

सरकार के पास आया हैं जिसमें कई सुझाव उन्होंने सरकार को दिये हैं और उन पर उचित तरह से विचार किया जा रहा है।

#### **Recommendation of U.N. Panel on Tax Systems in Developing Countries**

\*1324. SHRI M. KATHAMUTHU : Will the Minister of FINANCE be pleased to state :

(a) whether a U. N. panel on tax systems in developing countries has urged tax reforms in these countries ;

(b) if so, what are the suggestions made by the panel in this connection ;

(c) whether Government have examined these suggestions ; and

(d) if so, Government's decisions thereon ?

THE MINISTER OF FINANCE (SHRI YESHWANTRAO CHAVAN) : (a) and (b). In accordance with General Assembly resolution 2562 (XXIV), the United Nations Secretary-General has prepared a report on 'Taxation, mobilization of resources, and income distribution in developing countries'. This report has been submitted to the United Nations Economic and Social Council at its 51st session which is currently being held at Geneva. The report is based on the study of tax systems of a sample of developing countries. The main conclusions and recommendations of this report are given in the statement laid on the Table of the House.

(c) and (d). The report is under examination.

#### *Statement*

1. The contribution of tax systems to mobilisation of resources and to a better income distribution depends on the structure of the tax system, the design of individual taxes, and the level of tax effort. During the period under review, tax systems in developing countries have not made any significant contribution to these objectives. However, a well-articulated tax system can play an important role in the mobilisation of resources and in reducing inequalities in the distribution of income. Given the political will,

and a concerted and rational tax effort, tax reform planning in developing countries is not an insurmountable task.

2. A concerted and integrated approach to tax reform planning inevitably implies several inter-related dimensions of the problem. These comprise improvements in organisation, development of an information system, efficiency in tax administration, developing appropriate skills and capability, and a continuous appraisal and adaptation of the tax system in terms of its contribution to stated policy objectives.
3. The first essential requirement is to substitute *ad hoc* and sporadic examinations of tax systems by institutionalisation of tax reform planning and by integrating it with the process of development planning. This will help the determination of a feasible tax effort and avoid formation of unrealistic plan targets for which it may be difficult to mobilise resources.
4. The success of continuous tax reform planning will depend on the availability of skilled manpower and on the nature and content of information that is available on the tax system and on its economic effects. Persistent national and international efforts in this respect can be directed towards the development of a feasible system of information to sharpen judgement in policy-making.
5. Improvements in the tax administration can yield considerable dividends even from the existing tax systems. What is required is investment in training at all levels and experimentation with new or proven techniques of tax administration. Training programmes need to be organised at national and subregional levels.
6. The need for experimentation in tax administration is far more urgent and the scope far greater than is normally supposed. The use of presumptive techniques of assessment, the improvement of tax payer relations, the use of self-assessment, the simplification of tax legislation and of the designs of individual taxes, and the continuous revision of valuations used for land and property taxes etc.,

can greatly increase the yield from the existing taxes. An evaluation of successful experiments in these fields and assistance to developing countries can be considered effectively at the international level.

7. Continuous appraisal of tax systems and of their contribution to various development objectives particularly of tax incentives and of agricultural taxation, would require sustained research into their economic effects and dissemination of its results. Existing tax policy instruments can be modified or new policy measures can be devised only in the light of such experience. In this field of evaluation and appraisal, complementary national and international measures can provide guidance on alternative effective policy instruments.
8. The mobilisation of private foreign investment would require some action at the international level. Harmonisation of tax incentives, at least at a subregional level, to avoid wasteful competition, the avoidance of double taxation, and the conclusion of suitable tax treaties thus assume significance. International efforts have to be directed more vigorously to the solution of these problems.
9. A country's commitment to development may, in fact, be judged by the level of its tax effort. Without substantial tax reform planning, the aspirations and goals under-lying the Second United Nations Development Decade may not be fully realised. A concerted and sustained programme of action is, therefore, needed both at the national and international levels.

**SHRI M. KATHAMUTHU :** In view of the fact that the bulk of the tax revenue is from indirect taxes, I would like to know from the hon. Minister whether there is any proposal by the Government of India to change the pattern of the tax system so as to reduce the burden on the common man?

**SHRI YESHWANTRAO CHAVAN :** This is one of the points which we have often discussed during the course of the debates on the Budget and possibly we might discuss it again when we discuss the Finance Bill also. It is not

only true of India but possibly true of most of the developing countries, and possibly the so-called advanced countries also, that indirect taxation makes much more contribution. The only way for that is to broaden the base of direct taxation. That can be done only if there is more economic development, more industrialisation and further agricultural production. That alone will increase the number of people having sizeable incomes, at least decent incomes. That alone is the way of doing it. At the same time, we are certainly trying to add different types of taxation which will have a direct effect on the present situation.

**SHRI D. D. DESAI :** Since Rs. 16,000 crores of GNP are generated in the agricultural sector and Rs. 16,000 crores in other sectors and since 8 per cent of GNP i.e. the industrial sector is expected to contribute directly or indirectly 70 per cent of the revenue, would the 8 per cent be enlarged so that the burden on the industrial sector is reduced?

**SHRI YESHWANTRAO CHAVAN :** I can understand the desire of the hon. Member to increase the burden on the agricultural sector. There is no quarrel about it, but it does not necessarily mean that we should reduce the burden on industry, because they should continue to make proper contribution to the development effort.

**SHRI G. VISWANATHAN :** Indirect taxes are said to be sugar-coated pills. In the last three or four years we have been getting many sugar-coated pills. I want to know from the hon. Minister what steps Government is going to take to reduce the number of pills given to the common man.

**SHRI YESHWANTRAO CHAVAN :** Reduction of pills of sugar?

**SHRI D. D. DESAI :** I did not want agricultural taxation. I wanted the burden on the industrial sector to be reduced.

**SHRI YESHWANTRAO CHAVAN :** It is a suggestion.

#### Expansion of Terminal Buildings of International Airports

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**\*1925. SHRI S. M. KRISHNA :**  
**SHRI NIHAR LASKAR :**

Will the Minister of TOURISM AND