

" C O N T E N T S "

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C O N T E N T S .

CHAPTER: I:

- 1.1. statement of the Problem and Hypothesis.
- 1.2. Aims and Objects of the study.
- 1.3. Method of the study.
- 1.4. Limitation of the study.
- 1.5. Arrangement of Chapters.



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" STATEMENT OF THE PROBLEM."

Experience is the best teacher. The experience of our taxation policy administration since its inception as a tool in tapping revenue to the govt. on the one hand and as measure of achieving socialistic pattern of society on the other, exposes number of inconsistencies (ineffective) in making the tax law ineffective.

The opinions of eminent Economist on Indian Tax structure will give us a rationality of taxation policy. Prof. Koldar says " The present system of Direct Taxation in India is both inefficient and inequitable. It is inequitable because the present base of taxation i.e., income defined in law is defective and is capable of being manipulated by certain classes of tax payers. It is inefficient because of the possibility of largescale evasion on account of the limited information furnished by tax payers and on account of the absence of any comprehensive reporting system of property transactions and property income.

Koldar states that an effective tax system should be based on the principle of equity, Economic effect and administrative efficiency.

!PUBLIC ACCOUNTS COMMITTEE!

The adverse comment of the public accounts committee in its 34th report placed before the parliament reveals the short coming of Dept. and the cumbersome nature of illdrafted tax law's many amendments made over the years to the direct tax laws have rendered them "Onerous and incomprehensible and the job of assessing officers exceedingly difficult. It has charged that the drafting of the tax law was faulty in the first place, thus necessitating the amendments which have proved to be an exercise in futility.

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It further points out that more than one-third of the income tax departments effort is frittered away in dealing with ineffective cases, yielding hardly any revenue.

Secondly there has been a mounting pendency of assessments and delays in finalisation of cases. Thirdly there is lack of co-ordination between income tax and wealth tax assessments.

Shri. A. C. Samphath Iyengar has rightly decried the Direct tax laws in India on the grounds of quality, nature, rationality, equitableness and propriety.

Shri. Meraji Desai the former Prime Minister of India and renewed Finance Minister also expressed the effectiveness of the tax administration, from an insider point of view "The administration many times considers only the convenience with which it can function and function in such a way that it is not to be blamed....".

The administration must run smoothly and conveniently. But the convenience must not be of an individual officer and not at the cost of convenience of people. This view has also been supported by Direct Tax administration enquiry committee.

The eminent jurist J. C. Shah and M. C. Chagla have specifically pointed out the temporary and tenuous nature of amendments to tax laws made frequently, as a result of which the litigation have been increased putting more burden on the Indian Judges.

In a nutshell following points reveal defects in our taxation.

1) The amendments have been numerous, ill-drafted, ill-co-ordinated with other sections of the Act or other types of taxes. This has resulted in confusion and Disorder.

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for the tax payer's tax gatherers and tax advisers overburdened the court of law.

2) The tax laws are unscientific and inefficient and do not conform to the canons of taxation. Those who must pay tax are not necessarily brought under its purview, cases of arbitrary and discriminatory taxation are not avoided. Thereby great power is vested in the bureaucracy which is not always noted for its consistency, efficiency.

3) Tax laws being made compulsory chaotic, and arbitrary, have become a closed book to the common man who is the tax payer. Unless he can understand the rationality behind the taxation he cannot feel happy or at ease in his mind while paying taxes as part of his duty as a citizen. The tax law therefore, must be made simple and rational in the light of the canons of taxation.

HYPOTHESIS OF THE STUDY.

- 1) The provisions of income taxation are inconsistent to objects of taxation as a tool of fiscal policy.
- 2) Provisions extending exemptions of certain incomes are inconsistent, and ineffective to the objectives of taxation and not in conformity with canons.

Based on the above cited problem and hypothesis the present study is undertaken with the following aims and objectives.

AIMS & OBJECT OF THE STUDY:

1. A critical examination of exemptions under section 10 of I.I. Act 1961.
2. Analytical study of agricultural income and exploring the possibilities of bringing agricultural income under income tax which is completely exempted at present from Income Tax.

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3. To make suggestions on findings of the above study, in making the exemptions more effective in rationalising the scheme of exemptions.

Method of Study:

The study is mainly based on the bare provisions of Income Tax Act 1961, relevant Income Tax Rules along with judicial pronouncement, literature, etc, wherever necessary.

Judicial decisions and relevant literature concerning fiscal and economic subjects and also personal discussions with tax officers, consultants, economists and industrialists. Since the entire research is conducted with the available literature the scope is confined to library research.

Limitations of Study:-

- 1) The scope of the study is confined to only income totally exempted under section 10 though there are other income exempted under section 11 to 13., which are not covered under this study.
- 2) Also in section 10 although various sections relating exemptions have been discussed a major emphasis is given on exemptions relating to agricultural income.
- 3) The Present study confines to the statutory provisions

Arrangement of Chapters:

- k) The chapters in the dissertation are arranged as follows
 1. First chapter is an introduction to the problem and refers to the objectives of the study, method of study, limitations of study and arrangement of chapters.
 2. Second chapter deals with "Historical background of Income tax, cannons of taxation, as an instrument of fiscal policy, objectives and principles of taxation and an ideal tax system.

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3. Third chapter deals with the meaning, the nature the significance and related sections of exemptions, deductions and rebate.

4. Fourth chapter is sub-divided into three parts under A,B. & C. Bare part of provisions of exemptions u/s 10, are reproduced in part 'A'. Part B deals with a critical examination of exemptions u/s.10., and part C deals with an analytical study of agricultural income with reference to supreme court cases.

5. Fifth chapter is concluding chapter reflecting observations, suggestions and conclusions.