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The End of the Affair

|T was widely felt at one time that the Finance Minister would not be able to survive the storm raised by the tax proposals contained in his post-General Elections Budget. In the event, this fear has proved to be unjustified. In spite of powerful pressure from influential quarters including certain important members of the Cabinet itself the Finance Minister has ultimately succeeded in steering his tax measures across, but only by forgoing in tax revenue something like three to four crores of rupees of the additional receipts for which he had originally budgeted. A considerable proportion of the credit for this success must be given to the Prime Minister, but for whose positive support, Shri Krishnamachari might have found it difficult to survive the onslaught against him. The concessions that have had to be made in spite of this support provide some measure of the vigour with which the attack against the tax proposals was pressed. The amount of three to four crores of rupees cited above represents the cost of concessions made in the Wealth Tax and In the tax on railway fares. The loss in income caused by the amendments made in the Expenditure Tax Bill are not included as receipts from this tax will only accrue next year.

The amount of revenue surrendered is small. But one should not ignore the fact that some of the concessions made are of great significance. Since the new taxes have now taken final shape, it is appropriate that stock should be taken of the changes they have undergone -since they were proposed,

In the case of the Wealth Tax, the most significant amendment is the one authorising a rebate of 50 per cent to foreign investors who are not ordinarily resident in India. This amendment is very clearly intended to provide one more tax incentive to foreigners who plan to invest their funds in this country and is in line with the concessions the Finance Minister announced In his budget speech whereby the rate of super-tax on dividends received by principal companies from subsidiaries has been reduced from 17½ per cent to 10 per cent and the effective rate of super-tax on Indian branches of foreign companies reduced from 36 per cent to 30 per cent. There was a time when even the most minor concession in favour of foreign interests would have met the most powerful opposition; today the concessions are given without even a murmur of opposition. This change in the climate of political opinion in India is worth special notice in those quarters abroad which are favourably disposed towards helping this country. It will undoubtedly strengthen the Finance Minister's hands in any bid for increased American business investment in India which Shri Krishnamachari might make during his impending visit to the United States,

Some of the other changes in the Wealth Tax are hard to approve. For instance, the raising of the exemption limit for the Hindu Undivided Family from Rs 3 lakhs to Rs 4 lakhs, without first arming the Bill suitably against the splitting up of property will only increase the scope for tax avoidance. As the Finance Minister himself conceded in the course of the budget debate, the entire approach to the treatment of the ' Hindu Undivided Family in tax laws calls for urgent re-examination. But such a re-examination will probably be quite a tortuous process. In the meanwhile, a solution to the [present difficulties, it is suggested,