*}$ | $\frac{G - G^*}{G}$ |
| 1961 - 62 | 1.0662 | 0.0621 |
| 1962 - 63 | 1.0671 | 0.0629 |
| 1963 - 64 | 1.0827 | 0.0764 |
| 1964 - 65 | 1.0598 | 0.0564 |
| 1965 - 66 | 1.0608 | 0.0573 |
| 1966 - 67 | 1.0939 | 0.0858 |
| 1967 - 68 | 1.1316 | 0.1163 |
| 1968 - 69 | 1.0845 | 0.0779 |
| 1969 - 70 | 1.1260 | 0.1119 |
| 1970 - 71 | 1.0983 | 0.0895 |
| 1971 - 72 | 0.0880 | 0.0809 |
| 1972 - 73 | 1.0973 | 0.0887 |
| 1974 -75 | 1.0918 | 0.0841 |
| 1975 - 76 | 1.1007 | 0.0915 |
| 1976 - 77 | 1.0785 | 0.0728 |
| 1977 - 78 | 1.0800 | 0.0741 |
| 1978 - 79 | - | - |
| 1979 - 80 | NA | NA |

Note : $\frac{G}{G^*}$ is the summary measure of progressivity suggested by R.A. Musgrave.

$\frac{G - G^*}{G}$ is the equalisation Co-efficient suggested by Hiromitsu Ishi.

Source : Same as Table No. 2.5 P. 109.

The redistributive effect and progressivity of estate duty can be measured further by using Musgrave's method in which are tax Gini Co-efficient is divided by post tax Gini Co-efficient. If the ratio is greater than one then tax can be considered as progressive where progressivity increases with higher and higher value of the ratio. In table No. 2.6 the values for the summary measure of progressivity of estate duty are given in coloumn 2 for $\frac{G}{G*}$. From this coloumn it is clear that estate duty is not highly progressive but almost proportionate implying insignificant reduction in post-tax inequalities in the distribution of estates.

Professor Hiromitsu Ishi has given another measure of progressivity in his paper" Effect of Taxation on the distribution of Income and Wealth In Japan" Published in Hitotsubashi Journal of Economics. June 1980. He calls this measure as equalisation Coefficient of a tax. This is measured by Pre-tax Gini Coefficient post tax Gini Coefficient divided by pre-tax Gini Coefficient. Smaller the value of this ratio less is the effectiveness of the tax. The equalisation Coefficient figures for estate duty in India are given in table No. 2.6 under the column $\frac{G-G*}{G}$.

These figures indicate that the equalisation effect of estate duty in India is very vary low.

## 2.14 THE DEATH OF ESTATE DUTY :

The estate duty occupies the fiscal stage in over 40 countries today. It has proved to be a useful supplement in many countries to other direct taxes and has enabled the Government to get some revenue from estate duty. Naturally estate duty was hailed as an egalitarian measure brought about to reduce inequalities in distribution of wealth and income.

While introducing the estate duty bill the Finance Minister Mr. C.D.Deshmukh said "The then existing levies didnot sufficiently prevent concentration of wealth and existing inequalities in the distribution of wealth would be rectified to a large extent. The levy it was hoped, would also serve the purpose of financing development schemes." It was with these objectives that the Central Government of India, imposed estate duty from October 15, 1953.

Estate duty has been one of the direct taxes upto the budget year 1984-85. But estate duty has failed to advieves its objectives so the Finance Minister declared the removal of the estate duty, from the statute books in the budget speech for the year 1985-86.

### CAUSES OF ABOLITION OF ESTATE DUTY :

In the abolition of the estate duty following causes were taken into consideration.

1. The rich people provide false information about property. They carefully avoid and evade estate duty. The middle class has to bear the brunt of the duty.
2. There is no reduction in inqualities of income.
3. Concentration of wealth has increased.
4. Complications in the valuation of property.
5. So many exemptions and deductions are given which give many avenues of avoiding the estate duty.
6. Lack of effective implimentation of the estate duty.
7. High costs of collection of estate duty and low yield.

Taking in to consideration the above causes the government of India took the decision of abolition of estate duty rather than go in for a rationalisation. The decision taken by the government of India to abolish the estate duty has been described by a commentator as 'The Death of Estate Duty'.[8]

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5279
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