



Report of the Task Force on

Direct Taxes

December, 2002





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REPORT OF THE TASK FORCE ON DIRECT TAXES

CONTENTS

S.No.	Subject	Page Nos.
1.	Preface	i – ii
2.	Chapter 1 – Reaction to the Consultation Paper: Response of the Task Force	1 – 20
	Approach for Reformulation	2
	Benefits for Salaried and Non-salaried Taxpayer	2
	Treatment of Housing	6
	Tax Incentive for Saving	8
	Enlarging the Tax Base	9
	Tax as a tool of Developmental Policy	11
	Going Back on Promises?	12
	Towards Strengthening the Financial System	15
	Implementation Options for Corporate Tax Reforms	15
	Charitable Organisations	16
	Taxpayer Services and Tax Administration	17
	Combating Tax Evasion through More Effective Enforcement	18
	Concluding Remarks	19
3.	Chapter 2 – Approach to Tax Reform	21 – 27
4.	Chapter 3 – Reform of Tax Administration	28 – 63
	Role of the Tax Administration	29
	Taxpayer Service	30
	Taxpayer Identification and Registration	33
	Collection of Information	35
	Search and Seizure	38
	Survey Operations	42
	Varification of Tax Returns	43
	Computerisation of the Tax Administration	46
	Collection of Taxes and their Accounting	49





S.No.	Subject	Page Nos.
	Refund	53
	Income Tax Clearance Certificates	54
	Dispute Resolution	57
	Accountability	58
	Delegation of Financial Powers	61
	Human Resource Management	62
	Infrastructure	63
5.	Chapter 4 – Personal Income Tax Reform	64 – 113
	Ramification of Tax Policy for Tax Administration	64
	Personal Income Tax Rates	68
	Personal Income Tax Base	75
	Exemption Based on Residential Status	78
	Standard Deduction for Employees	79
	Treatment of Imputed Income from Owner Occupied House Property	85
	Tax Treatment of Agricultural Income	90
	Rationalising Income Tax Exemptions on Saving Instruments	92
	Treatment of Educational Expenses	108
	Treatment of Medical Expenses	108
	Treatment of Senior Citizens	109
	Other Personal Deductions	111
	Personal Tax Reforms : Implementation Strategy	112
6.	Chapter 5 – Corporate Tax Reform	114 – 162
	Case for levy of Corporate Tax	114
	Case for Integration	115
	Case for "Classical" System	116
	The Case Against the Classical (Nonintegrated) System	116
	The Case for Retaining a Classical System	118
	The Meaning of "Integration"	118
	Economic of Tax Incentive	120
	Widening the Corporate Tax Base	127
	Exemption for Exports (section 10A and 10B)	128
	Depreciation	133
	Tax incentive for Shipping Industry	138



S.No.	Subject	Page Nos.
	Tax incentive for Scientific Research and Development	138
	Deduction for payment of interest on Borrowed Capital	140
	Tax Treatment of Non-performing Assets of the Financial Sector	143
	Tax Treatment of Statutory Liabilities	145
	The Treatment of Corporate Tax Losses	145
	Tax incentives under section 80IA and 80IB	146
	Promissory Estoppel	152
	Corporate Tax Reforms : Implementation Strategy	156
7.	Chapter 6 – Taxation of Capital Gains	163 – 166
	Treatment of Capital Gains	163
8.	Chapter 7 – Treatment of Other Entities	167 – 175
	Taxation of Investment Funds	167
	Tax Treatment of Partnership Firms	171
	Tax Treatment of Charitable Trusts	171
	Tax Treatment of Cooperative Societies	173
	Tax Treatment of Non-Residents	174
9.	Chapter 8 – Other Taxes	176 – 178
	Wealth Tax	176
	Expenditure Tax	177
10.	Chapter 9 – Impact of the Recommendations	179 – 194
	On Equity	179
	On Revenues	179
	On Savings	183
	On Financial Sector	183
	On Transaction Costs	183
	Conclusion	184
11.	Chapter 10 – Summary and Recommendations	195 – 229



The Task Force presented the Consultation Paper to the Government on 2nd November, 2002 with the request that the paper may be made available to all concerned for discussion and debate. The response received has been overwhelming and there has been universal appreciation of the Minister of Finance & Company Affairs for bringing in transparency in the formulation of tax policies.

An intense public debate was generated and tax professionals, tax officials and academicians, trade and industry associations and individuals from all walks of life contributed to the debate by sending hundreds of emails, letters and through articles in the media. On its part, the Task Force interacted with a large number of trade and industry associations and individuals at Pune, Ahmedabad, Ludhiana, Chennai, Bangalore, Mumbai and Delhi. The Task Force has immensely benefited from these comments and suggestions and we thank them all. These consultations and discussions have also convinced the Task Force that the launching of growth promoting tax reforms is one idea whose time has come.

The Task Force would like to express its gratitude to the Chairman and Members of the Central Board of Direct Taxes and the officers of the Department of Revenue for their full cooperation and support. The Task Force is also grateful to the Ministries and Departments of the Government of India which commented on the Consultation Paper and made valuable suggestions, many of which have been included in the Report.

In many ways, the report of the Task Force is a continuation of the fiscal reforms initiated by the path breaking work of the Tax Reforms Committee under the chairmanship of Dr. Raja J. Chelliah in 1991. We also benefited from the outstanding work done by the Advisory Group on Tax Policy and Tax Administration for the Tenth Plan under the chairmanship of Dr. Parthasarathi Shome in 2001 and the Expert Committee to Review the system of Administered Interest Rates and Other Related Issues under the chairmanship of Dr. Y.V. Reddy in September, 2001. Our report aims to meet the country's strategic needs of accelerating growth and the reduction of poverty.





The Task Force wishes to also place on record their deep appreciation of the outstanding contribution of Shri Arbind Modi, IRS in the preparation of the Report. But for his efforts, presentation of this report would not have been possible in such a short time. We also wish to thank Shri Rahul Naveen, Under Secretary, Department of Revenue for painstakingly estimating the revenue impact of the various recommendations, Ms. Vibha Bhalla, Deputy Director of Income Tax, Shri Bharatendu Dobriyal, Asstt. Director of Income Tax, Shri Om Prakash, Programmer, Directorate of Income Tax (Systems), Shri S. Ravi, Private Secretary to Chairman of the Task Force and Shri Santosh Kumar Gupta who assisted Shri Modi, for their valuable support.

The Task Force also wishes to thank CMIE for allowing the use of their database and ASSOCHAM, CII, FICCI and their affiliates for making excellent arrangements for the meetings of the Task Force in Delhi and other parts of the country.

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New Delhi,

27th December, 2002

