

REVIEW
REPORT OF THE TAXATION ENQUIRY COMMITTEE, 1926^[u]

Report of the Taxation Inquiry Committee 1926-1

COMMISSIONS to report and committees to enquire are a peculiar feature of the English system of government. It is a cardinal principle of English Parliamentary action that in the matter of social and economic legislation it never takes a leap in the dark. Committees and commissions are necessary preliminaries of an Act of Parliament. In this it follows the well-known maxim that knowledge is power. One is happy to find that this principle of English Parliamentary action has been followed in India and our politicians, who so often oppose the appointment of Commissions and Committees, cannot be said to be acting in the best interests of the country.

In the case of the Taxation Enquiry Committee, however, it was the Government which was trying to shut it out and when it did institute an enquiry, it was not the one demanded by the Assembly. What the Assembly wanted was an Enquiry into the taxable capacity of the people and this the Government did not want to face for fear that such an enquiry might reveal that the burden of taxation upon the people was disproportionate to their taxable capacity. But when public opinion insisted upon the institution of such an enquiry, it, by a species of circumvention, split the enquiry into two parts : (1) The taxation Enquiry Committee and (2) The Economic Enquiry Committee, with the result that the utility of either committee's report has been considerably diminished.

The terms of reference to the Taxation Enquiry Committee directed it (1) to examine the manner in which the burden of taxation is distributed at present between the different classes of the population ; (2) to consider whether the whole scheme of taxation is equitable and in accordance with economic principles, and, if not, in what respects it is defective ; and (3) to report on the suitability of alternative sources of taxation. In making its Report, the Committee has not been very judicious in the allotment of space to the consideration of these three questions. The first was evidently the most important of the three heads comprised in the whole charge. Yet the space devoted to the consideration of it barely covers 13 pages in a volume of 447 pages. Besides the treatment of the subject is far from satisfactory. The Committee without giving any reason whatsoever divided the population of the country in 11 classes and has discussed the burden they bear in 10 pages and a half without at all touching upon the most important of all questions, viz., the incidence of the individual taxes imposed under the Indian fiscal system. Now one would have liked to know why did the Committee think that 11 was an exhaustive classification ? If it is just a question of may be, then why not 13 ? Again, how can the Committee at all say what is the burden that a merchant bears ? If they had examined the incidence of individual taxes, they would have perhaps found that he

bore none ! Take again, another specific instance, that of the Cotton Excise Duty. The Committee has no difficulty in saying that its abolition will benefit the working classes. But is the Committee quite certain that it was shifted on to the consumer ? I do not at all wish to be unfair to the Committee. But I am bound to say that in this respect the Report of the Committee is a most disappointing document. The Committee has devoted a great deal of space to the detailed history of the various sources of taxation in India. So far so good. But it would have been far better if the Committee had devoted half of that space in discussing the incidence of each tax separately. But this the Committee has entirely omitted to do. If that was done, the Committee would have been in a better position to deal with the question of the distribution of the burden of taxation and of the elimination of the iniquitous taxes. That it has not been able to do as well as was to be expected from a Committee which has cost the country nearly Rs. 4 1/2 lakhs exclusive of printing is due to the fact that it forgot to consider the question of incidence, which, after all, was the most important part of its enquiry.

This failure of the Committee to tackle the main problem is to be attributed primarily to the personnel of the Committee, which was largely of inexpert people, most of whom, if rumour be true, began to learn the A.B.C. of Punjab Finance after they found themselves nominated on the Committee. There is no wonder if the report emanating from such a body falls flat upon students of the subject. One thing, however, can be said in favour of the Report. It is a document full of common-sense, neatly arranged. If it can not satisfy the student, it will certainly serve as a base for his intellectual operations. Some of the proposals of the Committee I hope to examine in subsequent articles. For the present I propose to stop with this statement of my view on the Report in general.