

Income Tax Arrears

THE disclosure in the Lok Sabha by the Finance Minister that the arrears of income tax outstanding at the close of the year 1956-57 amounted to Rs 200 crores must give cause for great concern. This was more or less implied in the figures published in the Reserve Bank's Bulletin for the month of June, 1957. While the tax demand is reported to have increased by over 17 per cent during the First Five Year Plan, the collection declined by 3 per cent. In other words whatever elasticity the income tax system does possess in relation to expanding incomes, gets vitiated by the fact that the revenue authorities are unable to enforce proper and timely collection. The effectiveness of a tax system as a tool of economic policy, it must be realised by persons who hold the reins of the revenue department, depends upon the promptitude with which the collection of the taxes imposed can be enforced. Inefficiency in collection detracts from the usefulness of the tax system.

It might be argued that the inability of the revenue department is due to the department's reluctance to increase its strength in the interest of economy. One can only say that there could be no worse case of false economy than this. If the department has saved on establishment, say, a crore of rupees per annum over the five years of the First Plan, it must realise that it has thereby been unable to collect Rs 200 crores.

Now that the startling proportions which the income tax arrears have reached is known to the public, it is hoped that the Ministry of Finance will urge on the revenue authorities to take immediate steps to recover them. The revenue authorities may be asked to see that by the close of the year 1957-58, the outstanding arrears are brought down to a maximum of Rs 100 crores. But in this campaign for the recovery of arrears, the revenue authorities should not relax over-much the already lenient penalties enforceable under the Income Tax Act. Relaxation in penalties creates a feeling among the taxpayers that the penalties prescribed in the Act can eventually be got over. And this type of feeling goes against prompt enforcement of tax collection. On the

other hand, if it is considered necessary, the department should be allowed to expand the strength of its officers, more so now when they are likely to be absorbed for assessment of wealth and expenditure taxes.

Risk and Progress

THE report of a survey by Japanese experts of the much-misunderstood proposal for an underground railway in Bombay City, just published, makes interesting reading. The scheme has been visualised in two stages to cover almost all the traffic congestion points in the southern sector of the City between the Museum and Bombay Central, the total cost being estimated at Rs 28 crores. The time required for implementation of each stage has been put at four years, and for both the stages together at six years. But it has been pointed out that operation could start even when only the first half of each stage had been completed. The work is to be taken up in five sections in respect of each stage, the capital requirements being spread in varied proportions over the period of six years required for execution of the two stages together.

Much of the misunderstanding over the proposal for an underground railway in Bombay has arisen from the assumption, intentional or unintentional, that the proposal had already been accepted by the Corporation, which is the final authority to take a decision on the matter. That is far from the truth: all that has happened so far is the conducting of a preliminary survey, meant to clarify the financial implications of the scheme, its practicability and possible advantage, with no commitment on any side. What decision the civic body will ultimately take on the proposal is more than can be speculated at this stage, particularly in view of the fact that members of the present ruling party, when in opposition before, had not taken kindly to the scheme and certain sections at least of the local press had worked themselves up into a rage over it—a rage that still seems to smoulder.

Nevertheless, there is no ignoring the hard reality that there is no solution, short of an underground railway, that can possibly relieve the increasing traffic congestion in City streets, holding up the movement of men and vehicles particularly at peak hours and affecting

the business of the metropolis. So the scheme will have to be taken up some time or other. The only question is when, which is essentially a matter of fixing priorities among the numerous problems facing Bombay in the civic field. The funds could be found, and the indication that in the long run it would be more economical per passenger mile to operate an underground railway than surface transport like bus and tram and that both the stages together would start showing a profit by the end of the fifth year of working is encouraging.

In the circumstances, to mix up some rather unrelated issues is to make the scheme appear as though it were a piece of unwarranted extravagance and imply on the basis that it might well wait till the last civic problem had been solved. This would be an unrealistic and also unprogressive attitude. A number of the unsatisfied civic needs of today which have come to be pitted against the proposed scheme for an underground railway in fixing priorities are by no means of recent origin. They have been with us for decades, and were they to be an argument all along against necessary progress in new and seemingly visionary directions, Bombay would not perhaps have advanced even to the stage of trams and buses. It might well have remained stagnant in the bullock-cart age. We are realising only today the significance of the price that pioneers paid in those relatively conservative times for the sake of future progress, the direction of which was then less predictable and far less clear than now. Progress is the child of calculated risk

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