



## CHAPTER FOUR / CONCLUSIONS AND SUGGESTIONS

### 4.1 INTRODUCTION

The researcher has undertaken a survey of direct taxes during the period from 1984-85 to 1988-89 and has attempted to examine the amendments incorporated in the direct tax statutes during the study period. The conceptual background and the relevant issues have been examined in the opening Chapter. Theoretical discussions have been made in the Second Chapter. An attempt has also been made in the same Chapter to elaborate the concepts relating to the objectives of the study and their relevance so far as the direct taxes are concerned. In the Third Chapter, some of the issues pertaining to the direct taxes during the period taken for study have been discussed alongwith tax proposals for each period. The significance of the direct taxes in the overall revenue mobilization has been highlighted and emphasis on the various issues has also been discussed.

### 4.2 CONCLUSIONS

The conclusions which emerge from the present study primarily relate to the fact that the taxes are the important components of the overall revenue generation of the State and they occupy a prominent place amongst the revenue resources. The tax revenue forms a significant part of the total resources and it aims at serving different economic and social objectives.

The thrust shown in the earlier Chapters points out that there is a heavy reliance on the indirect taxes whereas the thrust on the direct taxes has been showing a declining trend. The direct taxes are supposed to mobilize the resources, but at the same time, are also intended to minimize the income and wealth inequalities; but the proportion of the direct taxes to the indirect taxes discloses the fact that the heavier reliance on the indirect taxes has been increasing, whereas the declining trend on direct taxes shows that it accelerates the concentration of the wealth in the hands of few. This also reveals one significant fact that the gap between the overall revenue and the tax revenue is increasing; while the difference between the direct taxes and indirect taxes consequently shows that the tax revenue collections do not serve specific economic or social purposes. This can be substantiated if a closer study is aimed on the direct tax and indirect tax revenues.

The Union Budgets over the period also reveal that the overall tax collections have been on an increase, but the ratio of total tax collection to the total revenue has not proportionately increased. The framers of the Budgets have to take into account the consequences of this trend. With this concluding remarks, the following suggestions have to be taken into account:

### 4.3 SUGGESTIONS

1. There is a need to examine the economic objectives in a systematic manner and link them with the budgetary exercise. A closer look at the Union Budgets during the study period reveals that the Union finances have suffered from various trends and pressures and depending upon the requirements of the exchequer, the taxes have been modified/revised and implemented. A systematic examination of the economic objectives would provide a stable tax framework.
2. The Union Budgets over the period also reveal another feature that of late, there has been a heavier reliance on the indirect taxes. This has to be corrected at the earliest, as the heavier reliances on indirect taxes would distort the social fabric inasmuch as the poor will become poorer and there will be an increasing concentration of wealth in hands of few.
3. The ratio of direct taxes to indirect taxes has to be corrected by enlarging the sphere of direct taxes and by widening the same so as to effect more collection from the direct taxes.
4. The Union Budget is an instrument in hands of the Government with a view to effect economic changes in the society. The Union Budgets during the period undertaken for study would reveal that the State has

failed to attain these economic objectives, as only piecemeal and arbitrary economic policies have been adopted.

In sum, the conclusion of the present study is that the Union Budgets during the period from 1984-85 to 1988-89 have failed to give any definite direction to the Government's attempts at ensuring social justice and resource mobilization; because of its failure to adopt long-term purpose-oriented measures and use to the tool of direct taxes to that end. Instead, the provisions of direct taxes have been amended/modified to overcome year-to-year exigencies of the economy. In order to ensure social justice and resource mobilization, the framers of the Union Budget should adopt a goal-oriented approach rather than the situation-oriented one.

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