

## CHAPTER - VII

# CONCLUSIONS AND SUGGESTIONS

CHAPTER - VIICONCLUSIONS AND SUGGESTIONS

The present scheme of taxation of capital gains needs to be oriented towards more productive investment of capital there by accelerating capital formation and rapid industrial development to achieve economic growth with stability and social justice. Change in the scheme of levying capital gains tax results better than changes in the taxation of other items of income and wealth. Following are the suggestions -

- 1) The present distinction between short term and long-term capital gains may be given up since such a distinction does not serve to achieve the object of rapid capital formation and more productive investment. The distinction is not rational and realistic. In fact distinction between earned and unearned income is more realistic.
- 2) The present scheme of granting exemption in respect of profit arising on the transfer of jewellery should be discontinued as the exemption is not in the national interest.
- 3) The tendency to split the capital asset and transfer the same in the different years with a view to reducing the incidence of tax should be checked. The aggregation

should be adopted.

- 4) The definition of the "Capital asset" does not include personal effects including motor car, scooter, or other conveyance, however valuable it might be. Profit on sale of these personal effect do not attract any liability to tax. The tendency to create unaccounted income from these sources would be reduced if these items brought to tax.
- 5) It is most essential to give a more concessional treatment to productive investments in shares and securities so as to accelerate capital formation and economic growth.
- 6) The right of appeal to the Supreme Court cannot be derived to the assessee on the ground on equity and justice or the Department to make an appeal to Supreme Court against the order of the High Court. The right should be exactly same as in the case of assessment to income tax.
- 7) Concessional tax treatment will be eighter by taxing capital gains, even if they are short term in nature, arising from transfer of productive assets or by spreading the capital gains on sale or transfer of such capital assets over the period for which the assets were held.

- 8) The provisions for aggregation of capital gains u/s. 60 to 65 should be so enlarged to cover every case of transfer for inadequate consideration by the assessee to any of his relatives.
- 9) Rural agricultural lands should also be brought within the purview of definition of capital asset by making suitable amendments.
- 10) Tax concession for all items of capital gains should be based upon the investment of the entire consideration received on transfer of capital asset. If the investment is only a part of consideration, exemption should be given proportionately.

The scheme of taxing all capital gains should be brought in line and that the investment should not be sold or transfer within the period of ten years.

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