

## Direct versus Indirect Tax

The distribution between direct & indirect taxes is not always satisfactory or consistent. One way of distinguishing between these two taxes has been in terms of incidence of taxation. It is stated that if the incidence of a tax rests upon a person who bears its impact also, then it is a direct tax. If on the other hand the incidence is shifted on the others then it is an indirect tax. However it is obvious that such a distinction is not easy to maintain specially because in some cases because the incidence of the tax may shift partly and in some cases fully. Again the shifting of incidence may differ even in the case of the same tax over time and soon because of these complications, some authors tend to disacee this distribution. Further in economic literature we also come across many other basis of this distribution.

For eg. it has been maintained that while taxes on production are direct those on consumption are indirect. Similarly it has also been stated that taxes on income are direct but those on expenditure are indirect. It will be noted that these types of distinctions do not have a sound economic basis. For eg. why should be taxes on production direct while those on consumption indirect. Both are two imp. activities in the economy and one cannot be sustained without the other. similarly, to distinguish between taxes on income and taxes on expenditure could be equally faulty & more so when we notice that in terms of flow of funds in the economy, receipts & expenses are two dimensions of the same economic activity. If we want to have an economic basis for distinction between direct & indirect taxes, then the ~~best~~ possible approach could be to maintain that in the case of direct taxes the liability is determined with direct reference to the tax paying ability of the tax payer while in case of indirect taxes ability is assessed indirectly. For eg. Income tax is a direct tax. Here the tax paying ability is assessed directly in relation to the income of the assesseee assuming that such

economic instability & Indian Planning has also adopted goal of "growth with stability". But our planning has failed to put a check on price fluctuation & price level.

~~Failure in Agricultural Sector~~ → though agricultural sector has made good progress during Planning era still few problems of agriculture are yet to be solved like (i) increase in population pressure on agriculture (ii) insufficient availability of irrigation facilities and much dependence on monsoon.

(iii) extension of disguised unemployment  
 (iv) unequal growth in productivity of various foodgrain crops  
 (v) limited use of inputs under New Agr. Policy.

4. Failure in Industrial sector - Despite much progress in industrial sector during planning era various disparities still exist in economy