

September 14, 1957

might be found by taxing individual taxpayers who have interest also in the property held by Hindu Undivided Families on their total wealth or income (including their share in the joint family interests), while allowing them to offset against their liability a proportionate part of the taxes paid by the Hindu Undivided Family. This procedure would eliminate the need for a higher exemption limit for Hindu Undivided Families.

The total exemption of household assets and of jewellery up to the value of Rs 25,000 makes the tax over-liberal. As has been pointed out by a contributor in these columns (July 6, p 892), "complete statutory exemption should as far as possible be avoided because experience in other countries 'suggests that statutory exemptions become avenues of tax avoidance and create over time vested interests which are difficult to dislodge at a later stage". Moreover, the imposition of the Wealth Tax afforded an opportunity of collecting information in regard to the gold held in private hands. By exempting jewellery valued up to Rs 25,000, this opportunity has been thrown away and that too without much justification either in terms of equity or economic and administrative expediency. The argument that undue harassment of women is likely if jewellery is not exempted could have been met by appointing women on the revenue staff for purposes of tax collection.

Yet another unwarranted exemption is the one given to residential houses in rural areas. One could hardly concede that it is the Government's intention to encourage the richer classes to invest their funds in tax-exempt country houses; yet, that is exactly the implication of this concession.

The concessions to companies are a mixed lot. The tax holiday to new industrial companies and to old companies for new expansion, as well as the exemption of shipping companies altogether, these can be justified as being well-merited tax incentives. However, the exemption to companies for the year in which they incur a loss might lead some companies to 'manufacture' losses merely in order to avoid the tax. It would have been better to allow for the carry over of the liability to wealth tax from a year of loss to the year of profit and

treat this liability as a deduction for the calculation of net assets in the later year.

So much for the changes in the Wealth Tax. As regards the Expenditure Tax, it is really a matter of regret that the Finance Minister failed to persuade the Select Committee to his way of thinking in regard to the original clause that the tax would be payable only by taxpayers whose income assessed to income tax exceeded Rs 60,000. The Finance Minister had himself proposed to drop this clause and replace it by a straightforward exemption limit related to total expenditure on the very sound plea that to relate the liability to expenditure tax to the accrual of income would amount to giving a free hand to persons who lived on their capital. The Select Committee has not accepted the Finance Minister's suggestion, but has reduced the Income-exemption limit from Rs 60,000 to Rs 36,000 and also broadened the definition of income for this purpose to include accretions like capital gains. While the new clause is certainly an improvement on the original one, the select committee's argument that an income exemption limit is necessary "to prevent harassment to assesseees and to make the administration of the Act somewhat easier" is not very convincing.

The Select Committee deserves

to be complimented for recognising that gifts and donations could be used as a method of avoiding expenditure tax. The proviso added by it will not, however, prevent a man from concealing his expenditure in gifts to persons other than his dependents. For under this proviso, only expenditure on or by one's dependents out of gifts or donations made by an assessee to these dependents are to be treated as part of the assessee's own expenditure. The only way in which tax avoidance can be effectively checked is to impose a deterrent gift tax. Such a measure is necessary also to prevent the division of property in order to avoid the wealth tax and as a complement to the existing estate duty. It is therefore encouraging to note the recent disclosure in the Lok Sabha that a gift tax is under the active consideration of the Government.

The above criticism is not offered in disparagement of the new taxes as they have finally emerged. For, in spite of all their defects, they mark a healthy trend towards the reorientation of the tax system to meet the requirements of planned development. The criticism is offered in the hope that it will, in the future, help to modify these taxes so as to make them more 'suitable instruments for the furtherance of the objectives set before itself by the country.

## Gold Against Guns

GRADUALLY but with the inevitability of a Greek epic, the West Asian drama is nearing its tragic end. Geneva may have inspired the drama, but the swift developments in west Asia have been provoked by the Egyptian arms deal in 1955. This is the Western version of the source of the west Asian drama. Neither Moscow nor Cairo nor Damascus accepts this version of the origin of the "cold war" in West Asia. Egypt was forced to look to the East as the West combined to teach President Nasser a lesson. For President Nasser's policy of neutralism, Mr. John Foster Dulles, the American Secretary of State, withdrew the earlier American offer of aid for the Aswan Dam. For Cairo's support to the nationalist movement in Algeria, for President Nasser's act of nationalisation of the Suez Canal Company, Britain

and France combined to launch an aggression against Egypt. In Syria, similar developments are being repeated, though the main characters in this third act of the drama are not Britain, France and the Soviet Union, but America and Russia.

To appreciate the logic and sequence of the third act of the West Asian drama, which is centered on and around Syria, it is necessary to recall the story unfolded in the second act. As the first act reached its tragic climax in the joint Anglo-French aggression against Egypt, America entered the stage as a maker of peace. At her instance and initiative, the United Nations policy of ensuring Anglo-French withdrawal from Egypt was successfully implemented. America not only emerged as the hero, but Washington left no room for doubt that it will reject the Soviet Union's claim

to be a co-hero. At that moment, America's prestige in west Asia was at its highest. America could have, if she chose, played the role of the undisputed hero of the west Asian drama. But, in its determination to contest Moscow's aspirations to be a co-hero Washington decided to act a different part. By announcing the Eisenhower Doctrine, America directly joined issue with the Soviet Union, in west Asia. This region's trouble, as also the west Asian drama's tragedy, stems from Washington's open declaration that Moscow is the villain of the piece. Neither Cairo nor Damascus accepts Washington's indictments against Moscow. Informed world opinion is inclined to the view that neither America nor Russia is the hero of the drama, but these two countries are waging a "cold war" in west Asia.

If the second act of the west Asian drama is about the Eisenhower Doctrine, the third act is a logical sequel to, and projection of that central theme. As the curtain rises, one sees the Arab states discussing the pros and cons of the Eisenhower Doctrine. Throughout this first scene of the third act, Washington feels uneasy about the lukewarm response to the Doctrine. Then, as the second scene commences, America's wooing of Arab States goes on. Saudi Arabia is the first Arab country which is drawn to the American orbit. Aided by some rash Egyptian gestures and by hasty actions of some Army leaders in Amman, America abandons her role as a tempter; the might behind the Eisenhower Doctrine is disclosed. King Hussein of Jordan is encouraged by the appearance of the Sixth Fleet in Bierut to act against his pro-Left Government. America's triumph in Jordan in May was followed, in quick succession, by the success during the Lebanese elections in June. With right-wing Governments in Jordan, Lebanon, Iraq and Saudi Arabia, Syria suspected attempts at encirclement. In its hour of need, Damascus looked to Cairo for help and support.

With closer ties between Egypt and Syria, the third scene of the third act starts. There is now irritation in Washington that Egypt and Syria are not only swallowing the bait, but are making joint efforts to regain Arab solidarity and to wean Arab States away from the Eisenhower Doctrine.

Syria is no longer, wooed, but threatened with economic-warfare. Loss of French export markets and oil transit dues, American undercutting of Syrian exports in Italy and attempts to undermine the Syrian currency in the Bierut free market and the blockade by her neighbours were aggravating Syria's economic crisis.

But since America seemed to gain control over Syria, the Soviet Union started counter-moves. Syria was in dire need of foreign help, but was reluctant, to accept American aid with strings attached to it. Moscow offered a generous 300 million dollar loan to Damascus with tempting terms and conditions of repayment. This tilted the balance in favour of the pro-Communist Army leaders, who assumed control over the Army, but left the nationalist Government in tact.

Even Mr Loy Henderson, the roving American envoy to west Asia, admits that Syria is not likely to accept the Eisenhower Doctrine, although the Syrian President rejects Mr Henderson's allegation that Syria is now a Communist indoctrinated country. In pursuance of the Eisenhower Doctrine, America is now supplying arms and weapons to Jordan at the Litter's request. According to a source from Washington, "the air lift is only one of the ways in which we intend to dramatize our aid to Jordan". There are further plans to provide similar military aid to Iraq and Turkey. The "cold war" is warming up. The situation is so tense that, at any moment, an "incident" can be created out of small border skirmishes in and around Syria. Whether American military help can be useful or effective, is doubtful. But there can be no doubt that the west Asian situation has become explosive.

As the west Asian tragedy reaches its climax, the duties and responsibilities of the parties concerned emerge forcefully. Even if it be conceded that Russia is not a disinterested spectator, the Western Powers have yet to justify their repeated rejection of the Russian proposal for a ban on supplies of arms to west Asia. In the circumstances, it is permissible to infer that America and her NATO allies are unprepared to counter Russia's economic aid

with offers or similar assistance. Russia has offered a, 300 million dollar loan to Syria alone, while the Eisenhower Doctrine envisages aid of only 200 million dollars to twelve Arab States. Informed world opinion will not be wrong in concluding that the Western Powers do not accept the principle of competitive co-existence. So far as Syria (and this applies to all Arab States) is concerned, her Government and the Army have a responsibility to continue to pursue neutralism which involves rejection of aid strewn with strings by either side of the rival camps. Damascus will not be blamed for looking to Moscow for aid. But Syria will be committing a blunder in joining the Communist camp. Moscow has an equal opportunity to prove that, in helping Syria with men and money, she has no intention to force Syria into the Communist orbit. By strict adherence to Panch Shila, Moscow can demonstrate the futility of America's reliance on the Sixth Fleet.



"One has no protecting  
power save prudence."

Jeevaal.

★  
**INDIAN TRADE  
& GENERAL  
INSURANCE  
COMPANY LTD.**

Jehangir Building,  
Mahatma Gandhi Road,  
BOMBAY.

Telephone: 255101

General Manager: T. M. Telang

# MARTIN BURN LIMITED

*Managing Agents*  
*Merchants • Engineers*  
*Builders*



*Head Office:*  
12 MISSION ROW • CALCUTTA

*Branches:*  
NEW DELHI • BOMBAY • KANPUR