

### **Modification of Tax Proposals**

TAX concessions to companies announced last week by Shri Chintaman Deshmukh do not make any substantial change in the original tax proposals. They are aimed rather at meeting the needs of certain special types of cases which would otherwise suffer hardships.

Three concessions are made to corporations:

1 Premia on shares which are in fact receipts of capital from the shareholders themselves will be treated as such by including them in the capital base, with reference to which the dividend is calculated for purposes of the excess dividends tax.

2 Bonus shares issued from share premia will not be taken into consideration for calculating the extra corporation tax on bonus shares.

3 In the case of companies whose profits consist of taxable as well as non-taxable income, the provisions relating to the extra corporation tax will be applied only after taking into consideration such proportions of the dividends, bonus issued and capital employed as the taxable income of the company bears to its total profits.

Of the two concessions made to registered firms, one does, however, involve a modification of the original proposal under which all registered firms, with total incomes of more than Us. 40,000, were to pay income tax at graduated *rate*; *cm* the whole of their total income. The first slab of Rs. 40,000 out of the total income will now be exempt from the tax. While the Finance Minister has urged that this proposal is meant to give some relief to partners of firms whose share in the income of the firm is small, there is no doubt that a substantial concession has been made which will benefit not only the proposed beneficiaries but also others. The case of those whose share in the income of a registered firm is small could probably have been met equally well by an appropriate adjustment in their personal liability to income-tax or super-tax as under the second concession discussed below.

This second concession is meant to benefit partners of professional firms like those of accountants and lawyers. It is proposed now that in the case of non-business incomes, super-tax shall not be payable by a partner on that amount on which

the tax attributable to such income has already been paid by the registered firm.

While replying to criticisms about his proposal for the taxation of bonus shares, the Finance Minister advanced the curious argument that the shareholder "himself does not have to pay an extra tax on account of what he receives in the shape of bonus shares. What is proposed is that the issue of bonus shares should be taken into consideration while calculating the corporation tax payable by a company on its total income. The burden falls on the company and not on the shareholders".

True, it is not proposed to tax the shareholder himself on the value of the bonus shares as if it were a dividend in his hands. But since the bonus shares would be issued obviously from accumulated reserves, the liability to pay the tax apart from its influence on the decision whether to issue the bonus shares at all, would reduce the proportionate value of the shares that could be issued for any given utilisation of reserves. The tax liability would no doubt, fall on the current profits but indirectly, by influencing the amount that could be added to *reserve* during the current year, it would ultimately have this effect. The fact that the tax would be paid by the company would not make any difference to the fact that the incidence would be upon the shareholder in the shape of a reduction in the proportionate value of bonus shares issued.

### **From Karachi to Teheran**

AMERICA dominated the SEATO Council's conference in Karachi. Britain was the major influence behind the Baghdad Pact Council's meeting in Teheran. This is not the only difference between these two conferences. Since the SEATO conference in Karachi, there has been growing opposition among America's allies to her exclusive reliance on military security. In Teheran, there was less emphasis on the military aspects of the Baghdad Pact. Military security was the main pre-occupation of SEATO Powers in Karachi. Wiser by the hostile reaction to Karachi deliberations, Baghdad Pact members had the wisdom to emphasise the economic aspects of regional alliances.

There are other significant aspects of the Teheran Conference. It has been a constant source of

irritation to Britain that America has pursued a policy to west Asia which has caused embarrassment and loss of political prestige to Britain. At the initiative of America, Britain became an active member of the Baghdad Pact. But America had not closely associated herself with the Baghdad Pact. Both Arabs and Jews are suspicious of Britain because of her active role as a Baghdad Pact member. There has been resentment in Britain that America's policy to west Asia has caused, directly and indirectly, tension between Britain and most of the countries in this region. In Teheran, America indicated her desire to co-operate more actively with the Baghdad Pact members. London will welcome this gesture by Washington.

Britain's attitude to insistent demands by some members of SEATO and the Baghdad Pact for discussions on issues in which some non-member countries are involved may be a concession to New Delhi. But the references to Kashmir in the Karachi meeting and to Kashmir and Palestine in the Teheran conference raise wider issues. Neither India nor Israel is a member of either SEATO or the Baghdad Pact, India is involved in Kashmir. Israel is actively interested in the Palestine issue. Both Kashmir and the Palestine problems are under reference to the United Nations. Only the United Nations have the right and the authority to discuss these issues. References to these issues during the Karachi and Teheran conference pose a problem for the United Nations. India has lodged protests against discussions of such issues by SEATO and Baghdad Pact members. It is now for the United Nations to issue the requisite directive to regional military alliances to function within their limitations.

### **Houses For Whom ?**

THERE has been no lack of publicity for Government's schemes for housing industrial labour and low-income groups. How these schemes have fared in various States and what benefits they have conferred on the sections sought to be helped, however, are a different story altogether. If Bombay City's experience is any indication, then there is cause for concern. The building programme has no doubt been proceeding quite steadily, although not in proportion to the

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needs of this overcrowded city. The question is whether the rents charged, though comparatively low and now deemed uneconomic, have been such as to attract the less well-to-do classes who are most in need of housing and for whom in fact all this construction has been undertaken. If the extent of unauthorised occupation is as large as it is reported to be, then the answer is in the negative. The prevailing practice would seem to be for workers and others entitled to accommodation to take over the rooms and then pass them, on to better off relatives, friends or acquaintances, with or without a premium. The premises are no doubt made good use of; but the primary object of the scheme, which is to provide relief to the poorer classes, is defeated in the process. Apart from that, the drive against unauthorised occupation, which is periodically conducted with all it means in surprise check, searching inquiry and eviction has tended to give the whole housing programme an unsavoury taste.

Things are not likely to be improved if the rents of these buildings are to be raised by 40 to 50 per cent. This is what Bombay's Housing Minister indicated in the State Assembly last week. Rents are being raised, it seems, following the findings of the Accountant-General and the Public Estimates Committee that the rents now being charged are uneconomic. Except for the absence of a premium, the step contemplated by Government now would reduce State-built houses more or less to the same level as private ones, with no special advantage left, to the worker or the low-income groups. In consequence, even the bona fide occupants of these buildings who are trying to meet somehow the present rents, which are themselves not within the means of most of them, may have to quit, reducing Government's primary object, in providing such housing to a mockery. It is not so difficult to put up houses these days, particularly for Government; and there is no great virtue in it. What is important is whether the rents fixed are such that they can be paid without too great a pinch by those for whom these houses are meant; or if the 'economic' rent cannot be reduced, whether Authority can subsidise it to a reasonable extent. Without finding a solution to this question, it would be no more than a gesture on the part of Government to erect

houses and allocate them airily to persons who just cannot make use of them, however much they may need them.

#### **Ground for Hope**

CEYLON'S Premier, Shri Bandarnaike has given out that he would be having informal discussions with Pandit Nehru on the issue of Indian settlers in Ceylon at the Commonwealth Prime Ministers' Conference in London in coming June. Formal talks are to follow. Shri Bandarnaike has himself been a party in a sense to the last Nehru-Kotelawala agreement which has been bedevilled by hair-splitting essays in interpretation. The three-page agreement might not have led to so much elaboration, if the desire to implement it were sufficiently keen. Nevertheless, as differences have arisen, there are two alternatives open: either to replace it by a new agreement or to refer the differences to the judgment of a third party acceptable to both the sides, as suggested by Pandit Nehru.

Instead of going over the entire ground again, it might be advisable to try the second alternative. In any case, if Ceylon is disposed to play fair to such Indians in the island as are entitled to citizenship, there should not be much difficulty either way. Shri Bandarnaike has given ardent expression to his regard for our Prime Minister; and recent developments have shown that there is much in common between them, whether in respect of domestic or foreign policy. The socialist line that Ceylon's new Government is inclined to follow should make it easy for the Premier to give a fair deal to the Indian have-nots in the island, while the policy of friendship with all that is evolving itself in the foreign sphere, with the accent on Asian countries, makes it imperative that there be no continuing cause or misunderstanding between the two next door neighbours. The problem is essentially a human one, and it must be treated as such. With two warmly human personalities like Pandit Nehru and Shri Bandarnaike tackling it now, there is considerable ground for hope that it will at last be solved.

#### **Cominform Dissolved**

DISSOLUTION of the Cominform can be interpreted in more than one way. Time and time again, the Western Powers have reminded Moscow that its propaganda and

supervisory efforts are intermingling the "cold war". Moscow can now claim that the decision to dissolve the Cominform is a gesture which should be reciprocated by the Western Powers. During Pandit Nehru's visit to Russia, the Soviet Union and India issued a joint declaration in which Russia accepted the principle of non-interference in the internal affairs of other nations. Formal dissolution of the Cominform, Moscow can claim, is an emphatic proof that Russia means what she says.

Unlike the Comintern, the Cominform was never rigid. It was created as the war-time alliance between Russia and the Western Powers showed signs of degenerating into the "cold war". To be precise, the Cominform was the Russian answer to the Truman Doctrine. It has played an active role in the establishment of Communist governments in eastern Europe. Cynics will no doubt insinuate that, with the emergence of the Warsaw Pact, the Cominform has become redundant, even as the Truman Doctrine has been embedded in NATO. There will be hope that the demise of the Cominform will be the prelude to the dissolution of NATO and the Warsaw Pact.

That will depend on the end of the "cold war" through an agreement on world disarmament. Meanwhile, the dissolution of the Cominform will be interpreted as another blow to Stalinism. Strict control and supervision of the Communist parties and movements in foreign countries by Moscow was an integral part of Stalinism. By dissolving the Cominform, Stalin's successors imply that such "centralised control" from Moscow is no longer necessary. This does not mean that Moscow has abandoned its faith in World Communism. It implies that Stalin's successors are inclined to the view that the existence of different types of economy in the different countries is no obstacle to the ultimate goal of World Communism.

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