

Cost of Collection of Income-Tax as Compared to Central Excise and Customs Duties

*395. SHRI BHEEKHABHAI: Will the Minister of FINANCE be pleased to lay a statement showing:

- (a) whether it is a fact that the cost of collection of Income-tax is much more than that of the Central Excise and Customs duties;
- (b) if so, the total revenue collected by the Income Tax Department and the cost of collection vis-a-vis Central Excise and Customs revenues during the last three years ; and

(c) details of steps proposed to be taken by Government to reduce the cost of collection in the Income Tax Department ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SAWAI SINGH SISODIA): (a) to (c). A Statement is laid on the Table of the House.

Statement

(a) and (b). The figures of cost of collection in respect of Direct Taxes, Central Excise and Customs Duties for the financial years 1978-79, 1979-80 and 1980-81 (figures provisional) were as under:—

TABLE
COMPARATIVE COSTS OF COLLECTION

Financial year	Direct Taxes			Central Excise			(RS. IN CRORES) Customs Duties		
	Collection	Expenditure	%age of expenditure to collection	Collection	Expenditure	%age of expenditure to collection	Collection	Expenditure	%age of expenditure to collection
1978-79	2527.15	49.50	1.96	5341.95	35.35	0.66	2448.20	24.75	1.01
1979-80	2817.57	51.71	1.83	6011.09	35.39	0.58	2923.99	28.37	0.97
1980-81 (Provisional)	2997.15	60.31	2.01	6469.14	38.43	0.59	3309.60	36.50	1.10

Like to like situations alone offer scope for a meaningful comparison. Income-tax is a direct tax imposed on incomes derived from various sources,

including sources located outside India. On the other hand, Customs and Central Excise Duties are either *ad valorem* levies or specific levies

based on the quantum or value of goods imported or exported or articles or things produced or manufactured. The computation of the income and the levy, assessment and collection of income-tax have to be made after ascertaining various facts and applying complex provisions of law which, *inter alia*, include a large number of reliefs and incentives furthering socio-economic objectives. These, in turn, may also have the effect of reducing the taxable base, though considerable efforts have to be put in for making the assessments. Also, the bulk of the Central Excise and Customs Duties are generally collected at source itself. As the modes of levy, assessment and collection thus vary widely, there is no basis for any apt comparison.

(c) The cost of collection in the Income Tax Department has always been kept minimal. However, the Department is continuously striving to maximise collections with minimum cost by improving quality of assessments concentrating on investigating the cases of bigger assesseees, streamlining its intelligence and enforcement activities and in short by applying the modern management techniques in all its areas of operation.

SHRI BHEEKHABHAI: Mr. Speaker, Sir, from the statement which has been prepared by the Ministry of Finance, a plausible argument tries to convince the layman of the reason behind it. But the figures which have been provided do not reveal the same plausibility. I would therefore, like to ask two supplementaries, one with regard to the direct taxes and the other with regard to indirect taxes, i.e. Central Excise and Customs Duties. From the figures provided in the statement, it appears that in respect of direct taxes, in the year 1978-79, the collection was Rs. 2527.15 crores and the expenditure was Rs. 49.50 crores, which

roughly works out to 1.96% of the collections. In the year 1979-80, the collections were Rs. 2817.57 and the expenditure was Rs. 51.71 crores, which works out to 1.83%. In the year 1980-81, the percentage of expenditure to collection works out to 2.01%. It will be noticed that the percentage of expenditure is increasing so far as the direct taxes are concerned. What is the reason for this increase. Why on the indirect taxes side, that is Central Excise and Customs Duties, is the collection machinery and enforcement machinery not strengthened? On the other side, that is the income-tax side, why are further exemptions not given? Why should there be unnecessary litigation? Why are the salaried people, who are very much inconvenienced because of the rising prices not given further reliefs? I, of course, congratulate the Hon. Minister that he has given certain exemptions, but he has not gone further to the required extent.

SHRI SAWAI SINGH SISODIA: As a matter of principle, there can be no comparison between the direct taxes and the indirect taxes. The process of realisation and the assessment are quite different. As far as income tax is concerned, income-tax is assessed, levied and realised through an Act of Parliament. It is a comprehensive Act and under that Act, there are certain requirements which have to be fulfilled. Therefore, for that purpose, we have to keep the required machinery. There are appeals to the Appellate Commissioners and the Appellate Income-tax Tribunals and all that expenditure has to be met by the Department. Not only this, there is a different department according to the Income-tax Act for survey, search and seizure and for gathering intelligence and to check income-tax evasion, circulation of black money etc. There are many other responsibilities on the Department under the Act and which have to be fulfilled. Therefore, the direct taxes are not so easy to be levied. There is a statement of facts

from the assessee, there are certain exemptions, certain other benefits and considerations. All items have to be considered by an Income-tax Officer.

As far as the indirect taxes are concerned, the tax is levied either on the import or export of some articles on *ad valorem* value or the specific value. As far as the Central Excise is concerned, it is levied on the articles manufactured or goods manufactured by a factory and the prices fixed and it is very easy and convenient to levy and collect the taxes, and the difference is because whenever there is a revision of the taxes, machinery is the same. Suppose on an article worth Rs. 100/-, the levy is Re. 1/- and if the levy is increased in any year to Rs. 2/-, the machinery will not be increased simultaneously. Therefore, there are many other reasons why this expenditure in collecting indirect taxes is lower and in collecting direct taxes is high.

SHRI BHEEKHABHAI: Mr. Speaker, Sir, the reply of the Minister is as convincing as his statement, but it is not convincing to me. He has given the figures showing that the collection charges are increasing from year to year and it has doubled in the year 1980-81. I would like to know whether he is going to reduce them looking to the other side that it is reduced in the indirect taxes—1.05, 0.97 and 1.14 and that in a Department which gives an income of Rs. 8,000/- crores the expenditure percentage is low, while in a department which gives only Rs. 2,000/- crores it is more. So, may I ask the Minister whether he is going to make a review of the collection and enforcement machinery to strengthen it ?

MR. SPEAKER: You are making up a suggestion. You are pleading for a cause. Let it be reserved for the Budget speech.

SHRI BHEEKHABHAI: I have asked a question. This is my main question.

MR. SPEAKER: Please keep this powder for the Budget speech to fire a good shot.

SHRI BHEEKHABHAI: But he should give some assurance that he is going to strengthen the collection machinery and he is going to reduce indirect taxes.

SHRI K. MAYATHEVAR: In the year 1975-76 this government was able to collect not only the income-tax, but blackmarketeers, hoarders, profiteers and smugglers were brought under the control of the Government. I was here, you were also here. The Janata Government came to power unfortunately and accidentally in the year 1977-79, and fortunately it was disposed of in August, 1979. I was also affected because of the dissolution of Parliament. During the Janata regime all the blackmarketeers, hoarders, profiteers and smugglers were let loose. Now they are having some arms and ammunition under the custody of the government. You are wielding very good power under the National Security Act. Under so many laws, you can take stringent action for collection of income-tax arrears. I understand there is no provision in the Income-Tax Act to fix a particular limit for the disposal of arrears of cases pending in the Court. The smugglers and blackmarketeers, profiteers and hoarders are seeking protection and finding lacunae in the provisions of the Income-Tax Act. I want to know from the Government whether it has got any specific proposal to amend the Income-Tax Act properly, effectively and suitably to collect the arrears as expeditiously as possible.

DR. SUBRAMANIAM SWAMY: Specially MGR's.

SHRI K. MAYATHEVAR: I am not concerned. It is not only MGR. All actors and actresses.

MR. SPEAKER: Why are they trying to prompt you ?

DR. SUBRAMANIAM SWAMY:
He seems to be a Director.

SHRI K. MAYA THEVAR: I want to know from the Government what steps they are taking to amend the Income-Tax Act as not to allow income tax arrears to keep on pending in the High Court, Supreme Court and in Tribunals for an indefinite period?

SHRI SAWAI SINGH SISODIA:
Sir, the Government is constantly reviewing the position as far as arrears of Income-tax are concerned and every year there is a departmental meeting. Target is fixed to dispose of cases pending on appeals and to realise the arrears. I don't think at present there is any necessity of amending the law. The law provides certain actions by the Income-Tax Department and all the precautions are being taken by the Department to collect, dispose of and realise it.

SHRI SATYASADHAN CHAKRABORTY: It is common knowledge that indirect taxes are paid by the common, poor people, and that direct taxes—particularly income tax—are paid by the upper strata of the society. On the basis of the principle of taxation, income tax particularly is good, because the principle is: the heavier burden should be on the broadest shoulders. But recently, we find that the ratio of direct and indirect taxes has changed. Now the revenue is more from indirect taxes, meaning thereby that poor people are paying more. This also has a direct effect on prices. The more the indirect taxes, the more will the prices go up, because in the case of indirect taxes, forward shifting or backward shifting of the incidence of taxation is possible. In view of this, is the Government thinking seriously or reducing the indirect taxes? And secondly, is Government thinking, in this connection, of following the suggestion of Prof. Kaldor and imposing an Expenditure Tax, to curtail conspicuous consumption?

MR. SPEAKER: He has already replied to it. That has already been answered. Expenditure Tax has already been disposed of. Why repeat it?

THE MINISTER OF FINANCE (SHRI R. VENKATARAMAN): I want to remind the Professor that the theory that direct taxes fall on the rich and the indirect tax falls on the poor, is an archaic and outmoded one. In fact, when we levy heavier taxes on consumer goods like refrigerator, TVs and all that, it is a taxation of the rich, according to their capacity to pay. So, this theory is an old thing which is going on being repeated.

MR. SPEAKER: You should evolve some means to put a ceiling on this.

DR. SUBRAMANIAM SWAMY:
May I correct him on one point?

SHRI R. VENKATARAMAN:
No; he need not correct me. He can speak on the Budget. He cannot correct me during Question Hour. I have the privilege to be uncorrected.

Then the Hon. Member again erred in his knowledge of public finance.

MR. SPEAKER: Is he an Economics professor?

SHRI SATYASADHAN CHAKRABORTY: No; my subject is political science.

DR. SUBRAMANIAM SWAMY:
He is a professor of political science, especially Marxist.

SHRI R. VENKATARAMAN:
The levy of direct taxes is according to the canons of taxation, i.e. the principle of equity, equality, certainty and so on; and no tax can be levied,

unless the principle of equity is satisfied. Income tax is being levied on the basis of the principles of equity, and it cannot be levied heavier than what the people can bear.

MR. SPEAKER: Question 396-A Mr. Rajesh Kumar Singh is not here. Question 397.

Palmoline Imported by STC lying at Kandla Port

*397. SHRI AJIT BAG: Will the Minister of COMMERCE be pleased to state:

- (a) whether large stocks of palmoline imported by STC are lying at Kandla Port for a long time ;
- (b) If so, the quantity of such palmoline ; and
- (c) since when the said oil is lying at Kandla Port and demurrage paid by STC till the end of October, 1981 ?

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE (SHRI KHURSHEED ALAM KHAN) : (a) to (c). A statement is laid on the Table of the House.

Statement

(a) and (b). The quantity of palmoline lying in stock with STC Kandla has been varying from 10,000 to 20,000 MTs. during the period between 1-7-81 to 1-12-81.

(c) The age of stocks cannot be determined as fresh stocks of palmoline are mixed with the old stocks. However, last arrival of palmoline at

Kandla was on 10-11-1981 when a vessel of 5,000 MTs. was received.

STC had paid Rs. 5,72,000/- Approx (US \$ 63,566) between 1-4-81 to 31-10-81 as demurrage on account of Palmoline imports at Kandla.

SHRI AJIT BAG: From the reply given by the Hon. Minister, it appears that there has been a colossal loss of revenue, of the scale of \$ 63,566 and so on. In this context, I want to state that in the months of June and July this year, two ships carrying edible oil to the extent of 40,000 tonnes were stranded on the high seas for want of berthing facilities at Bombay Port. Will the Minister inform the House how much demurrage STC paid on account of that, and how much demurrage STC had to pay in other ports of India on account of such lapses. This is my first supplementary.

THE MINISTER OF COMMERCE AND STEEL AND MINES (SHRI PRANAB MUKHERJEE) : So far as the demurrage paid by STC for the period which the Hon. Member wanted to know, i. e. in respect of Kandla is concerned, I have already given it in the statement. But in respect of the demurrage which STC had to pay for delay in berthing in different ports, I will require specific notice, because that information is not with me. Here, the Hon. Member would appreciate that STC has nothing to do with it, If there is congestion in the ports, we sometimes try to divert it, but wherever the oil jetty is available we try to take advantage of it. There too priority is given to petroleum. For instance in Kandla there is one oil jetty which is being shared by edible oil, and petrol or petroleum products. That is why, sometimes, they ask us to wait. If they ask us to wait for a reasonable period of time, then we have to pay demurrage. There is no way out of this.