

increase the mobility of the local police to move along the river front as a squad and help prevent the throwing of waste material into the river. The squad will also help the municipal authorities in removing animal carcasses and dead bodies floating in the river and arrange for their proper disposal. The scheme which has been sanctioned at an estimated cost of Rs. 27 lakhs is principally for the procurement of boats and communication equipment.

(c) The police personnel is being provided by the State Government from its own resources.

(d) The West Bengal Government has submitted a proposal for improving the mobility of the Calcutta River Traffic Police to control river pollution.

Study Group on Taxation of Expenditure

660. SHRIMATI BASAVARAJESWARI:
SHRI H.N. NANJE GOWDA:
SHRI G.S. BASAVARAJU:
PROF. NARAIN CHAND
PARASHAR:

Will the Minister of FINANCE be pleased to state:

(a) whether the study group on Taxation of Expenditure has submitted its final report;

(b) if so, the main recommendations made by the Study Group; and

(c) by what time, the Government propose to examine these points and the action proposed in the matter?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JANARDHANA POOJARY) : (a) Yes, Sir.

(b) In their Final Report, the Study Group has concluded that whereas restructuring the direct tax system on the basis of expenditure tax principle would be advantageous, introduction of expen-

diture tax proper would create insurmountable administrative problems and cause great hardship to average taxpayers. The Study Group has, therefore, recommended that the income-tax structure be retained and the expenditure tax principle may be introduced therein to the extent possible subject to the requirements of revenue. Regarding the existing schemes of incentives built into the Income-tax Act, 1961, the Group has made the following various recommendations:

(i) The scheme of tax incentives for savings should be such that it encourages and rewards only net savings as far as possible, that is to say, if an investment or deposit (saving) is exempt, the disinvestment or withdrawal must be brought under charge.

(ii) If deduction is allowed for making an investment, then the income from the same investment should not also be exempt.

(iii) Savings flowing into private sector should be extended concessional treatment to a certain extent so that there is greater competition between investment of savings to public sector and the private sector; leading to a higher degree of efficiency.

(c) The recommendation of the Study Group to devise a scheme of incentives based on the net saving principle has already been accepted by the Government. On this principle, the National Savings Scheme has been notified. A new section 80 CCA has been incorporated in the Income-tax Act, 1961 which provides for tax incentive for the net saving made under this scheme. The other recommendations made by the Study Group are being examined and any change if considered necessary will be made in due course.