

PD-ABD-975

76515

**OFF-SITE**

IN  
354.54724 USAID/India. NTIS  
D445 Tax Administration Technical Assistance  
in India, 1965-1968; Review and Evalu-  
ation. S.L. Descartes. Dec. 1968.  
91 p.

1. Tax administration and procedure - IN. 2. Admin-  
istrative procedure - IN. 3. Fiscal policy - IN.  
4. Evaluation - Taxation - IN. 5. Descartes, S. L.  
II. Title.

HEADER

TAX ADMINISTRATION TECHNICAL ASSISTANCE IN INDIA 1965-1968  
REVIEW AND EVALUATION

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United States Agency for International Development  
New Delhi

December 17, 1968

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TAX ADMINISTRATION TECHNICAL ASSISTANCE IN INDIA  
1965-68  
REVIEW AND EVALUATION

**INTRODUCTION: THE INDIAN BACKGROUND**

The restatement of a few of the salient, well-known facts about India's situation, and its paramount place in the world-wide effort toward economic and social growth is imperative in this kind of effort. It provides the background against which this attempt to improve one of its basic governmental processes, the administration of its income-tax, must be viewed; it helps to understand its significance, its role in the country's plan of development, as well as to comprehend the past course and outlook of these administrative reforms.

It might be difficult to over-emphasize India's position in the world-wide development movement. Its sheer size, with over 500 million people, roughly one-third of the total population in the non-communist developing world, and close to 1,300,000 square miles of territory, makes it by far the most significant effort at economic and social development in the world, excepting China. India's commitment to democratic ways has made its development endeavor a test of the democratic system's capacity to pull out large sectors of humanity from poverty and stagnation.

Irrespective of ups and downs over the period since independence, and more so since 1960, the Indian economy has been able to grow at an approximate average annual rate of 4% during the last decade. The agricultural sector's growth at a sustained rate of 5% a year is considered probable by USAID/New Delhi in the next few years. The outlook for capital investment, which is expected to be roughly equally divided as between the private and public sector, is not encouraging, however. At present, the size of the public sector investment is the object of considerable public and parliamentary discussion, as a critical feature of the Fourth Five Year Plan, now being evolved after some years without one.

Since USAID's program in India is one that aims at facilitating its economic development and foreign investment and can play such an important role in this as well as because of its relation to taxation, it is felt that something should be said as to the "climate" for foreign investment. Impressions of wanting foreign investment, of the generosity of the country's tax incentives -- something that may be true in certain instances -- and of the need for foreign know-how are frequently made. But all this

is within the bounds of strict adherence to a policy that the GOI describes as furthering a mixed economy. Furthermore, tax incentives are cumbersome and difficult to explain or apply. There are elaborate licensing procedures for foreign collaboration and a serious foreign exchange deficit has led to strict foreign exchange controls. To this observer all this adds to a climate, a projection of an image of the country, that is not conducive to attract outside investors and investment in the numbers and in the amounts required and wanted for a faster rate of economic development.

#### Additional Revenue Needs

There is a reported sizeable gap, Rs. 4,000 crores (US \$5,333 million) between desired total public expenditure and available projected revenues including State and Central governments, for the Fourth Five Year Plan. This has brought forth for discussion with renewed vigor the entire question of taxation and tax administration. An adequate level of taxation and a fair and adequate tax administration could do much to ease the pains of India's economic growth. It could contribute decisively to public investment with lessened inflationary pressures, help divert resources

from consumption to capitalization, help alleviate the pressure on imports and contribute to a more equitable distribution of income. In this sense, and in view of the rising expected significance of income taxation -- inevitable in a well rounded modern tax system -- the relatively modest technical assistance project on tax administration, in force since 1965, assumes profound relevance with respect to overall Indian economic and social progress

The short-term outlook for the Indian economy is viewed with guarded and limited optimism by USAID, New Delhi at the end of 1968. The probabilities of sustained growth at the already attained rate of four percent per year, and perhaps its escalation to five percent, are considered high. Agriculture, assuming a continuation of sound developmental practices and non-catastrophic weather, is expected to grow at five percent a year. More basically it is stated that domestic "...developments have established a momentum in the economy which is likely to increase as time goes on."

But for this moderate optimistic outlook to materialize certain things must happen, such as, the continuation of an adequate fiscal and monetary

policy. This is translated in terms of a money supply limited to a growth of 10%, or roughly Rs. 530 crores (US \$706 million) yearly. Ways to meet the sizeable balance of payment deficits in the order of approximately one billion dollars a year must be found. This big foreign exchange gap discernible for the coming years and very difficult to fill due to lower assistance expectations from developed countries, is a negative factor that seriously clouds an otherwise encouraging prospect for continued Indian development. Should such a gap materialise a sound internal budgetary situation, based on smoothly running tax collections, though not a solution, would be a factor of strength. This is of course another reason for the need to give the closest attention to tax administration and to a sound expenditure policy. A simplified administration of the income tax could also contribute to external and internal investment.

#### Tax Structure \*

India's tax structure, in a federal union, presents a picture of State and Central Government

\* This section is based mainly on the facts and information courtesy of Mr. Maurice Thresher, Economist, USAID/New Delhi

complementarity, but with the Central Government playing the dominant role. Due to its ambitious development activities India relies to a considerable extent on internal and external borrowing to meet its public expenditures. Total resources of the State and Central Governments of India amounted to Rs. 170,950 million (US \$22.8 billion) for the three year period of 1965-66 to 1967-68. Of this 36.3 percent was raised from taxes, 14.4 percent from other revenue and 29.3 percent from borrowing, in round figures. The States play a larger role in public expenditures than their tax performance would indicate. They collected 33.5 percent of the taxes and other current revenues and raised 47 percent of the total internal market loans. But after transfers (shared taxes, grants and loans) the States received 53/100 of all government receipts.

Of the total taxes collected by the Center and State Governments in fiscal year 1967-68 taxes on income, including the corporation tax, accounted for 16.1 percent and land revenue and agricultural income tax 3.6 percent (this is reserved to the States by the Constitution). The most important sources of tax revenue were excises, with

35.8 percent; customs, 17.1 percent; and sales taxes, 14.2 percent of total tax collections in the same year. The relationship of direct to indirect taxes is roughly 23.5 and 76.5 percent respectively of total tax revenues.

The tax burden or tax level of India measured as the ratio of tax collections to national income was estimated for 1967-68 at 13.31 percent. The corresponding ratios were 7.69 percent in 1955-56; 10.04 percent in 1960-61 and 12.73 percent in 1964-65. The highest ratio was 23.86 in 1953-55.

The tax system is characterized by a very complex pattern of sharing certain federal taxes with the States. Furthermore, taxes on agricultural capital or income therefrom are reserved to the States by constitutional provision. The divided jurisdiction over total income permits easy explanations of unaccounted income and makes tax evasion control difficult.

#### Tax Administration

The responsibility for tax administration in India is placed in the Ministry of Finance. It is discharged by the Department of Revenue and Insurance, which with the Departments of Expenditure and Economic

Affairs constitute the three principal administrative subdivisions of the Ministry. The Revenue side of the Department is in turn subdivided into two Central Boards, the Central Board of Direct Taxes (which will be heretoforth in this report referred to by its initials CBDT) composed of four members and the Chairman, and the Central Board of Excise and Customs.

At the national level the CBDT carries out its administrative functions, defacto the income-tax administration, with which this evaluation of technical assistance exercise will be almost totally concerned. through a Directorate of Inspection and Training composed of three directors, which performs the functions of staff support on research (very little if any), statistics, vigilance over employee conduct, training, audit procedures and other organizational and housekeeping tasks. One of the Directors is charged with difficult cases and tax evasion supervision.

At the field level there are Commissioners of Income Tax (CITs) administering and supervising designated geographical areas or special circles to deal with special cases. Under the CITs a number of Inspecting Assistant Commissioners of Income

Tax (IAs) exercise supervision over direct tax administration operations within their respective smaller jurisdictional divisions referred to generally as ranges.

The traditional income tax administration pattern, before the reform in which the AIB/Internal Revenue Service team has assisted, revolved around the Income Tax Officer (ITO) who had almost complete jurisdiction over the taxpayers of his income tax areas, usually between 1000 to 1500. Under that traditional or unitary pattern of operation each ITO, assisted by one inspector and four clerks was responsible for all aspects of tax administration with respect to his taxpayers or "assessees" in his territorial or circle jurisdiction. There was provision for administrative appeal to appellate Assistant Commissioners, independent in their findings and judgment from the CITs and of the CBET. From then taxpayers or the CITs could take recourse to an appellate tribunal and to the courts up to the Supreme Court of India.

The most important feature of the administrative reform process of Indian tax administration, promoted by the IRS Team has been the change of this traditional or "unitary" pattern of "range" organization for a

"functional pattern, i.e., the organization and operation of the ranges by specializing in certain functions. This essentially provides that each "range" would be divided into three functions: administration, assessment and collection. The administration and collection functions would each be headed by an ITO. All other ITOs, usually about 10 to 15 in each sized range, would concentrate exclusively on assessment work.

FISCAL PROBLEMS RELATED TO TAX ADMINISTRATION  
ASSISTANCE PROJECT

Delinquent Taxes

In the previous paragraphs an attempt was made to relate the income tax administration technical assistance project to the broad problems and most glaring needs of the Indian over-all economic situation. There are however other more specific problems related to the Indian income tax administration that have been a cause of concern for many years. The initial survey of tax administration in India, on which the tax administration technical assistance project was based, stated that in mid-1966, there was "... about Rs. 2 billion (US \$266 million) in delinquent taxes -- equivalent to about one half of the total annual receipts from direct taxes -- which are classified as effective arrears and are owed to the Government." The corresponding figure on March 31, 1967, is Rs. 3.2 billion (US \$400 million), arrears for all direct taxes.

A warning must be sounded about the limitations of fiscal statistics in general and of the degree of comparability between figures for different years due to changes in definitions and of procedures, which indicate the need for caution

in reaching conclusions on the basis of these facts. This affects all taxes and will be discussed later in more detail.

Below are given the figures on arrears outstanding and effective at 31 March of recent years.

<u>Financial Year</u>	<u>Outstanding Arrears* (Rs. 000s)</u>	<u>Effective Arrears** (Rs. 000s)</u>
1962-63	2,717,114	1,535,999
1963-64	2,899,637	1,614,052
1964-65	3,181,237	1,794,586
1965-66	3,986,100	2,321,100
1966-67	5,417,300	3,321,100
1967-68	6,099,000	

\* Outstanding arrears mean arrears according to Income Tax offices' records.

\*\* Effective arrears are those which in the opinion of the Direct Taxes Department can be recovered.

#### Delays in Disposal of Assessments

The report (mid-1964) indicated a backlog on the audit of income tax returns representing about nine months of work, 1,226,173 cases. Comparable figures for mid-1963 are 2,329,650 cases or almost double, but representing about 18 months of work. Table I gives the official statistics measuring backlog for the last few years.

Tax Evasion

As to tax evasion the survey report termed it "widespread." The quasi impossibility of quantifying tax evasion in India or for any country, with any degree of precision, points to the wisdom of the initial survey in not attempting it. This good example will be followed in this report. Suffice it to say that the problem continues, has in all probability not abated in the intervening years, and is a very hard one to bring under control or even to measure progress in its reduction. The growth of certain tax statistics, such as total collections related to the gross product, with due allowance for changes in rates and in the number of taxpayers submitting returns might shed some light on it. The statistical measurement of progress in tax evasion abatement presents staggering difficulties.

TABLE I. OFFICIAL STATISTICS MEASURING BACKLOG IN THE DISPOSAL  
OF ASSESSMENTS, ALL INDIA, 1963-64 to 1968-69

Financial Year (1)	Number of Assessments for disposal (2)	Out of current (3)	Out of arrears (4)	Total cases completed (5)	Percentage Col.5 + by Col.2 (6)	No. of Assessments pending at the end of the year (7)
1963-64	2,709,107	925,674	557,260	1,482,934	54.7	1,226,173
1964-65	3,626,030 <sup>b/</sup>	1,154,805	687,004	1,341,809	50.7	1,784,621 <sup>b/</sup>
1965-66	4,558,573	1,462,847	929,251	2,392,098	52.4	2,169,529 <sup>b/</sup>
1966-67	4,766,000 <sup>c/</sup>	1,333,000 <sup>c/</sup>	1,085,000 <sup>c/</sup>	2,418,000 <sup>c/</sup>	50.7	2,347,513 <sup>b/</sup>
1967-68	4,886,204	1,242,688	1,313,866	2,556,554	52.3	2,329,650
1968-69 <sup>d/</sup>	4,778,258					

a/ Salaried assesses added to the General Index Register (GIR) in this year (not included in prior years).

b/ Page 5, item 15A, Statistical Review of Direct Taxes, 1966-67.

c/ Only rounded off figures (in thousands) available.

d/ Most facts are not yet available.

Irrespective of the obstacles to the measurement of tax evasion, some attempts have been made to quantify it in India. Kaldor in his study on India's Tax Reform placed the figure at Rs. 200 crores a year for 1953-54. But this estimate is deemed incorrect by Indian economists. Dr. Jacob Eapen places it at Rs. 41.20 crores for individuals, Hindu undivided families and unregistered firms, or about 38%, but he asserts that although it has grown in absolute figures since 1957-58 it has grown less than the expected yield of the tax.\* This means that in his judgement the problem has not increased in proportion to the tax due.

\*Jacob Eapen, Incidence of Tax and Tax Evasion Report in 2nd All India Conference of Tax Executives 27-28 November 1967, Federation of Indian Chambers of Commerce and Industry, New Delhi.

## DEVELOPMENT OF THE TEAM'S ACTION

### The Initial Survey

The basis for the project on Technical Assistance on Tax Administration in India, undertaken by USAID/New Delhi utilizing the Foreign Tax Assistance Staff (FTAS) of the Internal Revenue Service (IRS), U.S. Department of the Treasury, was laid out by a preliminary survey. This was conducted by a group headed by Ernest H. Vaughn during the period March 8 to April 19, 1964, in India and submitted in final form to the Director, USAID/New Delhi under date of 25 July 1964. Thus the work followed the usual procedure according to the PASA Agreement between the Department of State, Agency for International Development, and the Department of the Treasury, which calls for an initial or preliminary survey.

The request for technical assistance in this area originated in conversations between the USAID/New Delhi Chief Management Advisor, Howard K. Hyde, with the GOI Secretary of Revenue and Expenditure in late 1963, endorsed by the then USAID/New Delhi Director, C. Tyler Wood, and between the U.S. Ambassador to India, Chester Bowles, and the then Minister of Finance of India, T. T. Krishnamachari.

The preliminary survey identified the main problems of Indian direct tax administration as: 1) excessive amounts of delinquent taxes; 2) excessive backlog in the audit of income tax returns; 3) widespread evasion; and 4) complexity of tax law administration. To correct these deficiencies the report recommended: 1) the establishment of specialized functions in the administration of direct taxes with special attention to the development of groups of specially trained agents to work on delinquent taxes and on fraud cases; 2) the design of a more rational audit program, allotting auditing effort in some way commensurate with the significance of returns and discontinuing the objective of auditing of all returns; 3) a special effort to simplify the computation of the income tax, with the objective of moving toward the attainment of a true self-assessment and joint return submission and payment system; 4) strengthening of collection procedures; 5) a comprehensive management study in depth to identify and correct administrative weaknesses, with the objective of attaining modern and strong tax administration.

The reviewer questioned officials of the GOI, a few persons in private life related with tax matters and acquainted with the project's course, present team members and other USAID

personnel on their appraisal of whether the preliminary survey fulfilled its declared objectives. Unanimous expression of approval of the document was the response. One after another questioned Indians stated that it diagnosed the situation rightly, and identified the major deficiencies in income tax administration. Qualifications, suggestions and differences of opinion with respect to the survey report, when expressed in a minority of cases, referred rather to the concept of specialization in income tax administration and its implementation and not to the diagnosis of the need for change of the unitary pattern of income tax administration. Very favourable comments were generally expressed, not only about the findings of the survey but also as to the impression made by the survey team because of its high caliber and the tactful and effective way in which the team performed its tasks. Special recognition was made of their willingness to hear the Indian point of view and give it due weight in their recommendations. This is considered very significant by the reviewer as having laid out a valuable base of recognition of professional competence and goodwill for the project's future operation.

In fact, the comment was that the diagnosis -- in the survey and generally from the teams -- as well as their recommendations had little originality. This was heard from some sources mostly

as a statement of fact, in one case in rather strongly critical vein. This proves in the judgement of the reviewer that the diagnosis and its recommendations were greatly influenced -- as soundly and wisely they should be -- by the experience and suggestions for improvements of the Indian officials.

### Participant Training

It was auspicious that already in the fall of 1964, before the arrival of the first resident team, two groups of Indian officials went to the United States as participants under the program, for a 13-week review of the U. S. income tax administration system. The composition and time spent in the U. S. of the Indian study groups sent there is given in Annex I.

The cost of the participants to the completion of the project in the U. S. fiscal year 1969-70 is estimated at \$53,000. The cumulative total cost of this project from start to termination is estimated at \$586,000.

An exceedingly rewarding result of participant training in the U. S. is the report on Tax Administration and Recommendations written by Mr. R. D. Shah, now a member of the CBDT. Mr. Shah visited the United States with a group of 4 in 1967. The other members of the group, Messrs. S. S. Narayan, K. K. Mitra, P. S. Bhankaran, are all working closely with the Team. As

officials of the Organization & Planning unit (O & P henceforth) of the CBDT they function as the Team's counterparts and have been entrusted with the decisive mission of keeping the administrative reforms introduced going and progressing, after the return of the present last resident team in India to the United States. Their training was essential and invaluable to prepare these officials for these responsibilities.

#### The IRS/PTAS Teams

On October 5, 1964 the Ministry of Finance of India submitted to USAID/New Delhi a formal request for a Team of five U. S. Internal Revenue specialists to work with officials of the Department of Revenue, the CBDT and their field officers to implement the recommendations of the preliminary survey. Two members of the first resident team came to India in May 1965 and began their conferences with Indian tax authorities forthwith.

Although there was no formal document of agreement between USAID/New Delhi and the GOI, similar to agreements used in some of the Latin American countries as found in the 1966 review, there was verbal agreement and there were prepared detailed plans of work by Mr. Charles, which constituted the formal program of work. This was done in May July 1965 before the Team was formally organized. This reviewer has examined a detailed

program of work for 1966-67 that includes the GOI contributions, and which was agreed upon by both parties.

It is this reviewer's understanding that the usual procedure is for an agreement to be formalized as the basis of the Team's operation in the host country. Although an inflexible policy with respect to the previous signature of an agreement may not be realistic in all circumstances, the practice has commendable objectives and may be quite helpful. This does not mean however (and this was found in the Latin American evaluation in 1966) that it guarantees compliance with the commitments entered into by the host country. Further, legalistic insistence on compliance is rather a weak base for this type of assistance, that depends basically on psychological acceptance. But even after these qualifications are pointed out it is believed that the practice of formalizing an agreement as a base for the tax administration assistance work in a given country is desirable and should be followed.

The results of all inquiries point to the fact that the income tax administration work in India began very auspiciously due to the generally good impression made by the team making the preliminary survey and the favorable reaction to the findings of the survey. Somehow -- and perhaps unfairly -- the reaction as to the following

teams among Indian officials, most of whom belong to relatively high civil service levels, was not as favorable as that toward the preliminary survey team. A very knowledgeable Indian official considers, however, that is unfair to the resident teams, especially to the first team leader, pointing to the special circumstances under which he had to work, meaning the attitude of the then Chairman of the CBDT. He referred to this as an accidental situation which made the work of the initial resident team very difficult.

This reviewer has not had the opportunity of direct communication with the first team leader. As stated before, the first resident team commenced operations in India in May 1965, negotiated the specific program, within the terms of the Vaughn report, reached its level of four full-time technical advisors in early 1966, and worked at that level until May 1967. That year a turnover began, but for several reasons a full complement second resident team, under one continuous team leader, could not be formed. From May 1967 to the present the team has operated at different strengths, under acting leaders, who have come at different times. However, there has been more stability and continuity of leadership than would be expected from the above statement. For example, the repeated visits of Mr. Vaughn have provided a continuing thread

of direction and advice that merits pointing out. From May 1967 to the present, December 1968, when the project will end, the team leaders have been:

Ernest H. Vaughn, May-September 1967

Hendrick Machoian, September-November 1967  
H.

Ernest Vaughn, December 1967-April 1968

Ernest Langbein, April-July 1968

Andrew Barden, July-December 1968

Ernest H. Vaughn, December 1968

Annex II presents more details of the composition of the Teams and short-term advisors' tours of duty.

Indirect opportunities to inquire into the Team's activities and direct interviews with Indian officials at the time -- including the then Chairman of the CBDT -- leads me to conclude that the first team worked hard and persistently, at a task quite frustrating at times. They kept plugging at their various jobs under unfavorable situations and eventually attained partial success. It is also concluded that within its limitations -- principally limited recruitment capacity for the very high level of experts the Indian government and USAID/India had insisted on -- FTAS/Washington tried hard to comply with this specification and put together a team as good as any they had previously formed. This is the opinion of an informed person on whose good judgement I do not hesitate to rely

some

That there was disillusion on the part of the Indian government, caused in part by a cultural inclination to estimate capacity by past positions and ranking is probable. In this respect the attitude of GOI officials would probably be one of the most demanding in the world. Fulfilling their expectations might be almost impossible for most government assistance agencies, especially with regard to the tax administration assistance activities. An inclination to value highly the more "intellectual" pursuits, such as tax policy, and a detectable tendency to undervalue the more mundane skills, such as administration, places a tax administration project at an initial disadvantage in this country. An outstanding personality, or capacity for articulation, may later overcome this.

Related to this general field of Indian attitude toward the Team some observations with the benefit of hindsight seem pertinent. The coming of the Team was the result of almost the highest level talks possible: Ambassador/Minister of Finance, and between the Finance Secretary and the Chief Management Advisor USAID/New Delhi. It seems to this reviewer that the effort on the part of high level Indian authorities to win over their subordinates to enthusiastic acceptance of this technical assistance program was weak, if it ever was made. Perhaps the assumption was that the Minister's directive would elicit the required degree

of acceptance. The error of this assumption is not generally realized in Indian governmental circles. Briefly, this project was decided and imposed from the top; it did not originate nor was requested, nor was it specially popular at the CBDT level, where the Team was located. This, of course, made the Team's work very arduous. We found this to be true in some similar cases during the 1966 technical assistance in tax administration evaluation exercise covering four Latin American countries.

The Team, in a country so highly conscious of rank as India, suffered also from the place it was located. It was not placed in dignified, prestigious offices in the North Block next to the Chairman of the CBDT, as this reviewer believes it should have been. In fact location in the North Block near the Chairman of CBDT was requested and denied, it was adjoined, for lack of space. Its first location was in rather poor offices, according to Mr. Charles' statements who was conscious of the adverse effect of that situation. The possibility that there should have been more insistence on this outward sign of rank by the U. S. representation in India -- as for example making such a location one of the conditions that the host country should have met as part of the agreement -- seems plausible.

In this respect this reviewer is very conscious that there are no certainties and even few regularities in the most effective conduct of technical assistance projects in different countries. It is therefore possible that this observation may be wrong. The hazards of gain-saying officials on the spot, who contend at any given moment with the myriad of considerations that determine such decisions, is deeply appreciated. Further it would be very difficult, if not impossible, to understand several years after the event, during a brief review visit, the complex circumstances that might have made insistence inadvisable at the time the decision was made. This underlying qualification applies not only to this but to all similar expressions of judgement that are made in this report.

#### Short-term Advisors

One significant feature of the work of this Team has been the high degree of reliance and the significance of the work of short term advisors. It is this reviewer's view that it occurs to have relied more on this practice here than in other countries, for example, those visited in Latin America in 1966. Inquiries were made as to the reaction of Indian officials to the work of short term advisors. One observation -- and a very sensible one to this

reviewer -- was that the short term advisors who wrote these reports should have stayed and implemented their recommendations. Although generally preference for longer term advisors was expressed by Indian officials, there was one strong opinion to the contrary. This Indian official stated that he preferred the short-term expert report which he could then read and decide what he wanted implemented. This reviewer has been unable to arrive at a judgement on this matter. It is suggested that it is an issue which deserves examination by FTAS/Washington, with the assistance of USAID/W and its country teams. This reviewer considers most of the short term advisors' reports were creditable efforts. In this there is accordance with Indian officials' opinions. One or two of the reports do not measure up to this opinion.

#### Termination of the Project

This reviewer has ascertained the efforts that FTAS/W made to provide India with a Team Leader that lived up to GOI expectations. Conscious of the excellent image and reputation of Mr. Ernest H. Vaughn in India, they exerted every effort to bring him back into the country in August 1968 and until the termination of the project. Force majeure intervened with this determination. The same type of reasons prevented the extension of Mr. Langbein's duty beyond July 1968. From that date on the heavy responsibility

of acting leadership, during this critical termination period for the project, fell on Mr. Andrew J. Barden, who had come to India as Fraud Advisor in December 1967. He discharged both responsibilities between July and December 1968. During these six months, due to the imminence of the team's departure, and other favorable circumstances, a number of activities, which the Team had started many months before have come to a head at about the same time. This is encouraging but at the same time raises certain questions. Would it not have been more conducive to a more permanent establishment of these practices if they had been adopted earlier and at more spaced intervals? Would not this have given the Team more time to observe how they worked and make corrections? It is difficult to ignore that this concentration might entail a haste that could in turn lead to forget some important aspect. But it must be clear that under the circumstances the Team had no alternative; it was either implementing then or never.

It is this reviewer's view that the absence of continuously functioning Team Leader during the final months of the project placed a very serious responsibility on the remaining personnel of the Team. The Team and its acting leader should be commended for the form in which these activities have been brought to a

successful head. However, I cannot avoid the impression that this period could have been made more productive and dramatic -- that is, that it would have made the psychological impact of termination stronger in the minds of the GOI officials -- if the work had been terminated under a permanent leader who would have come to India as such, as was planned. This certainly should not be interpreted as lack of appreciation of Mr. Barden's work. Probably in tangible results the other alternative might have produced little more.

For well known and sound reasons during the closing months FTAS/Washington, USAID/New Delhi and the GOI preferred previous Indian experience, a qualification that further limited the choice of advisors during those months. The need of accessibility by FTAS/Washington to some reserve of high level experienced cadre, to meet emergencies of the nature that arose in India, acknowledging the difficulties to translate it into reality within the bounds of U. S. Government regulations, should be explored.

### Pilot Demonstration of Functionalization

The acceptance of the idea to try the operation of functionalization in 4 pilot ranges was made in July 1966 at the level of the Secretary of Revenue, R. C. Dutt. This was not an easy accomplishment. It took a long time, 15 months, and came as a much needed psychological booster after many difficult and frustrating months of work in India with little to show for it. Finally the pilot ranges were installed. Mr. Macholan's report of December 30, 1966, indicates that they were quite successful in raising performance figures very early. Some expressions from Mr. Charles indicated that accomplishments exceeded expectations from the very beginning.

### Extension of Functionalization to other Ranges

As expected by the IRS team and USAID, the results of the pilot operations for the four months period September-December 1966 were very encouraging. Accordingly, based on these results Mr. Morarji Desai, Deputy Prime Minister and Minister of Finance, made the decision to extend the functional pattern of operation to ranges accounting for 50 to 60 per cent of income tax revenue.

The performance of the "Pilot Ranges" is presented in enclosed Annexures III-V. Annexure III presents the improvement obtained during the initial trial period, September-December 1966, upon which Mr. Desai made the decision for extension. Annexure IV reveals that the superior performance of the pilot ranges was maintained after the initial months, though not as spectacularly as in the previous shorter period. The comparative tabulations for the 4 pilot ranges and all India was not continued after September-December 1967. However, the performance record of the 4 Pilot Plans, was specially computed by the Team for this review for September-February 1967 and 1968. The facts are given in Annexure V and show the continuation of improvement in collections and a decline in Gross Demand Raised and in Disposals of Assessments. No explanation has been given the reviewer for these results except perhaps the effect of depressed general economic conditions.

This quick and broad extension of the functional type of operation confronted the Team and USAID/New Delhi with a difficult dilemma. On the one hand their better judgement indicated that this was too fast an expansion which was bound to create great strains. It would severely tax the capacity of the CBDT to train personnel and in general to implement this significant change. On

the other hand, here was an opportunity to act decisively in a way that might assure for the future this type of operation for all India. It constituted a major accomplishment of the IRS Team/USABD, India which was recommending this new pattern of operation. These were very good reasons to go along and not miss this opportunity which might not repeat itself in a long time, if at all.

The decision of the Minister set in motion the series of activities to carry it out. These were neither smooth nor easy. A meeting of all commissioners of income tax was convened in New Delhi, where the scheme was discussed and during which at times there were noisy and strong objections to the pattern by a number of commissioners. Then on June 9, 1967, and July 27, 1967, the basic CBDT instructional circulars directing the organization of ranges along functional lines were issued. The instructions did not follow completely the Team's ideas; the Team had to accept some compromises which were regretted but accepted to accelerate the process. Then on August 5, 1967, a letter of the Board signed by Mr. R. D. Shah, gave authority to the commissioners to vary the organization procedures, "... keeping in mind the underlying intentions and objectives to suit local conditions such as accommodation, availability of staff, etc." The Team endorsed this letter.

because despite its apparent reasonableness, they feared it would lead to great differences in organization. It is the Team's belief that this has happened. This lack of uniformity has in their view diminished the usefulness of comparability between functionalized and remaining unitary units. This reviewer shares the Team's view though lack of time made it impossible to personally check it.

The spectacular success of the 4 pilot ranges could not but raise expectations of the results of its extension to a large number of ranges to levels extremely difficult to attain. Results to the present have borne this out and it has caused a relative disillusionment with the scheme. It would be less than candid to ignore that comparative results of performance of functionalized and unitary ranges, as available at the time this is written, place the scheme in a rather weak position, were it subject to a determined attack by its enemies either in Parliament or the press. That such an attack would be unfair and wrong, would not be realized by the average layman. It might not be enough that the notable accomplishments of the program, the need for time for a full realization of benefits and its promise for the future as well as the limitations of the statistics, this reviewer believes, would be understood by the intelligent and the dispassionate observer.

The statistics on performance comparing "functionalized" and old style ranges are subject to many qualifications. The installation of the system has taken time, therefore the period of observation is extremely short, April-September 1968. A mere six months seems to be the one that can be used with least qualifications. Installations are still going on and improvements needed. There is not much certainty as to comparability. The concepts such as faces in arrears are very technical and do not represent what in our terminology are understood as really delinquent taxes.

The reviewer had no time to analyze the variations or accomplishments of the functionalized units because the figures became available too late. It appears, however, that there is a widespread variation in the performance of functionalized ranges with a high proportion of them showing a much higher rate of improvement than non-functionalized ranges. This fact warrants further analysis since it indicates a very encouraging capability of the new operational pattern under some favorable circumstances.

This reviewer has sensed a strong sense of commitment on Indian officials in general to this scheme and their determination to see it through to successful and full establishment. This does not diminish the difficulty of the GOI in defending the project in the face of the disappointing course of the basic measures of

correcting deficiencies used by GOI and the Teams themselves to measure results. But it must be emphasized that there are good reasons to use these comparative statistics with great caution.

Summing up briefly the performance of functionalized as compared to "unitary" ranges, it can be said that to the present they reveal a modest gain in disposal of cases, but a decline in "net budget collections." See Table No. 2.

TABLE 2

COMPARATIVE PERFORMANCE OF "FUNCTIONALIZED"  
AND NON-FUNCTIONALIZED INCOME TAX RANGES,  
INDIA - September-April, 1967-68 and 1968-69

<u>Group</u>	<u>April</u> <u>1967-68</u>	<u>September</u> <u>1968-69</u>	<u>Percentage</u> <u>Change</u>
	(cases)		
<b>Disposal of Assessments:</b>			
All India	794,658	1,143,472	+44
Functional	260,704	386,421	+48
Non-Functional	533,954	757,051	+42
<b>Net Budget Collection</b>			
	(Million Rupees)		
All India	1,957	2,177	+11
Functional	1,100	1,195	+9
Non-Functional	857	982	+15

Source: CBDT, O&P, New Delhi, 29 November 1968,  
Review of the work done on the Functional  
Units during the month of September, 1968.

### Intelligence and Fraud Abatement Procedures

The review of the IRS Team's work in India has revealed a surprising (to me) unanimity with reference to intelligence and fraud suppression work: there was not a single official or person that objected or even suggested modifications with respect to this activity. It is significant that while it took over 15 months to get other aspects of the Team's basic recommendations accepted, i.e., functionalization, the Intelligence Wing of the CBDT was established in December 1965, less than 7 months after the arrival of the first resident Team's leader and his deputy who was an adherent on intelligence and fraud. Without qualifications, this was a major achievement quickly accomplished.

However, institutionalization of the intelligence and fraud work did not result in the type of expeditious action the Team expected. In fact the Team's impression is that intelligence work languished until very recently. But the overall picture of intelligence work is one of progress and encouragement. It has now culminated in the completion of a series of manuals of organization and procedures, some being printed, others are ready for it.

This reviewer cannot avoid mentioning that the GOI's general commitment to criminal prosecution, admirable in itself, is a commitment to a practice that should be also subject at all times

to objective analysis to ascertain its place in the overall Indian tax administration improvement program -- for example to a comparison of its costs and problems with those of severe civil penalties. However, in view of more pressing problems, the extent of evasion previously discussed, and the political appeal it enjoys, this reviewer believes this is not the most appropriate time to raise this issue.

### Training

Training's place in technical assistance projects is so clear that almost anything you say about it is a truism. As it should be, training is a basic component of the IRS programs in countries throughout the world. Recognition of the significance of training of tax administrators was much more advanced in India before the tax administration assistance project than in other countries where this reviewer has observed IRS teams in action. India already had a training college at Nagpur, where all Income Tax Officer (ITO) recruits were trained. The preliminary survey recommended broadening the efforts beyond recruit training, providing refresher courses, specialized training, and generally modernizing and gearing it to meet the new objectives in tax administration.

The activities designed to improve training continued with the report on training dated June 1, 1967 made by Mr. Casarin during a short term advisory assignment in India. The report revealed a

rather discouraging overall attitude toward training in the CBDE. He described training at the college at Nagpur as second rate in comparison to what the other Central Service Departments provide their Class I officers. Many detailed shortcomings were pointed out including rather "unrealistic requirements" as to examinations. But the most basic finding was that the Board, up to then had not "... demonstrated an understanding of what comprehensive training effort entails "

Developments to December 1968 justify a somewhat more optimistic view. This reviewer, who is not a training expert, visited the college at Nagpur and received an impression of sincere and energetic commitment to the improvement of the College's function, despite the handicaps of inadequate facilities. Although the Commissioner of Income Tax (Training) believes that some statements of Guerin's report might have been exaggerated, he considers that it contained many valid suggestions for improvement which he is enthusiastically endeavouring to realize. The CIT in charge of the College devotes his full time to it - a great improvement over partial attention - as was the case in the past.

With regard to the CBDE itself there is need for continued efforts to communicate to them and secure their understanding of their research and development mission, of which training is one

of the basic components. From the beginning of 1969 this class originate from COT sources since the IRS team will finish its mission in December 1968. There is a need for a center from which an intellectual stimuli of constant study and appraisal of objectives, means and procedures as well as of research on difficult administrative problems, originate and from which instructions material flow to the entire department. If rightly conceived and executed such a center combining research and training could be the source of the energy charge essential to a self-sustaining improvement in Indian tax administration. The O & P Unit is not now performing this function. Collaboration of the O & P Unit and the Bureau of Education College to this end could be very fruitful. It is a pleasure to report that the present CIT in charge of the College, Mr. M. R. Gupta is thinking along the same line of adding a research activity to the College as a means of enhancing its scope and significance and improving training as a result.

The continuance of basic reforms as to training, the introduction of research as an activity of the CBBDT through its O & P Unit and College or both, to vitalize the self-improvement of the entire source of training material as well as the creation of an atmosphere of unit for new procedures, offers one of the greatest and most promising opportunities in this entire Indian effort at improving the tax administration.

MAIN ACCOMPLISHMENTS OF THE PROJECTA) Intelligence and Fraud Suppression:

- 1) The first accomplishment of the IRS/FRAS Team in India was the creation of the Intelligence Wing, approved on December 23, 1965 and which became operational on February 1, 1966. It was staffed with 4 Deputy Directors, 20 Assistant Directors, and 32 clerical and stenographic positions.
- 2) An Intelligence Procedures Manual commenced in 1965 with Team advice was completed by the Indian officials in December, 1968, and will be printed soon.
- 3) A Prosecution Manual for use by the personnel of the Intelligence Wing was also commenced in early 1966 and is being printed for distribution in December 1968. An abridged version for use by all ITOs will be ready for distribution at the same time.
- 4) As a result of the Project, greater attention to fraud prosecutions was given and 69 cases have been sanctioned for filing of complaints (indictments), 55 complaints have been filed, there have been 13

convictions, no acquittals and 41 cases are pending trials between April, 1, 1966 and November 30, 1968. All these convictions have been for violations of the trust accounts, that is non-remittance to the GOY of monies retained at source from taxpayers. In mid-December, 1968 a conviction for false statement of income was obtained for the first time.

- 5) Two courses of training for 8 and 12 Intelligence Officers have been given respectively in November and December 1968.

**B. Basic Administrative Reform (Functionalisation of Ranges)**

- 1) In September of 1966 four pilot ranges to test functionalized operations were started. In July-August 1967 functionalisation was extended to an additional 66 ranges. In December 1967 a test of this functionalized organization was started in four small ranges. The concepts of functionalisation were developed essentially by the Team which assisted in the conversion of pilot ranges to the new pattern and later generally on all

matters pertaining to the change. Evaluation of the pilot ranges operation was organized by the Team, which conducted training on it and prepared the guidelines for operation to extend the system.

- 2) Model or demonstration ranges were organized, one in New Delhi, one in Ahmedabad and three ranges in Bombay. This activity has been assessed all along. The New Delhi model range has received detailed assistance on all phases of its organization and operation.

**C. Creation of the Counterpart Group:**

- 1) The group failed to secure a formal counterpart arrangement until mid-July 1967, when an O and P Unit was created formally as an administrative sub-division of the Central Board of Direct Taxes and began operations soon with four members. The members of the group were given participant training at the IRS in the United States between late September and late November of 1967.

**D. Organization and Management:**

- 1) A Procedures Manual for Functionalized Ranges was started in April 1968 and

mimeographed and distributed in a limited number (one to each range, which seems and is considered by Commissioners of Income Tax (CITs) and the Inspecting Assistant Commissioners (IACs) as inadequate) in November of 1968.

**E) Selective Auditing:**

- 1) Recommendations to institute selective auditing formally and in an organized way have been made by the Team from the very beginning of its operation. It has not been fully accepted to date though in practice much less attention is being given to small income returns. The promulgation by the CBDT of Circular No. 15-D of 1967 (October 7, 1967), on the expeditious disposal of small cases, is a step in the right direction but falls quite short of the objective of full acceptance of the concept of selective audit.

**F) Legal Simplifications:**

- 1) The two Finance Acts of 1965, No. 10 and No. 15, removed the separtax and some of its elements were merged with the normal

tax rate. This simplified the calculation of the tax somewhat for partners of registered firms. Similar simplifications resulted in the calculation of rebates for tax free income from government securities and donations by companies, the rebate on agricultural income, and on dividends from unit trusts. It also introduced the same rate for all assesses irrespective of residence. Some rebates were converted into deductions. A new rate structure facilitated quicker tax calculation and the calculation of the unearned income surcharge. Interest on deposits of non-residents was exempted and one rate schedule for income from cooperative societies established.

- 2) The Finance Act of 1966 introduced several amendments that complicated the computation of the tax but simplified calculations in the case of companies. It also introduced various simplifications related to the depreciation allowance on machinery and plant. The taxation of company income was

substantially simplified reducing to six the previous 13 classifications of companies.

- 3) The second Finance Act of 1967 simplified the rate structure and the calculation of tax for several types of income and several rebates such as "tax holiday profits"; long term capital gain rebates were converted into deductions. To help the administration of the tax the provisions relating to the jurisdiction of officers over cases were amended. This facilitated the distribution of work among CIT, IAC, and ITO, and gave a legal base for distribution of work under the functionalized pattern. Minor functions of ITOs may now be assigned to inspectors or subordinate staff. Power to transfer cases between ITOs was enlarged.
- 4) The Finance Act of 1968 (May 11, 1968) introduced significant simplifications, such as the elimination of surcharge on earned and unearned income, standard deduction

for car used for official purpose by salaried person, refunds permitted on provisional assessments. Time limit for assessment was reduced to two years from 1969-70 and also for claiming refunds; cooperative societies rates were simplified. The rebate to partners for income tax paid by company was converted into a deduction. Penalties for concealment of income were raised.

**G) Training:**

Besides other training courses enumerated under other headings, the salient training programs conducted by the Team have been:

- 1) Training of instructors to help implementation of the extension of functionalization was conducted in New Delhi, Bombay, Madras and Ahmedabad, during which 62 instructors were trained.
- 2) In response to requests indicative of great interest, assistance was given to the Assam charge in foundational training for clerks.
- 3) Instructor training for Intelligence Wing instructors has been provided.

- 4) A brief course on Human Relations was developed and given to ITOs and IACs in New Delhi, Bombay and Calcutta in December 1968.
- 5) In another section of this report reference has been made to a very good report by short-term advisor Guerin on the Income Tax Training College at Nagpur.

OTHER RELATED MATTERS

USAID/India - IRS Team Relations

It seems that in general terms the chosen degree of coordination between USAID/India and the IRS Team has been adequate, but not close. Meetings with the whole team were held as desired or needed, not according to any fixed schedule; meetings between the Chief Management Advisor and the Team leaders were frequent.

The use of the word leverage didn't arise in the reviewer's work in India either from the part of the IRS Team or USAID. The policy of USAID in India, as understood from answers to this reviewer's questions, is not to recur to "leverage". Several instances were, however, cited where the relations of the Chief Management Advisor, USAID/India at the secretarial level of the GOI removed obstacles to the work of the Team or secured action to get stalled programs or activities going.

The Indian IRS experience has an interesting feature. It has been successful in initiating a very significant, drastic -- it could almost be termed revolutionary -- change in the administration

of the income-tax: the adoption of the functional pattern of operation for the "ranges" administering the tax from the so-called "unitary system". The GOI has taken significant steps, however slowly, toward self-assessment, voluntary compliance, selective auditing of returns and a concern for management in the discharge of revenue administration. But it is equally revealing that these decisions have generally originated at the higher echelons of the bureaucracy, mostly at the ministerial or secretarial level, not at the working level. In fact, at the intermediate level, that is at the CDDT level, the story has generally been one of resistance, procrastination, excuses, etc. As a result the project at this level has not been able to adhere to previously agreed upon programs and achievements that were expected to be on schedule but have had to wait for months for action. Specific progress has therefore been slow but as to the major decisions it was successful.

This reviewer gets the impression that the reception to a new idea has been better at the "range" level and even at the supervisory level, just below of the CDDT than at the CDDT itself. Resistance to this type of drastic change proposed and decreed by higher echelons, that is, imposed from the top,

should not be surprising. Taking into account all the factors that militated against change in the Indian milieu the record of achievement may be termed satisfactory, if not, from the standpoint of GOI acceptance<sup>of</sup> basic concepts, startling. This does not deny that if certain circumstances had been different, more favorable, looking at the experience with the benefits of hindsight, the accomplishments might not have been even somewhat better. These more favorable or adequate circumstances, might have been both on the XRS/USAID side and/or the host country. They are mentioned in other sections of this report.

Project Development And Country Program

The major elements of the tax assistance program and the strategy developed by the IRS teams, were discussed, agreed upon and supported by the USAID/India staff. The presence of a Chief Management Advisor in the Mission has been a favorable factor, quite significant in the achievement of the Team's ends at critical moments.

This reviewer has not been presented with a formal statement indicating the relationship of the project with the over-all tax public finance needs of the country in detailed terms. As explained elsewhere this has been in India a sort of special, discrete project. However, its general relations with the USAID/India aims and the economic and social development of India are clear, as is stated in the introductory sections of the report.

For the accomplishments of the CBDT and the changes introduced with the Team's assistance the reader is referred to the section briefly enumerating the project accomplishments.

As said before, the changes introduced by the IRS team have started a most significant trend toward what are considered very decisive and desirable goals for the Indian income tax administration, i.e., voluntary compliance thru self assessment, selective auditing of returns, strengthening of intelligence and fraud suppression ideas, strengthening of the collection function, and what may be more basically significant, the stirring up of Indian revenue officials' minds to the potential of managerial improvement.

IRS Team Members as Part of Country Team,  
USAID Strategy and Overall AID Objectives

It is my impression that IRS team members seemed to have been well-related and adjusted as components of the Country Team. It is equally my impression that they understood their specific function well; that they understood the general benefits of better tax administration to the GOI and the effects of higher revenues, better public reaction to taxation, etc. They were very conscious of the benefits of higher revenue that was the basic aim of this project. It is my impression that there has not been nor has been considered necessary, to make a detailed and complete articulation of the place of this project in the overall USAID program and strategy for India. This has in no way militated against the project and is not considered a noticeable lack.

Administrative Aspects

In this reviewer's estimation the original Team size agreed upon and its cost was appropriate to the established objectives. Except with reference to the situation of a lack of permanent continuous Chairman since Mr. Charles' departure in May 1967 to the Team's work termination, as explained in another section, size and cost of the project is considered appropriate with respect to the progress achieved. In fact from the standpoint of the almost revolutionary change in income-tax administration pattern, and the opening of Indian officials' minds to the potential results of managerial reform, this was achieved at a relatively low cost. Since 1967 well prepared technicians on short-term assignments, besides

the resident team, were provided as planned.

### Reporting

In the course of the examination of the IRS team work in India, there has not been any spontaneous mention of reporting as claiming excessive time, being too detailed, etc., such as were heard during the Latin American evaluation of 1966. In fact, the writer has found that this Team, especially during its last months have had considerable latitude as to the presentation of reports. For example they were excused from preparation of a quarterly report due after September 30 by the Director of FTAS/Washington Mr. Harold Moss, during the course of an inspection visit in August 1968. The team was also allowed to prepare its final report in Washington after its return rather than in India before leaving. Though this reviewer did not have the benefits of such a document, the decision to devote the Team's remaining time in India to assist on the many activities which reached culmination during those last days of the Team's presence, rather than to report writing, is considered the wise one.

This reviewer is not aware of expressions either at Washington or in New Delhi of shortcomings related to reporting. It is however considered desirable to point out that here again - as in the case of the Latin American review - the effectiveness of the visits of the FTAS/Washington Director and of an Area Coordinator from Washington was a most effective means of correcting minor obstacles in the smooth flow of directives, support, etc. between FTAS/Washington and the New Delhi Team and in providing management control.

## RELATIONS TO GENERAL DEVELOPMENT STRATEGY

### USAID Goals and Strategy

The USAID program in India is selective and not all embracing in scope. It concentrates on agricultural development and family planning. In public administration it is also selective, having placed its greatest effort in assistance to certain key agencies on the most advanced management techniques, principally in the extensive public enterprise sector. In this general picture the IRS technical assistance effort in tax administration is a separate, discrete program of a very specific nature. Its great potential to contribute to the country's development through a more effective revenue collection fits well with the general objective of raising India's economic and social levels.

### India's Participation in Project Goals and Staffing

The IRS project goals and procedures have a strong Indian flavor. India had wanted and even attempted to reach the same goals before. If anything, the project's original goals and the procedures recommended have been termed as lacking in originality since most were old Indian ideas, as explained before. It is felt that there is basically a deep sharing of the host country's goals and ideas with the project's basic goals.

As to the staffing the picture is different. The staffing of the Team has been, as it is understood to be in all host countries, a responsibility of FTAS/Washington. They did make a strong effort to meet Indian insistence on high caliber advisors

even if Indian officials seemed not to have been completely satisfied.

However, it must be pointed out it was only in mid-1967 that the Organization and Planning Group was set up by the CBDE to act in the capacity of the Team's counterparts. Contrary to practice in other countries no official counterparts were set up by the GOI for roughly 2 years of about three and a half years of the project's existence.

#### Other Missions Doing Similar Work in India

The existence of other missions doing work in related fields in India has not arisen in the course of the review. There does not appear to have been foreign groups working in closely enough related fields to originate need for coordinating action. The Ford Foundation and the Indian Institute of Public Administration are doing work in financial administration studies but their activities are neither close nor in any way conflicting with the type of assistance on tax administration given by the Team. Experts on tax structure and tax policy matters have come for short periods during the project's existence but the Team has not been involved in this directly in any way. Relations with other Missions doing work in related fields has not presented a problem in India.

TAX POLICY AND THE PROJECT

The tax system is a complex one which places a heavy burden on the tax payers in the discharge of their tax obligations. Overall and in view of the country's poverty, with about 40% of the activity lying outside the commercial sector, there are many obstacles to effective tax administration. In the introductory section on tax structure it was pointed out that a cumbersome system for the Center's sharing of taxes with the States, has resulted in time-consuming record keeping. It was also explained that the exclusive constitutional reservation of all taxes on agricultural land or its income to the States, makes fraud control especially difficult.

Other policy questions related to tax administration assistance deal with the level of tax exempt income. In view of the GOI difficulties in handling large numbers of assesses, some Indian economists have advocated raising the level at which the obligation to file tax returns and pay the tax begins and recommend concentrating on higher income returns. They argue this low income taxpayers contribute through indirect taxes. This is a tax policy question bearing directly on tax administration. Since around three-fourths of India's tax revenues are from indirect taxes, the need and priority of providing technical assistance in that field is another valid issue.

However, this reviewer must emphasize that the problem of the relation of tax policy and tax administration, which came up repeatedly and strongly in the Latin American countries covered in the 1966 tax administration assistance evaluation, was not raised

by any one in India. The writer's questions on this subject were answered by USAID/New Delhi officials with the statement that it was clear to the Indians that the IRS team was to assist in tax administration. Informal explorations by USAID/India did not result in GOI request for assistance or advice on tax policy. Therefore, this had in no way been an issue. The topic is mentioned in this report for the sake of completeness. The difficult and significant issues of tax policy existing in India have not been a problem in the Team's work.

UNFINISHED BUSINESS AND FURTHER REFINEMENT  
OF THE FUNCTIONAL SCHEME

The drastic - almost revolutionary - change in the administrative pattern of income tax administration in India promoted by the IAS/FTAS Team presence has been emphasized in other sections of this report. It has also been highlighted that the desired change goes beyond a mere shift in organizational pattern. The basic Team objective has been to institutionalize a philosophy and practice of tax administration based on self-perpetuating managerial improvement. This change was begun at the operational level in the fall of 1967. It has therefore run for one year and one quarter, a relatively short time to consolidate and perfect such an ambitious institutional transformation. It is therefore not strange that there should remain quite a number of loose ends and unfinished business. It is considered desirable to briefly enumerate some of the outstanding issues:

- 1) Simplification of the collection function leading to payment coincidental with self assessment in cash or by check, or postal money orders, at the easiest place for the tax payer, at the income-tax office, if desired, personally or by mail.
- 2) Complete and rationalize the action already taken in recovery, providing complete recovery powers and facilities to ranges, under the Central Government jurisdiction, eliminating the need for cooperation of State officials which still exists. This

way the shift of the recovery function of all direct tax arrears to the Central Government jurisdiction would be completed.

- 3) Simplification and rationalization of the entire accounting and record keeping systems and function, by removing legal obligation to record taxes by head-- which involves the entire delicate issue of Central Government and States revenue distribution -- eliminate duplication, and simplify bank collection procedures.
- 4) Rationalization and simplification of record keeping and statistical system to make it an accurate, dependable source of figures both for management control and useful for tax policy decision as well as for general economic analysis.
- 5) Complete the process of placing the jurisdiction over direct taxes clearly at the highest level to permit the flexibility of administrative arrangement to carry the functional pattern of income-tax administration to its logical culmination. In this way the reaping of the potential benefits of the scheme could be greatly enhanced.
- 6) Legislation to grant necessary authority to officers of the Intelligence Wing to perform their fraud abatement work more effectively is needed, according to the IRS Team as, for example, requiring assessors in certain circumstances to keep accounting records, declaring wilful failure to file a return a criminal offence, declaring income tax evasion a criminal offence, prescribing the signature of returns by chartered accountants and granting powers to officers of the Intelligence Wing to initiate searches, subpoena records, and summon witnesses.

SUMMARY, OUTLOOK OF THE PROJECTS  
AND ACTION REQUIRED TO ATTAIN ITS  
FULL POTENTIAL BENEFITS

Summary

The IRS/USAID effort at tax administration in India ends with an impressive list of credits in its favor in this reviewer's judgement. Previous sections have briefly summarized major accomplishments. The project's initiation auspiciously started with talks at the highest Government levels. A very well accepted and influential preliminary survey and the way the survey Team performed established a good base for the Team, a most promising beginning in the middle of 1964. A excellent Team began operations in May 1965 and was essentially staffed by January 1966. By December 1965 the Team contributed a significant achievement, the establishment of an Intelligence Wing by the CBDT. After 15 months of ceaseless effort, punctuated at times by frustrations, things began to stir with reference to administrative organization and procedures. The decision to test a new concept of organizing income-tax in four ranges, was made in July 1966. The pilot ranges began operations under the new scheme in September 1966.

In July of 1967, and based on only 4 months of performance (September-December) by the 4 pilot ranges the Deputy Prime Minister and Minister of Finance directed that "ranges" accounting for 50 to 60 percent of income tax revenue be organized along functional specialization lines. This meant a basic change in income tax administration, a classic example of a developmental action: the substitution of a traditional, long and well established procedure, by a modern, new and different procedure, that had proved its capacity to handle large numbers of returns efficiently in the United States.

The concentration of interest in the course of this drastic and meaningful change has tended to obscure other complementary actions of great worth that have originated from the interaction of the IRS/USAID Team and the GOI and which were set in motion during mid-1965 to the end of 1968. Suffice it to mention a few significant ones, such as legal simplifications, simplification of returns, simplification of tax computation, a manual for guidance of intelligence and fraud suppression, the establishment of an Organization and Planning Unit of the CBDT level to take over the functions of stimulation and guidance of administrative reform after the IRS Team leaves at the end of December 1968.

Fundamentally, as a perceptive Indian official expressed, the IRS effort in India has stirred Indian officials to question, think and search for better tax administration. It shook this part of the Indian establishment of complacent acceptance of a system, that if adequate and meritorious in older times, had failed to meet present challenges because it had fallen in a rut. In this way, and though some may question its worth, a basic function of a technical assistance effort has been performed. The IRS effort in India has started a process of reform; tax administration will not be the same henceforth.

This project's worth will be finally established by its long-term influence. And this is not understood as the blind acceptance and pursuance of outside ideas or a fixed pattern of organization and procedures. It is its influence on Indian thinking and action to evolve the most adequate institutions to suit their goals and circumstances. In this reviewer's opinion the opportunity of this happening exists.

High in the list of credits of this project should be the unanimous expression of commendation of all team members as human beings, for their friendliness, consideration and respect for their Indian co-workers, without a trace of arrogance. This reviewer attaches the greatest worth to this exceptionally good record, under at times trying conditions.

On the debit side of the ledger there are some entries also; some in my judgement significant. A very auspicious beginning may not have been exploited fully. Perhaps this might have been asking for the unattainable. It is mentioned because it is the highest goals that programs such as this must pursue. This has been a joint effort and therefore action, or lack of it, must have resulted from the interaction of the developmental agency and the host country. In failing to exploit that fine start this interaction was clear. There was acceptance and support at the high GOI levels. But the tedious and time consuming task of persuasion of the working and intermediate levels was not done.

It is well known that winning the voluntary acceptance of the host country officials at all necessary levels is the most difficult part of technical assistance. It is hard to win it everywhere. In India, this project was no exception. The impressive list of accomplishments previously enumerated must not lead to ignoring how difficult the task has proved to be both to the Team and to the Indian officials. Compared to other countries, where programs of this type have been observed, the Indian experience is characterized by a high level of success in the acceptance of the basic ideas at the highest level, but rather scattered pockets of strong resistance to detailed features at the working and intermediate levels. This

has led to substantial delays in implementation and a slow reaping of benefits from such a drastic change. The benefits now accruing from the project are much below its practicable potential.

On the debit side this reviewer must place the non-continuity of permanent team leadership since the departure of Mr. Charles in May 1967. This occurred, despite IRS/Washington efforts to meet the situation because of a series of regrettable force majeure situations. But this situation did not enhance the standing of the effort in GOI circles, and has made the impact of the winding up period less impressive -- mostly for psychological reasons -- despite the efforts of the Team and its acting leader. These officials deserve commendation for the way before leaving they have brought to a head significant activities pending for a long time.

Somehow or other, and despite the fact that it is genuinely impossible to adjudicate on the reasonableness of the reaction, it must be stated that this reviewer heard mentioned several times and/or suggested, that the GOI had expected even higher caliber Teams following the satisfying experience they had had with the survey Team. As one of the most articulate and friendly officials said, the Teams had not projected the image of excellence that the U.S. tax administration operation had reached at home. But again is not this too much to ask? It is felt that the GOI officials at the

high levels have some of the highest standards in this respect.

On the other hand in the field the Teams were generally characterized as good. Everyone and everywhere had nothing but praise for all team members as human beings and their human relations were termed faultless.

Perhaps even the place where the Team was located to work, which may not have been the most auspicious -- even if it may have been a most practical -- might have made its work in India somewhat more difficult. Whether a greater effort should have been done to get the Team housed in a more prestigious location -- the North Block adjoining the CDDT Chairman -- is a moot question.

Throughout its stay the Team was constantly facing a number of obstacles, from inadequate quarters at the beginning, resistance to change from some sides at the GOI working level, at the CDDT, etc. For a brief period at the beginning there was a feeling of less than the needed support from the FTAS/Washington office, which fortunately was quickly corrected after Mr. Machoian's visit to India in December of 1966. Operating under the above stated conditions, principally the resistance at the level of the CDDT, it is not possible that the Team could have exerted the full measure of its potential impact.

Overall, this is the story of wholehearted acceptance of major spectacular changes at the policy level, resistance at the Board level, probably a majority of CITs and IACs favored it and open opposition from the union of clerical employees. Consequently less than potential benefits have and are being realized from such a significant change in tax administration. This indicates the probable course for the future. A combination of the merits of the scheme for the handling of large numbers of taxpayers and the unconditional and general adherence to it at the policy level assure the continuance of the scheme. As some of the more perceptive Indians said in essence, this or a similar scheme is inevitable and irreversible. Some said ".... it is not a question of whether it works, it must be made to work." The problem, thus, is not one of continuance of the project but of the effectiveness of its use. Therefore the benefits the GOI reaps from the scheme depend on the inputs of interest, attention, direction, guidance and day to day patient labor in its improvement that the GOI devotes to this project. Institutionally these functions have been placed in the O & P unit of the CBDT. To realize the stated objectives the O & P or a similar unit has to be strengthened, the CBDT must put its soul into it, and the Secretarial and Ministerial level must exercise an effective follow-up.

### Outlook of the Tax Administrative Reforms

The test of effective technical assistance is the firm establishment of the reforms introduced after the mission which helped to initiate them leaves. The basic aim of a specific technical assistance effort is to root firmly in the host country a process of change that becomes self-perpetuating in the particular activity influenced by it. The long range contribution of the technical assistance project on income tax administration in India will be proved over the years according to how well it meets the above stated criteria. In fact, this evaluation of the project calls for a new look to ascertain its influence within a period of 24 months. There is therefore no particular need to try a forecast of the survival capacity of the established reforms at this time. There is, however, a need to attempt to ascertain how firmly the reforms are rooted. This for the purpose of establishing whether the project has terminated at the appropriate time. In other words is this a logical time and stage of the project to end it? If not, what should be the action that may be taken by the GOI and to an extent by UCI/CD/India to buttress its weaknesses and get results commensurate with its potentials and GOI's aspirations?

It is this reviewer's view that the reason for the termination of the project at this particular time has been the insistence of the Indian government which was incorporated into USAID and IRS planning. It has not been the result of either the Team's conviction and/or USAID/India and/or FTAS/W that the tasks they came to perform had been fully concluded. The Team is going because it has to go; even if this might be an appropriate time for taking stock, there are far too many things to do to attain the GOI's basic goals, for this to be the time for a well rounded-up ending. This reviewer believes this is not the logical termination point for the program. There are many and important loose ends and unfinished business.

On the other hand the statements to this reviewer by Indian officials did not deviate on this point: "... the Team has done a good job ... they have started something valuable ... they have served their purpose creditably ... there is little if anything more than it could do ... Indian officials are ready and able to proceed with the reforms and carry them on to their successful culmination." Against this there is little that can be done on the part of USAID, in fact, it is questionable if insisting on staying would be either wise or productive of the desired ends.

However, a frank statement of the present situation of the project, the existence of some threats to its continuance, and the lack of a fully dependable base for the prompt, effective establishment of the avowed policies of the GOI, such as self-assessment, voluntary compliance, selective auditing, etc., all essential to an economical handling of large number of returns, should be clearly and frankly stated by USAID/India and IRS to the GOI. Usually the undeniable significant accomplishments of the project should be stated.

With respect to continuance and self-generating growth the established reforms present a mixed picture. First, there is the impression that the project equates with "functionalization" of income tax ranges scheme. This is undeniably its salient feature, and it is likely to be judged on its outcome. But the project is much more. It is the attempt to establish a process of continuing administrative reform of direct tax administration in India. This process entails continuous questioning of what is being done and the institutionalization of the means whereby change and reform become an integral part of its operations and management. The most worthwhile contribution of the project -- as very aptly pointed out by an Indian official -- has been the establishment in the minds of a series of officials at various hierarchical levels of the GOI

of an attitude of questioning the traditional way of doing things, of examining their organization and procedures in search of better ways of getting things done. In the fundamental sense this is the most valuable concept -- and hopefully practice -- left by the project.

Secondly, there have been other significant accomplishments besides functionalization, some closely related to the scheme, others less closely, but all of great merit. Improvement of fraud suppression procedures, simplifications of the law, simplification in returns preparation, facilitation of tax computation, the movement to make training more productive, and the establishment of the O&P unit at the CBDT, are some of the outstanding ones.

Thirdly, continuance does not seem to be in jeopardy. Almost all GOI officials practically take the continuation of the scheme for granted. The most perceptive term it a necessity, dictated by the obligation to handle large numbers of taxpayers. Furthermore the GOI is deeply committed to it. In essence the recommendations of practically all Indian studies inquisition of the tax situation support the need, if not for this specific scheme, for the basic ideas and goals that inspire the scheme. All of this leads this reviewer to conclude that the continuance of the scheme is

the most likely probability. Therefore, the paramount issue now does not seem to be the continuance of the scheme.

The principal issues are of different character. Two stand out. The first is to achieve the full utilization of the scheme, to reap all its potential benefits. Progress toward this goal was made but insufficient and at too slow a rate. The probabilities that these changes and that the tempo of progress will be accelerated in the coming years do not appear good unless a series of conditions are realized. In fact, assuming a continuation of the past situation, it is logical to expect a reduction in the efforts at effective implementation after the Team leaves and its stimulating action is removed. But the GOI has the capacity to reverse this situation and to accelerate the effective application of the scheme after the Team's departure. The necessary conditions appear to be:

(a) A continuing interest must be expressed from the administrative, secretarial and the CBDT levels, and periodic follow-up instituted to assure that these goals are met. The CBDT must embrace the scheme with an enthusiasm it did not seem to have been able to begin to generate until recently. (b) The function now performed by the O&P unit must be strengthened to bring it to more effective levels. An expanded number of officials is likely to be needed to discharge a wider scope of responsibilities and more demanding

activities. For example, there is the need to provide the intellectual base and stimulating action required by the project, so that it becomes a self-improvement activity. (c) The assistance of the Income Tax Training College should be sought, for example, to start research activities and an evaluation section. The potential of the Income Tax Training College for all types of training and for the added research responsibility should be more fully utilized. To this end already started improvements of its training function should continue, the provision of adequate accommodation in the new site must be accelerated and it should receive the greatest possible support and attention of the Board. The proposed addition of the research activity must be thoroughly examined, and if found desirable implemented promptly.

The second issue is the realization of the basic objectives of the administrative reform. The functionalization scheme is a means for the GOI to achieve the ends of voluntary compliance, full self-assessment and coincidental payment of the tax, selective auditing, and general administrative efficiency. All this with the ultimate purpose of raising the revenues from the income tax to levels more in line with its potential under presently legislated levels and economic situation, with the least possible adverse reaction from

tax-payers. Progress toward these basic objectives is being made but much remains to be done to reach this goal. The Team feels, and this reviewer shares the feeling, that the relationship between the "schemes" and the objectives is not as clear as it should be in the minds of some GOI officials at present. It is possibly clear at the top. But it must be understood at all levels to win ever acceptance. An acceleration in the attainment of the basic aims of self assessment and selective auditing does not seem very probable, to judge by the trend of the past years. Again some progress has been made, but not enough. The legal, administrative and attitudinal transformation to bring about rapid progress toward these goals calls for as drastic changes, if not greater than those required in the past to launch and expand "functionalization". A new group of advisors, experts in the various aspects of such a change, could greatly ease the task of bringing it about. If the GOI wants it the USAID/IRS should be prepared to provide it. There is hope in discreet, low key exchange of views between USAID/India, representatives of IRS, and GOI officials. The official presentation of the final report of the Team may offer an opportunity for this. Mr. Vaughn's presence to wind up the Team's work offers another.

### Recommendations

To attain the benefits of the transformation of its income tax administration within a reasonable time India instituted the "functionalization" scheme. It is its avowed policy to accelerate this change. To reach this goal certain actions are essential. Some of the most important ones are briefly outlined below:

1) The commitments to and interest in tax administration reform made at the ministerial level should be institutionalized into a system of periodic checks and follow-up.

2) The secretarial level at the Ministry of Finance, the Department of Revenue and Insurance, and the Central Board of Direct Taxes (CBDT) should all play their parts in this more vigorous supervisory action.

3) Measures should be taken to assure that the interest and enthusiasm for the basic objectives of the reform and for the functionalization scheme, which the CBDT has begun to exhibit lately, is continued and enhanced. There cannot be assurance of progress if this agency is lukewarm and not fully committed to these reforms.

4) There is urgent need for the continuation, strengthening and broadening of the function now performed by the O & P unit of the CBDT. New activities are required, such as for example, the

creation of a corps of officials to visit the ranges regularly, to solve problems, clear doubts, and in general facilitate the change over to the new system. This unit could feed back the field experience with the new procedures. Research on administrative problems, probably in coordination with the Income Tax Training College, should be started and the evaluation function should be formalized and staffed appropriately.

5) Since training is a basic support of this managerial transformation this function must be broadened and efforts made to exact the full potential of the Income Tax Training College.

6) The legal base necessary to the full change over to self assessment, easy payment procedures and selective auditing have not yet been attained, despite some progress in that direction. The greatest effort should be made to achieve this as promptly as feasible.

In general, the ambitious and far reaching reform of tax administration reform undertaken by the GOI constituted already a major modernization achievement. The unqualified support of this effort at the policy making levels made this possible. If the rate of progress in implementation has not been as fast as India's needs and aspirations demanded, and its benefits have not been

commensurate to its potential, it is because there has not been the follow-up - energetic, continuous, relentless - that this drastic change demands. This is what is required urgently. The task of taking the next steps to realise full self assessment is as difficult and demanding as was the initiation of functionalization of ranges. USAID/IRS should stand ready - - if requested by India - - to provide expert advice to this new phase of the process, as it was to assist India effectively in launching it and establishing the basic reforms.

### ACKNOWLEDGEMENTS

Cooperation and assistance in the conduct of this task from all sources of information has been so outstanding that it is impossible to do justice to it in a brief paragraph. Invaluable courtesy, willingness to talk frankly and outstanding assistance in making reports, books and documents available and arranging for personal interviews, both from USAID/India and the agencies of the Government of India, have made this work and the author's stay in India both intellectually stimulating and satisfying as well as most pleasant. Secretarial help has been timely, cooperative and competent. It is impossible to list all persons to whom this reviewer is deeply obliged. The list at the end of the report goes some way in giving an idea of the many persons who have kindly cooperated. At the risk of being unfair to others (and I must mention especially a few from whom outstanding assistance was received) Howard K. Hyde, USAID/India, Chief Management Advisor Ernest H. Vaughn, Special Representative of the IRS/FTAS during most of the reviewer's stay in India, the members of the IRS/FTAS Team in India at the time of this writing, namely: Andrew J. Barkin, Acting Team Leader; William C. Church, Training Advisor;

Donald G. Ross, Tax Collection Advisor and Gustave F. Schroeder, O & M Advisor. Conferences in Washington in which were present Harold Moss, Director, IRS/ETAS, Washington, Hendrick Macholan, Area Coordinator, IRS/ETAS, Washington, William Rebeck and Ivan Stuck, Public Administration Officers, USAID/Washington, Near East South Asia Bureau, were most helpful. Invaluable help in the preparation of the report was received from R. L. Malhotra, Stenographer, whose services the CBDT has been pleased to place at the disposal of the entire Tax Team and especially G. S. Khurana, Administrative Assistant in Dr. Hyde's office. To all my deep appreciation.

LIST OF PERSONS VISITED OR IN ATTENDANCE AT MEETINGS

In Washington

William Richter, Public Administration Officer  
Near East South Asia Bureau, USAID/Washington

Harold Moss, Director, FTAS  
US Department of the Treasury, Internal Revenue Service.

Ernest H. Vaughn, Chief, Initial Survey Team to India  
Acting Head and Advisor to the Indian Team.

Hendrick Marchalon, Area Coordinator, FTAS.

Ivar Stuck, Public Administration Officer,  
Near East East Asia Bureau, USAID/Washington.

In New Delhi

Howard Hyde, Chief Public Administration Advisor  
USAID/India.

Clarence S. Gubek, Assistant Director  
Office of Development Policy, USAID/India.

Richard L. Paddi, Chief, Program Division, USAID/India.

B. H. Masters, Analyst, Program Division, USAID/India.

Edward A. Kielock, Program Advisor on Public Administration  
Ford Foundation.

M. B. Threasher, Economist, USAID/India.

K. S. Sundara Rajan, Chairman, Central Board of Direct Taxes.

R. D. Shah, Member, Central Board of Direct Taxes.

Gordon Tiger, First Secretary, American Embassy.

**J. N. Khosla** Director  
Indian Institute of Public Administration

**J. K. Thaparaj**, Reader in Financial Control and Budgeting,  
Indian Institute of Public Administration.

**J. P. Singh** former Chairman  
Central Board of Direct Taxes (retired).

**John P. Lyons** Minister Director, USAID/India.

**Chester Bowen**  
Ambassador of the United States to India.

**Motarji Deora**  
Deputy Prime Minister and Minister of Finance  
Government of India.

**R. C. Dutt** Secretary  
Ministry of Tourism and Civil Aviation (former Secretary,  
Revenue, Expenditure and Company Law Administration)

**V. V. Chari** Secretary  
Administrative Reforms Commission, Government of India  
(former Chairman, Central Board of Direct Taxes)

**O. P. Vaish** Tax Specialist  
Federation of Indian Chambers of Commerce & Industry.

**P. K. Mitra** Officer on Special Duty in the Organization and  
Planning Unit of the Central Board of Direct Taxes.

**S. P. Chopra** Chartered Accountant

**Richard M. Hill** Chief  
Economic Affairs and Statistical Analysis Division, USAID/India

**S. Narayan** Officer on Special Duty  
Organization and Planning Unit of the Central Board of Direct Taxes

**Mahavir Tyagi, Chairman, Finance Commission  
Government of India (formerly Minister of State in the  
Ministry of Finance dealing with Income-tax matters).**

**V. T. Dehejia, Chairman, State Bank of India  
(Secretary, Department of Revenue and Expenditure,  
Ministry of Finance, at time of initial survey).**

**In Agra**

**S. S. Hitkari  
Inspecting Assistant Commissioner of Income Tax.**

**R. C. Gupta, Appellate Assistant Commissioner of Income Tax.**

**S. N. Srivastava  
Appellate Assistant Commissioner of Income Tax.**

**O. P. Bansal, Income Tax Officer.**

**B. K. Gupta, Income Tax Officer.**

**A. K. Verma, Income Tax Officer.**

**K. K. Sinha, Income Tax Officer.**

**T. D. Chandra, Income Tax Officer.**

**L. P. Ranjani, Income Tax Officer.**

**S. G. Seymour, Income Tax Officer.**

**S. D. Saxena, Income Tax Officer.**

**G. N. Srivastava, Income Tax Officer.**

**K. S. Yadav, Income Tax Officer.**

**A. M. Narayan, Inspector.**

**R. K. Lal, Head Clerk.**

**G. L. Varma, Upper Division Clerk**

Ram Narain Agarwal, Member of the Bar.

P. C. Gupta, Member of the Bar.

Dayal Saran, Member of the Bar.

S. K. Das, Member of the Bar.

In Bombay

M. B. Paelkar, CIT, Bombay City I.

C. C. Ganapathy, CIT, Bombay City II.

S. V. Ramaswamy, CIT (Central).

In Ahmedabad

Prem Nath, CIT, Gujarat I.

R. V. Ramaswamy, CIT, Gujarat II.

In Nagpur

Avtar Singh, CIT.

V. R. Bapat, CIT (Training).

L. S. S. Chakravarty

Appellate Assistant Commissioner of Income Tax.

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ANNEXURE I

PARTICIPANT TRAINING

<u>Name</u>	<u>Previous Position</u>	<u>Present Position</u>	<u>Period of Training</u>
R.V. Ranaswamy T.A.	Deputy Director	Commissioner	October-December 1964
Balukrishnan	IAC	DDI	October-December 1964
S.J. Verma	IAC	IAC	October-December 1964
P.S. Bhaskaran	IAC	Officer on Special Duty	March-June 1965
R.L. Malhotra	Deputy Director	Commissioner	"
S.R. Sha	IAC	IAC	"
S. Bhattacharyu	IAC	Secretary to CBDF	"
D.V. Pande	Authorized Representative to Income Tax Appellate Tribunal		"
F.C. Dilani	IAC	On deputation abroad	"

Organization & Planning Unit

R.D. Shah	Director of Inspection	OSD	September-November 1964
S. Narayan	Commissioner	OSD	"
P.S. Bhaskaran*	IAC	OSD	"
F.K. Mitra	IAC	OSD	"

\* Second visit.

ANNEXURE II

COMPOSITION OF TEAMS, INDIA

IRS Survey Team (Mar.-Apr. 1964)

Ernest H. Vaughn, Head of Team and Regional Commissioner of Internal Revenue, Central Region.  
Ambrose M. Stoepler, District Director of Internal Revenue, Richmond, va.  
Thomas P. McGovern, Assistant Regional Commissioner, Intelligence, Central Region

The Original Resident Team

Philipp Charles, Team Leader, May 1965-June 1967.  
Joseph Harmon, Assistant Team Leader & Fraud Advisor, May 1965-May 1967.  
Donald Ross, Collection Advisor, October 1965-August 1968.  
William Boyle, Audit Advisor, January 1966-December 1967.

Short-Term Advisors

Ernest H. Vaughn, Acting Team Leader, May-September 1967,  
December 1967-April 1968.  
Hendrick Machoian, Acting Team Leader, September-November 1967.  
Bernard Colbert, Fraud Advisor, February-May 1966.  
Robert Fredlund, O&M Advisor, July-September 1966.  
Quentine Guerin, Training Advisor, January-April 1967.  
Herman Schweizer, Collection Advisor, January-April 1967.  
Norman Rogers, O&M Advisor, January to March 1967.  
Staunton Calvert, Statistical Advisor, April-June 1967.  
Raymond Piellin, Fraud Advisor, April-August 1967.  
Jool Roache, Audit Advisor, May-August 1967.  
Donald Ross, Collection Advisor, September-December 1968.

The Last Team

Ernest Langbein, Team Leader and Audit Advisor, November 1967 to  
July 1968.  
Andrew J. Barden, Acting Team Leader and Fraud Advisor,  
December 1967-December 1968.  
William Church, Training Advisor, December 1967-December 1968.  
Gustave Schroeder, O&M Advisor, December 1967-December 1968.

ANNEXURE III

Performance of Pilot Ranges and All Others  
September-December 1965 and 1966 Compared

	<u>September-December</u> <u>1965</u> <u>1966</u>		<u>Percentage</u>
	(Rs.000)		
<b>NET BUDGET COLLECTIONS</b>			
Pilot Ranges	30,650	46,138	51
Other Ranges	2,223,350	2,549,862	15
All India	2,254,000	2,596,000	15
<b>GROSS DEMAND RAISED</b>			
Pilot Ranges	23,210	55,958	141
Other Ranges	1,061,690	1,496,000	41
All India	1,084,900	1,551,600	43
<b>DISPOSAL OF ASSESSMENTS</b>			
	(Number)		
Pilot Ranges	18,376	24,423	33
Other Ranges	880,048	981,943	12
All India	898,422	1,006,366	12

ANNEXURE IV

Performance of Pilot Ranges and All Others  
September-March 1965-66 and 1966-67

	<u>September</u> <u>1965-66</u>	<u>March</u> <u>1966-67</u>	<u>Percentage</u> <u>Increase</u>
NET BUDGET COLLECTION			
Pilot Ranges	66,514	90,935	37
Other Ranges	4,538,586	5,017,665	11
All India	4,605,100	5,108,600	11
GROSS DEMAND RAISED			
Pilot Ranges	69,684	103,199	48
Other Ranges	2,902,916	4,518,001	56
All India	2,972,600	4,621,200	55
DISPOSALS OF ASSESSMENTS			
	(Number)		
Pilot Ranges	32,250	42,753	33
Other Ranges	1,687,745	1,807,465	7
All India	1,719,995	1,850,218	8

ANNEXURE V

PERFORMANCE OF PILOT RANGES  
September to February 1966-67 and 1967-68

Net Budget Collections

(Rs.000s)

	<u>September to</u> <u>1966-67</u>	<u>February</u> <u>1967-68</u>	<u>Percent</u> <u>change</u>
Bombay Range F	17,702	21,030	18
Bombay Range N	19,577	23,393	19
Madurai	21,329	26,416	24
West Bengal XVI	4,459	5,196	16

Gross Demand Raised

Bombay Range F	9,859	11,642	18
Bombay Range N	29,912	24,574	- 18
Madurai	28,621	30,425	6
West Bengal XVI	7,503	7,345	- 2
Total:	<u>75,925</u>	<u>74,086</u>	<u>2</u>

Disposal of Assessments  
(Number)

Bombay Range F	11,618	7,874	- 32
Bombay Range N	8,572	7,964	- 7
Madurai	6,743	11,459	+ 70
West Bengal XVI	8,354	6,759	- 19
Total:	<u>35,287</u>	<u>34,056</u>	<u>3</u>