Reform the Indian Tax System

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Before Independence the pattern of Indian fiscal policy was based mainly on the fiscal policy of Great Britain. India had no independent taxation policy of her own irrespective of the fact that its economic conditions were totally different. It has been emphasised by prominent writers of public finance that the taxation policy of a country has to be built according to its economic conditions. The then Government of India could not embark upon a suitable taxation policy for this country. The main commodity taxes before World War II were customs central excise, salt duty and opium duty. The most important commodity taxation which yielded about 60 percent of the total central tax revenue during pre-War period was custom duties because India was passing through the phase of an industrial expansion, and the imports of raw materials were increasing. T. George and W.R. Natu write that due to the industrial expansion of the country her imports were mounting up during the period before World War II1. .Import duties yielded about 90 percent of the total customs revenue during pre-War years. Most of the revenue from import came from duties on machinery, tools and manufactured goods. The goods of the countries, other than, those of the Commonwealth, were taxed at heavier rates due to the presence of Imperial Preference.

The colonial conference, which met in 1902, recommended 'Imperial Preference'. It was through the "Ottawa Agreement" in 1932 that India adopted this policy. The public opinion against this policy was well illustrated by the amendment proposed by Mr. M.A. Jinnah through which the 'Ottawa Agreement' was terminated2.

The pre-War taxation policy of the Government of India with regard to central excise was not a well-planned policy. U.K. Hicks writes in her 'Public Finance surveys of India' (1951) that about 52 percent of the commodities taxed under

India's Sustainable Economic Development and Agriculture Growth: The Global Era

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The World Development Report 2007, countries were classified into three categories on the basis of Gross National Product (GNP) per capita. This classification includes three categories of countries; Low Income Economies , are those where GNP per capita is either 875 dollar or lower to it in the year 2005, Middle Income Economies possess GNP per capita between 875 dollar to 10725 dollar, lastly High Income Economies with GNP per capita 10726 and above. The latest data of World Bank Report (2007) has placed Indian economy at the 10^{th} rank on the basis of GDP in 2005. On the basis of GDP United States of America stands first followed by Japan and Germany. It is worth noting that in absolute terms basis of GDP, Indian economy attained the 12^{th} rank in the World for the first time in 1999 which was maintained till 2003, In the year 2004, this rank was improved to 10^{th} which was also maintained in 2005. China which was placed at 6^{th} rank in the year 2004, got improved to fifth place in the list of top 10 economies. Amid all the hoopla around India emerging as one of the world's fastest growing economies and figuring in the list of the most attractive destinations being eyed by World Inc, the country has been named as the second least 'globalised' nation. International consultancy and research firm AT Kearney has ranked India at the 71st position in its annual ranking of the world's most globalised nations. AT Kearney and Foreign Policy Globalisation Index 2007. India fell 10 placed from its 61^{st} position in the year 2006. The country was placed at the second bottom position last year as well in a list of 62 nations. This year 10 countries have debuted on the index and all of them have come at ranks higher than India. The list of 72 countries is topped by Singapore for the third consecutive year, followed by