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The Central Budget

SHRI Morarji Desai, it will be admitted by even his severest critics, has always taken his responsibilities seriously. The Third Five Year Plan has set a target of Rs 1,100 crores for revenue from additional taxation over the five year period. To the task of achieving this target, Shri Desai has devoted his conscientious and devoted attention. The tax proposals he made last year are now expected to yield between Rs 70 and Rs 75 crores per annum as against the original estimate of Rs 57 crores. Even so, the achievement of the target of new tax revenue called for a further sizeable tax effort this year. Shri Desai has not shirked that task.

The new lax proposals are expected to bring in Rs 68.88 crores of additional revenue this year of which Rs 60.80 crores will accrue to the Centre. With various adjustments in the figures of revenue and expenditure presented in the interim Budget last month the overall deficit was expected to be Rs 150 crores. The Finance Minister's proposals have, therefore, left a gap of Rs 89 crores uncovered. This amount of deficit financing does not appear to be significantly at variance either with the permissible level of deficit financing over the Plan period or with what might be justified by the conditions prevailing in the country at the present time. It is not unlikely that the actual revenue from the new taxes may be much higher than has been estimated by the Finance Minister; this has been the normal experience. One cannot however, be certain that the overall deficit will be significantly reduced by any buoyancy in tax revenues. The possibility that capital receipts may be lower than estimated has introduced an element of uncertainty which makes one less sanguine on this count than one would normally have been.

The new tax proposals provide for increases in corporate and personal income taxation and the wealth tax. They also provide for a number of new excise duties and increases in existing duties. The Finance Minister has thus explored both direct and indirect taxes for increased revenue for the purpose of financing the Plan. Wis proposals also provide for the abolition of the Expenditure Tax. which has not brought any significant addition to the revenues. The increase in corporate taxation was as anticipated, the total tax on companies being now increased from 45 to 50 per cent of their taxable incomes. This increase will not. however. apply to that part of their income which is earned from exports. Thus the Finance Minister has slipped "in an export incentive in the sphere of direct taxation as suggested by the Mudaliar Committee, but this incentive will be available only to companies and not to individuals. In assessing the significance of the increase in the taxes on company incomes, the concession that has been made in the sphere of inter-corporate investments must be taken into consideration. This concession has been specifically given in view of the increase in the rate of taxation applicable to companies, but no change has been made for income from Indian subsidiaries. Investment companies and development banks will benefit specially from the con cessions that have been made.