THE UNION BUDGET 1970-71

N. A. Palkhivala

FORUM OF FREE ENTERPRISE
SOHRAB HOUSE, 235 DR D N ROAD BOMBAY-1

"People must come to accept private enterprise not as a necessary evil, but as an affirmative good."

—Eugene Black

THE UNION BUDGET—1970-71

By N. A. Palkhivala *

Ancient India made a signal contribution to the growth of human civilization, — it gave a new direction to philosophy and gave imperishable expression to "thoughts that wander through eternity". Emerson regarded the Upanishads as the feast of reason and the flow of soul **par** *excellence.* Modern India has made three contributions to civilization,—the Bandh. the Gherao, and the gre-Budget technique. The first is political oppression, the second is industrial oppression, and the third is well calculated to condition the public mind for fiscal oppression.

The pre-Budget technique consists in making it widely known throughout the month of February that such levels of taxation would be inflicted on the people as to make them hate the very sight of money and hardly leave a shirt on their backs, so that when actually the Budget is introduced with **93.5** per cent income-tax and 12 per cent wealth-tax as the maximum marginal rates, the Budget evokes a favourable, and in fact a cheerful response.

The Union Budget for 1970-71 has been called an "imaginative" Budget. It is only so in the sense that it imagines certain consequences to ensue from the Budget which are contrary to all known motivations of human nature and all rules of sound economics.

It was Justice Holmes who once remarked that most men judge things dramatically and not quantitatively. This explains the dramatically favourable general response to the Budget, without quantitative analysis of the burdens it imposes and the effects it can be expected to produce on

* The author, an eminent authority on Taxation, is the President of the Forum of Free Enterprise. This text is based on a public lecture delivered under the auspices of the Forum in Bombay on March 5, 1970.

the national economy. If one were to sum up the effect of the Budget in one sentence, one would say that it is politically clever and economically unsound.

After all, a Budget is not intended to be merely an exercise in political survival or an essay on political gimmicks. It is intended to equip the country to face the grim realities of the economic situation. A fair evaluation of the Budget can be made only against the background of the following calamitous realities:

(1) Mounting figures of unemployment.

(2) The stagnancy of the *per capita* income.

(3) The tardy rise in the gross national product.

(4) The poor performance on the export front.

(5) The paucity of public and private savings.

First, our population, which is around 546 million today, is equal to that of the whole of South America and Africa put together, while the annual increase in our population is more than the entire population of Australia, There are today 16 million employed in the organised sector—public and private. The figure of the unemployed is at least 15 million, almost the same as that of the employed. Out of the growing ranks of the unemployed, about 7 million are in urban areas and 8 million in rural areas. According to official estimates, at the end of the Fourth Five-Year Plan, there will be as many as 28 million desperate jobseekers. Even today there are 1 million educated unemployed, and our Universities chum out graduates at the rate of 2 lakhs a year. How can this problem be solved? It is only by stewing up the economic development of the country at such a rate that at least a million new jobs are created every year. The Budget will give no such fillip to the national economy. A truly imaginative Budget would have followed Sweden's example and exempted corporate profits to the extent of 30 per cent, provided they are ploughed back into industry resulting in increase in the job potential and in the gross national product.

Secondly, the Budget will not help to increase the *per capita* income. The figures of *per capita* income over the last 10 years are truly revealing. In 1960-61 the *per capita*

income was 306.7, in 1963-64 it was 367, in 1964-65 it was 420.2, and in 1968-69 it was 545.6. This increase is misleading, because it mainly represents the erosion in the value of the. rupee. At constant prices the figures of *per capita* income are the following:

	Rs.
1960-61	306.7
1963-64	319.2
1964-65	333.6
1968-69	319.3

Thus at constant prices, the per *capita* income in 1968-69 was no higher than it was in 1963-64; it was only 4 per cent higher than in 1960-61, and was actually lower than in 1964-65. With our burgeoning population, even if we attain a steady growth rate of 6 per cent year after year, it would merely permit our *per capita* income to double in 20 years.

Thirdly, the Budget is hardly calculated to increase the gross national product. When we started as a Republic, in terms of the gross national product we were the fifth in the world list. After 20 years of socialist planning, we have gone down to the ninth position in the list, Japan, West Germany, Italy and Canada having overtaken us. The rate of increase in our gross national product is only 2.6 per cent. At this leisurely rate of growth we cannot overtake any other country, while we shall be overtaken periodically by one country or another.

Fourthly, the Budget will hardly help our export performance. In fact it will generate. inflationary forces and thus impair our competitive capacity in the world market. Eight years ago we were 15th in the list of exporting countries, in terms of the total value of goods exported. Today we have slipped to the 22nd position. The small island of Ceylon exports more tea than India. That tiny speck of earth, Hongkong, exports more textiles than India.

Fifthly, with the swingeing increases in the rate of personal taxation and the accelerated inflationary trends, the Budget is unlikely to give a fillip to savings. Our present rate of savings is about 8 per cent of the national income,—one of the lowest rates in the world. Japan with its 100 million population has an annual saving almost equal to India's gross national product., According to the latest statistics, Japan's savings amount to 40 billion American dollars annually. At the beginning of this year when the Japanese Minister of Finance came to India, he mentioned three factors as responsible for Japan's miraculous economic growth. First, the savings of the people which had gone up to more than 30 per cent of the national income; secondly, the complete meeting of minds between the Government and the business community; and, thirdly, the total dedication of the workers to the interest of the company which they serve. Unfortunately, in India all these three factors are conspicuous by their absence. There is little incentive to save when your savings depreciate 10 per cent a year as a result of inflation; our Government regard themselves as the members of a higher caste born to lord over businessmen who are looked down upon as bad and mischievous boys who deserve to be despised and dragooned; while the Indian worker, a pawn in the game of active politics, is taught to regard the management as his sworn enemy.

The Budget proposes to increase the Plan outlay by about Rs. 400 crores to Rs. 2,637 crores. This increase would certainly benefit the nation if it were to be accompanied by a reduction in non-Plan and non-productive expenditure. But there is to be no such reduction. Bureaucrats, like lawyers, are parasites on society, but all the time their numbers are increasing and work for them is expanding. In any underdeveloped country where bureaucrats are powerful and lawyers are prosperous, the rate of growth is bound to be painfully slow.

The Budget does aim at making a good beginning in various directions,—the provision of drinking water in rural areas, of nourishing food for children, and of a pension of at least Rs. 40/- per month to Government employees and industrial workers. The establishment of the Urban Development Corporation is also a step in the right direction. But these measures would only be on the fringe and verge of the real problems facing the country. What is necessary is to develop industry and agriculture on such a tremendous scale that buoyant revenues from excise, sales tax, income-tax, etc. would enable the Government to take welfare measures on an adequate scale and we would be able to increase not merely our production,

savings and investment but also consumption. The ridiculous habit of preaching austerity to the people for the rest of 'their lives' must be given up by the politicians, particularly when those politicians who are successful and attain cabinet rank, themselves enjoy monthly perquisites amounting to several thousands, all completely taxfree. The contrast between the rulers and the ruled—the material comforts available in plenty to the former and the burdens and restrictions imposed upon the latter—is so glaring that people are almost beginning to lose their faith in democracy.

The Government contemplates a deficit of Rs. 225 crores for the next year. The deficit for the sear 1969-70 was estimated. when the Budget was introduced last year, at Rs. 254 crores. but will now turn out to be Rs. 290 crores. One must add to this the deficits in the Budgets of the various States which total Rs. 254 crores. Thus, the total deficit exceeds Rs. 540 crores. In estimating the deficit at only Rs. 225 crores the Finance Minister has estimated that at the present rates of taxation, the tax revenue receipts would increase by Rs. 234 crores in 1970-71. Such an increase in tax revenues at existing levels of taxation has never been achieved in our history and cannot be achieved even if the gross national product increases by 6 per cent. The real deficit in 1970-71 will probably be at least Rs. 100 crores more than anticipated by the Government and the inflation might be over 10 per cent, as against 8 per cent in the last 12 months.

The oft repeated public statement that India is not the highest taxed nation because the tax effort is 12.5 per cent of the national income, is an attempt at, to use current political jargon, toppling the truth. India is the highest taxed nation in the sense that higher taxes are levied on the fruits of endeavour and enterprise, work and capital, in the non-agricultural sector, than are levied in any other country of the world, with the possible exception of Burma which has no trade and no industry in the private sector and has been brought to and kept on the verge of economic ruin by all incentive and enterprise being destroyed, although it is potentially one of the richest countries in the world. In the comparisons below, all reference to Burma is omitted, because there the fiscal Jaw appears to be more of a practical joke than a serious exercise in economic administration. Those who assert that India is not the highest taxed nation resort to the subterfuge of changing, what is called in logic, the universe of discourse. When it is said that India is the highest taxed nation, the subject-matter is the burden of direct taxes, and not the aggregate of direct and indirect taxes. Again, it is absurd to dilute statistics by spreading the burden of taxation notionally over the entire Indian population and presenting the tax effort as a percentage of the national income. The real point is that those who are assessed to income-tax have, by and large, to bear a greater burden of income-tax and wealth-tax than is levied in any other country in the world, Communist, Socialist, Capitalist or otherwise. Out of a population of 546 million, only 28 lakhs were income-tax payers during the current year and their number will be further reduced to 23 lakhs when the exemption limit is raised to Rs. 5,000 per annum as is proposed to be done by the Budget. Thus only half per cent of the population will bear the entire burden of income-tax, whereas it is 31 per cent in U.S.A., 39 per cent in U.K., 41 per cent in Australia and 21 per cent in Japan. On an estimated non-agricultural income of Rs. 17,000 crores the burden of income-tax is Rs. 780 crores, in addition to the highest rates of wealth-tax in the world. On the other hand, on the agrcultural income of about Rs. 15,000 crores, the total burden of income-tax is only Rs. 11 crores. Thus for purely political reasons the entire burden of direct taxation is borne by a microscopic minority and the burden is sought to be further increased to savage heights under this year's Budget.

In short, if the total tax effort in India is not higher than 12.5 per cent of the national Income, it is explained by the fact that in an extremely poor country with a tremendously large population and only a small minority having reasonable income, there can never be a tax effort approximating to what obtains in other countries where conditions are different; and, secondly, when for political reasons agricultural income is not taxed, to present the tax effort as a percentage of the national income is a palpable distortion of the truth.

There are some provisions of the Budget which are fair and reasonable. One such provision is the proposed amendment of the definition of "capital asset" in Section 2(14A) of the Income-tax Act, the effect of which will be that even if the land is agricultural in character, capital gains tax would still be payable upon its sale if the land happens to be within municipal limits in an area with a population of more than 10,000. There were quite a few instances of persons suddenly becoming very intensely interested in botany or who start growing potatoes or bananas on urban land and then selling the land after some time. Such cases would no longer enjoy exemption from capital gains tax. Another provision which seems to be justified on grounds of justice and fairness is the proposed amendment to Section 35-B of the Income-tax Act, which will now spell out export incentives in clearer terms than before. The export incentives take the form of permitting a deduction of Rs. 133 for an expenditure of Rs. 100 incurred in export business. The proposed amendment will now make it clear with retrospective effect that expenses on buying goods in India, shipping them abroad and insuring them in transit will not qualify for the loaded deduction.

There are two changes sought to be made in the Income-tax law as regards charitable trusts which deserve consideration. The Erst affects the right of a charitable trust to spend its income in a year subsequent to the year in which it is earned, and the other concerns investment of and other dealings with trust property. The present law is that 25 per cent of the income or Rs. 10,000 per annum, whichever is higher, may be accumulated without losing the right to tax exemption. The amendment proposes that the entire income of a charitable trust should be disposed of either within the accounting year itself or within a period of three months from its close, towards charitable objects. It is ridiculous to expect trusts to spend their entire income within the accounting year itself. In several cases it may not be physically possible, because the income may not be fully realised in the accounting year but, although taxable in the accounting year, it may be realised and received in the subsequent year. Secondly, it is hardly in the interests of trusts to compel them to spend their entire income every year without setting apart some part of it which may be spent for a more deserving contingency a year or more later, e.g. when there is a flood or draught. There is hardly a well regulated and well conducted trust which spends its entire income in every accounting year itself. It is eminently in the interest of public charity that at least a margin of 15 per cent of the income should be permitted to be set apart or accumulated for spplication to charitable purposes in a subsequent year.

The other change proposed to be made regarding public charitable trusts is to deprive the entire trust income of tax exemption if even an infinitesimal part of it is found to have been utilised for the benefit of the settlor or his relatives. Now, the proposed provisions for determining whether the income has been spent for such private benefit are such that in many cases the issue is left to the decision of the Income-tax Officer which decision may be highly debatable and may be reached some years after the income has already been ascertained and applied to charity. Such a provision can work genuine hardship in a number of cases where the trusts are ***bona fide*** created for public benefit. No doubt, it is a salutary principle of income-tax exemption that if you run a charity, you will not act on the principle that "charity begins at home", If you as the author of the trust, choose to benefit yourself and your relatives in a variety of ways like selling or buying investments to the detriment of the trust, or taking loans from the trust at less than the normal rate of interest, or occupying a house belonging to charity without paying the fair rent, then for tax purposes the charity will no longer be entitled to exemption. Though the principle is salutary and the objective is fair, the proposed provision is so conceived and worded as to work gross injustice in a number of genuine cases of difference of opinion between the settlor of the trust and the Income-tax Officer.

The only redeeming feature of the Budget is the proposed exemption from income-tax in respect of inccme from approved investments, up to a maximum amount of Rs. 3,000, as against the existing limit of Rs. 1,000 for dividends and a further sum of Rs. 1,000 for income from the Unit Trust of India.

The provision of the Budget regarding discretionary trusts is another example of how our laws, even when they aim at preventing a mischief, become excessive in their

severity. A discretionary trust is one under which the trustees have the discretion to apply the income for the benefit of one or more of named beneficiaries. Under the present law, if the income is not actually handed over to a beneficiary but is accumulated, tax would be levied at the rate applicable to the income of the trust. In certain cases large number of discretionary trusts had been created for the benefit of persons who had very substantial income of their own and the legitimate rate of tax was avoided by each trust being separately assessed at the rate applicable to its own income. The law can easily provide for taxation of the income of such discretionary trusts at the rates appropriate to such beneficiaries who have large incomes of their own. But instead of making such a provision, what the Budget proposes to do is to tax every discretionary trust at the flat rate of 65 per cent on its total income and at the flat rate of 1.5 per cent wealth-tax on its total wealth, without any initial exemption in either case. Such a provision would have the effect of hitting hard a large number of genuine trusts which were created for the benefit of small middle-class families without any object of tax avoidance. While discretionary trusts created by Will are excluded from the operation of the proposed amendment, trusts ***inter*** vivos created in the past will be hit by the new provisions, save in an extremely limited category of cases. To charge income-tax on the total income at the flat rate of 65 per cent and wealth-tax at the flat rate of 1.5 per cent regardless of the actual income or wealth of the trust is pure tyranny. A law does not cease to be tyrannical because it has been passed by the elected representatives of the people.

Let us now deal with the Corporate Sector.

If the Stock Markets are cheerful, it is principally because of (a) the paucity of scrips due to the pitifully slow industrial development of the country, (b) the use of the pre-Budget technique referred to earlier, and (c) the ignorance of the ordinary man and his inability to appreciate the implications and economic consequences of a Budget of this character. Anyone who is familiar with the industrial development of other underdeveloped countries, knows how much leeway we have to make up. Our pathetic industrial growth can be gauged from the fact that consents for capital issues in the private sector declined from Rs. 289 crores in 1966 to Rs. 131 crores in 1969, while the actual capital raised declined from Rs. 79 crores to about Rs. 45 crores in the same years.

Apart from the total disallowance of entertainment expenses and of expenses on guest-houses, proposed in the Budget, there are other factors which put the Corporate Sector to a great disadvantage in the year 1970-71 as compared to the earlier year.

First, development rebate which was at the rate of 35 per cent in respect of machinery installed up to the 31st March 1970 in priority industries, will now be reduced to 25 per cent in respect of machinery installed after that date, the corresponding reduction being from 20 per cent to 15 per cent for non-priority industries. This will cause an additional tax burden amounting to Rs. 12 crores to Rs. 15 crores on the Corporate Sector.

Secondly, the tax credit certificates for increased production, available under Section 280 ZD of the Income-tax Act, are no longer available from the financial year 1970-71 onwards. This Tax Credit Scheme saved the Corporate Sector Rs. 5.5 crores in the year 1969-70. These two factors between themselves will thus put an additional burden on the Corporate Sector of an amount ranging between Rs. 18 crores and Rs. 20 crores.

Thirdly, the nationalisation of banks and the new ideological licensing policy of the Government of India are bound to have an adverse effect on the development of the private sector. Honest business houses which can expand and give thousands of jobs to the unemployed, and make substantial further contribution to the National Exchequer while giving quality goods to our people at cheap prices and redress scarcity conditions; are yet to be denied licences for expansion and borrowing facilities merely because of the Government's fatuous obsession with the notion of "concentration of economic power". What started as an inane kink has now become an insane obsession. Big business houses which help in the growth and development of the country are put on the roll of honour in other countries; in ours, they figure in the list of 20 "criminals" mentioned in the Dutt Committee Report. The new direction sought to be given by the Government to the licensing

policy and to the lending policy of the nationalised banks Is bound to have a very adverse effect on good business houses which have the requisite capacity, experience and resources to undertake substantial developments, but will not be allowed to.

The rates of corporate taxation are higher in India than in any other major country of the world. Our corporate taxes continue to range between 50.6 per cent and 65 per cent, in addition to the burden of surtax under the Companies (Profits) Surtax Act.

Out of 150 countries of the world, 143 do not exceed the rate of 50 per cent on corporate profits, taking distributed and undistributed profits together. The only two countries where corporate taxation is as high as in India are Burma and the Faroe Islands (of which the total population is 34,000). It is not a coincidence that of all the developing countries of Asia the lowest rates of economic growth are in Burma and India where the rates of corporate and individual taxation are the very highest.

In Pakistan the rate of tax on public limited companies is between 45 and 50 per cent. But profits distributed as dividends are taxed only at 35 per cent, whereas in India even the distributed profits are taxed at the full rate. Again, while in India inter-corporate dividends are taxed at rates reaching upto 25 per cent, in Pakistan inter-corporate dividends bear tax at the rate of only 15 per cent in the case of public limited companies and 20 per cent in the case of private limited companies.

Another attempt at toppling the truth so far as taxation on the Corporate Sector is concerned is the suggestion that India gives unusual allowances by way of depreciation, development rebate and tax holiday which reduce the effective rates of tax. The fact is that progressive countries, developed and under-developed, usually grant depreciation and development rebate, and in fact in most of the countries these benefits are given in a manner much more beneficial to the corporate sector than in our country. In several developing countries a company is, allowed to write off the entire depreciation in the first five years at such rates as the company may choose to adopt. Again, in several countries the **tax** holiday for newly established industrial undertakings is a total exemption from all taxation, unlike the position in India where the exemption is limited to 6 per cent of the capital employed.

It is in the field of personal taxation that the Budget will do the maximum damage to public morality. The maximum marginal rate of income-tax, which was 82.5 per cent at Rs. 2.5 lakhs, will now be increased to 93.5 per cent at Rs. 2 lakhs. The rates of tax have been stepped up on all slabs from Rs. 40,000 onwards. The fantastic burden of the proposed rates of income-tax can be judged from the following Table:—

Income	Tax proposed by the Budget	Balance of income after tax	Percentage of income left with the assessee	Additional burden of tax as compared to last year's rates
Rs.	Rs.	Rs.	%	Rs.
50,000	18,700	31,300	62.6	1,089
60,000	25,300	34,700	57.8	1,089
70,000	33,000	37,000	52.9	2,189
80,000	40,700	39,300	49.1	2,739
90,000	48,950	41,050	45.6	3,839
1,00,000	57,200	42,800	42.8	4,939
1,50,000	1,01,200	48,800	32.5	10,439
2,00,000	1,45,200	54,800	27.4	15,939
2,50,000	1,91,950	58,050	23.2	24,189
3,00,000	2,38,700	61,300	20.4	29,689
5,00,000	4,25,700	74,300	14.9	51,689
10,00,000	8,93,200	1,06,800	10.7	1,06,689

Mr. T. T. Krishnamachari in his Budget Speech of 1964 stated:

"...It is worthwhile mentioning that the motivating factor behind earned incomes should not be ignored. Much of it is due to the incentive, the initiative and hard work of the earner himself, and for keeping up this effort and to enthuse the earner to greater efforts, it is necessary for him to have a feeling that at least some substantial portion of what he earns is left in his hands."

A similar warning was sounded by Professor Kaldor: "...As it is, these confiscatory tax rates apply only to a small minority of people who cannot avoid their incidence, and their long-run effect is bound to be wholly pernicious, both in penalising the prospects of certain careers which are vital from the national point of view, and in undermining public morality."

These wise thoughts, memorably expressed, have apparently not struck the framers of this year's Budget. The number of people who pay income-tax on an amount of more than Rs. 40,000 are, coincidentally, about 40,000. These are the people on whose intelligence and integrity, hard work and capacity to take risks, depend the welfare and progress of the nation, and these are the very individuals who are the hardest hit by the Budget. The proposed confiscatory rates of income-tax are more detrimental to the national interest than they are to the individuals affected. A large number of intellectuals and professionals, including professionals in business management, who make an honest living by sheer ability and hard work, will be the persons affected by the new rates of taxation. In para 23 of the Finance Minister's Budget Speech is the statement that an incentive has been left for earned income at every slab, the incentive being 6.5 per cent of the earned income at the top slab! This supremely ironical sentence would be comical if the ignorance of human motivation which it betrays were not so tragic in its results.

The Budget Speech further recognises that it is necessary to give "encouragement to small enterprisers and the new entrepreneurs to build up managerial and entrepreneurial talent which is all too scarce today". It is impossible to reconcile this desire to encourage fresh enterprise and talent with the increase in taxation on their fruits. Talent in India has no incentive for honest earning and no scope for capital formation or savings out of income because of the crushing burden of taxation.

The invisible or social costs of the Budget are more important than the tangible burdens that are imposed. The heaviest invisible or social cost of this year's Budget will be that the bell will surely toll for the death of public morality. What is the incentive to work and be honest when it is more profitable to evade tax on Rs. 7,000 than to earn Rs. 1 lakh? A cynic might rejoin, "What is left of public morality, anyway?" The correct attitude is to realise that public morality is already so low that it would be absolutely disastrous to down-grade it any further. But the Budget will do precisely that. Black market money will form a parallel government on an unprecedented scale. Some of the people who deal with or are able to procure permits, quotas and licences or those who deal in commodities in short supply will be as prosperous as ever — no Budget touches them in any manner. Their unaccounted money not only enables them to live comfortably but helps to pollute the well-springs of public life and to buy members of various legislatures. In the ancient days when human beings were bought and sold, it was called slavery; nowadays it is called active politics. The forces of human nature are far stronger than any fiscal laws and in the unequal contest between them it is the laws ahich are defeated.

Other countries have realised much better than India how necessary it is to leava a man with a substantial part of what he earns, in order to hold out incentives for integrity and hard work. Our rates of income-tax which were already, by and large, the highest in the world, are now sought to be raised to a level which has been unheard of at any time in world history in any major country. Out of the 12 developing countries of Asia 6 do not exceed the income-tax rate of 50 per cent at the highest slab, and among those 6 are the four countries with the highest rate of economic growth, viz. Taiwan. Korea, Thailand and Iran. It is interesting to note that in the United States the maximum marginal rate of income-tax will not exceed 50 per cent on earned income at any slab from this year onwards.

Even the exemption proposed by the Budget in respect of dividend income and interest income upto a maximum of Rs. 3,000 is far too low compared to the relief available in other countries. For instance, in Pakistan

dividend income is exempt from income-tax in the hands of all assessees upto a ceiling of 5,000 Pakistani rupees which, not being devalued, approximately equals 7,870 Indian rupees. Over and above this in Pakistan there is earned income allowance upto a maximum of Rs. 6,000 in the case of salary income and Rs. 4,000 in the case of other types of income. Our Budget proposes Rs. 5,000 as the basic limit for exemption from income-tax, while in Pakistan the basic exemption limit is already Rs. 6,000. The maximum marginal rate of income-tax in Pakistan is *only* 70 per cent. Many perceptive foreign observers have remarked that one of the main reasons for the economic growth of Pakistan being more than double that of India, is the lower burden of income-tax on individuals and the corporate sector.

So far our rates of wealth-tax ranged between 1 and 5 per cent, while the Budget proposes to increase the maximum marginal rate to 5 per cent. 5 per cent would be burdensome even as a capital levy which is imposed once and for all; it is unimaginable as an annual wealth-tax.

As regards urban immovable property, the rate of wealth-tax will go as high as 12 per cent. These rates are pureiy confiscatory and amount to expropriation without payment of compensation. It is not an exercise of the power to tax but of the power to destroy. The only result would be that several urban buildings will pass into the hands of black marketeers who will thrive on illegal "pugrees"

The effect of the absurd rate of wealth-tax on urban immovable property going up to 12 per cent will be that building activity will be hampered and the potential of urban land will not be fully utilised. Thus in the long run these rates of taxation would be dead against the national interest. The extent to which our Government is willing to sacrifice economic wisdom at the altar of political expediency can be guaged from the fact that they have chosen to levy 5 per cent wealth-tax on the man who hoards unproductive silver, but 12 per cent penal wealth-tax on the citizen who alleviates housing shortage by constructing buildings. The force of folly can no further go.

The human attributes in citizens which are most precious to a nation are integrity, industry and Intellect, — the three "I's." The Budget makes a frontal attack on all these three priceless attributes. Our governmental policies are mainly responsible for the fact that among the youth; of India some of the finest brains in medicine and science, technology and business management, have chosen to emigrate and settle in other countries where they can work without irritating official restrictions and interference, and can also keep a substantial part of the fruits of their own labour. With this year's Budget, the exodus of some of our best young brains is bound to increase.

'Tree Enterprise was born with man and shall survive as long as man survives."

—A. D. Shroff
(1899-1965)
Pounder-President.
Forum of Free Enterprise.

Have you joined the Forum?

The Forum of Free Enterprise is a non-political and non-partisan organisation, started in 1956, to educate public opinion in India on economic issues, specially on free enterprise and its close relationship with the democratic way of life. The Forum seeks to stimulate public thinking on vital economic problems of the day through booklets and leaflets, meetings, essay competitions, and other means as befit a democratic society.

Membership is open to all who agree with the Manifesto of the Forum. Annual membership fee is Rs. 15/- (entrance fee, Rs. 10/-) and Associate Membership fee, Rs. 7/- only (entrance fee, Rs. 5/-). College students can get every month one or more bookets published by the Forum by becoming Student Associates on payment of Rs. 3/- only. (No entrance fee),

Write for further particulars (state whether Membership or Student Associateship) to the Secretary, Forum of Free Enterprise, 235, Dr. Dadabhai Naoroji Road, Post Box No. 48-A, Bombay-1.

Published by M. R. PAI for the Forum of Free Enterprise "Sohrab House", 235 Dr. Dadabhai Naoroji Road, Bombay-1. and printed by Michael Andrades at Bombay Chronicle Press Syed Abdullah Brelvi Road. Fort, Bombay-1.

15/April/1970

272