



CENTRE FOR DEVELOPMENT STUDIES

WORKING PAPER NO. ~~44~~ 12

DIRECT TAXATION OF AGRICULTURE

By

K.N.Raj

Centre for Development Studies
Ulloor, Trivandrum-11

March 1973



DIRECT TAXATION OF AGRICULTURE*

By

K.N.Raj

In the first lecture under this series Professor I.M.D.Little had observed that no permanent civil servant since John Stuart Mill had made such a contribution to theoretical economics as V.K.Ramaswami. Remarkable as was this contribution it reflected but one side of his personality and achievement. The other side, no less impressive, was his deep intellectual and emotional involvement in practical problems as an economic administrator. He was in fact part of a small, distinguished group in government service who moulded and gave direction to economic policy in India not only through their individual talent but by a rare capacity to work together to a common purpose. Ramaswami, the youngest of this team, was tragically the first to be removed from the scene; now, with the passing away of Pitambar Pant in circumstances almost as painful, we are left only with the memory of a warm, lovable and unpretentious group of friends who could remain dedicated to a larger cause without being untrue to themselves or ungenerous to others.

One of the problems in which Ramaswami took considerable interest was the taxation of agriculture. He was actually among the architects of the wealth tax introduced early in 1969. When this proposal met with strong political opposition he was also one of those who worked actively behind the scene to salvage whatever was

* This version of the Ramaswami Memorial Lecture, delivered on March 12, 1973 under the auspices of the Delhi School of Economics and the Indian Statistical Institute, is subject to revision before publication in the Indian Economic Review. Footnotes and the Appendix have been added subsequently.

possible. To his efforts must go at least part of the credit for the subsequent decision of the government to retain the wealth tax on agriculture, even if in a somewhat curtailed form. The constitutionality of this measure was later challenged, but the decision of the Supreme Court went in its favour and the wealth tax remains therefore one of the potent instruments available to the Central Government for direct taxation of agriculture.

Extension of the wealth tax to agriculture, it will be recalled, was opposed on the ground that it would hurt even the small and medium-sized farmers. This argument was advanced in spite of agricultural holdings below the value of Rs.1 lakh being exempted from the tax. The opposition to the tax came from even political parties and groups generally associated with radical policies, some of whom cautiously refrained from defining who precisely constituted the small and medium-sized farmers.

Ramaswami had no pretensions to radicalism, and in fact took great delight in projecting an image of being a "reactionary". That one like him should have had to defend the taxation of agricultural wealth against heavy odds is not only a tribute to his own integrity and sense of professional commitment but a comment on the sociology of radical politics in this country. The renewed interest today in the taxation of agriculture makes it therefore an appropriate subject for remembering Ramaswami's own work and for examining some of the issues and problems such taxation now raises.

Though the need for taxation of agriculture is self-evident in a country that is mainly agricultural in character, the form and

incidence of such taxation can vary widely depending on the political structure and the objectives of economic policy. The extent of dependance on land revenue during British rule in India, and its regressiveness, are of course explained mainly by the systems of taxation inherited from earlier regimes. However, Britain was also interested in commercializing the Indian economy as rapidly as possible, and the requirement to pay land revenue in cash served the purpose of compelling farmers to produce more for the market. Since the tendency to subsistence farming was more prevalent among small farmers, the element of regression had the effect of applying on them adequate pressure in this direction.

Such a regressive system of agricultural taxation was feasible also within the social and political power structure of Japan in the early decades of this century. As in India, it was superimposed on a pattern of land holdings and agrarian relations which promoted extreme inequalities of wealth and income. In fact the one complemented the other, and the surpluses so extracted from agriculture provided a large part of the resources required for the industrialization of Japan during this period.

Agriculture has had to provide resources for development on a significant scale in the Soviet Union and China as well, but the social and political premises were entirely different. Not only was the incidence therefore mainly on the higher strata of rural society but the viability of the strategy required complete reorganization of the agrarian economy. Though we still know all too little of the Chinese experience it seems probable that such re-organization

linked with the development of agro-industrial complexes in rural areas has contributed more to the mobilization of resources from agriculture than purely fiscal measures such as the grains tax.

All this has however only limited practical relevance within the existing social and political framework in India. With land revenue remaining more or less fixed in terms of money, and prices and incomes rising over time, the yield from this form of taxation of agriculture has shrunk in real terms to almost insignificant proportions. The receipts from this source annually amounted to five per cent of the total value of agricultural output at the turn of the century, but they account for no more than $3/4$ per cent of it now. Nor does any radical re-organization of agriculture appear to be within the range of achievement in the near future even though some changes in the tenurial system and in land holdings have been taking place. In the circumstances the most that can perhaps be realistically attempted at this stage for mobilizing resources from this sector is to make available the inputs required for accelerating the growth of agricultural output and at the same time devise a system of taxation of agriculture that is consistent with the assumptions and objectives of the development process.

One of these assumptions is that the public sector has the primary responsibility for providing the social and economic overheads of development. The external economies associated with investment in irrigation, soil conservation, education, scientific research, etc. are so large that this responsibility is particularly great in relation to agriculture. One has therefore to keep in mind that against

the revenue that might be collected from taxation of agriculture has to be set the reverse flow of public expenditure in this sphere and that the net balance could be still in favour of agriculture.

Another relevant consideration is that, when the distribution of land is very unequal, the external economies created by public expenditure on development are likely to widen rather than narrow the disparities in income and wealth. Shift in terms of trade in favour of agriculture of the kind witnessed in the last decade has similar effects, since the proportion of the produce marketed tends to be higher for the larger holdings. The forces actually in operation are therefore likely to run counter to one of the major social goals of development unless a significant degree of progression can be introduced in the taxation of agriculture.

It has sometimes been suggested that the required additions to tax revenue from agriculture and the element of progression needed can both be secured through indirect taxation on a selective basis. As the level of income rises the pattern of consumption changes in favour of goods that are amenable to higher rates of excise duty and the like, and larger proportions of the higher incomes can therefore be tapped through indirect taxation of such goods. That there is scope for additional taxation along these lines is beyond doubt, but the question one has to ask is whether it would be adequate relatively to the requirement.

The answer is reflected in part in the degree to which reliance is still placed, when additional revenue has to be raised, on taxation of some of the most essential commodities entering into the consumption of low-income groups and, still more significantly

in the case of the agricultural sector, on inputs of critical importance to production such as chemical fertilizers. One has only to look at the estimates of the additional tax revenue that has to be raised during the Fifth Plan period, and the extent to which wages and other costs have tended to rise in response to indirect taxes on essential commodities in the past, to recognize the need for exploring to the full the scope for more direct taxation.

The simplest way of raising more revenue through direct taxation of agriculture would be to levy surcharges on land revenue making its incidence a multiple of what it is now. Land revenue has the advantage that it is a traditional method of taxation familiar to the farmers and has generally been upheld by the judiciary as a system in which the amount of the levy is related to the potential productivity of the land in each holding. If this latter condition is really satisfied, and the land revenue now payable reflects reasonably well the inter se relationship in productivity as between different plots of land, it would not be difficult to devise a formula for using it to introduce any degree of progression one desires into the taxation of agriculture. In essence all that one would need to do is to link the rate of tax applicable in the future with the total amount of land revenue now payable by a holder.

[The difficulty however is that the land revenue now levied does not adequately reflect differences in the productivity of land. There are several reasons for this. In many areas of the country, more particularly in the ex-Zamindari tracts, the amount now payable as land revenue is simply the rent that the tenant or sub-tenant was

required to pay under the Zamindari system and, in cases where the intermediaries chose to retain some land for themselves, an arbitrarily fixed amount determined by the State at the time of abolition of the system. Since there was a wide range of differentiation among tenants the rent that was being paid by them had naturally little relation to the productivity of the land they held. In States that were formed by merger of territories belonging to feudatories, the land revenue payable in some regions is several times as high as the amount payable on land of similar kind in other regions within the same State.*

Even in the ex-ryotwari regions revenue settlement has not been undertaken for some decades except in some areas and, in several of them, there have been since then sufficient developments such as extension of irrigation to upset the inter se relationships in productivity established by previous settlements. Further, under the system of settlement that has been practised in these regions, the productivity of land has been assessed in terms of the basic cereal that is grown in each area and not in terms of the crops that were actually grown. With the growing demand for and the consequent popularity of non-food crops that are more remunerative, some of which can be even grown in soil that would be regarded as inferior for cereals, this method of assessment has obvious limitations. To correct this deficiency, several States have taken recourse to additional cesses on the area under selected crops. But the crops covered by such cesses are seldom comprehensive enough, and the rate of the levy is not itself determined in any systematic way with

* In one State the land revenue payable on land of comparable quality is about ten times as high in some areas as in others in the same State.

reference to the productivity of the land under such crops; the correction achieved is therefore not only ad hoc in character but generally very partial. In any case it is evident that, even where crop cesses are levied, land revenue by itself does not provide an adequate basis for introducing progression into the taxation of agriculture. In several parts of the country, doubling or trebling of the land revenue will only make this form of taxation more regressive in its incidence than it already is.

This is among the reasons why the replacement of land revenue by extension of income-tax to agriculture has had considerable appeal to many. If the income actually accruing from agriculture is assessed exactly as income from any other source, all the factors that are relevant to the productivity of land will have been indirectly taken into account and the rates of tax applicable at different levels of income will introduce the necessary degree of progression. In principle there is perhaps no better way of making the entire system of direct taxation more equitable and logical.

In practice, however, the assessment of agricultural income presents formidable difficulties. They arise from the nature of agricultural operations and the conceptual problems involved in distinguishing current from capital costs. Wherever taxation of agricultural income has been attempted the result has been either extensive evasion (as when the assessee could afford to secure necessary accounting and legal assistance) or harrassment (as when the assessee could not secure such assistance). This has been the experience not only in countries like the United States but in India

*Section 9
A 17*

itself wherever it has been in operation. In fact, apart from the tax collected from the larger plantations in States where they form a significant segment of the agricultural sector, the revenue from agricultural income-tax has been negligible hitherto. There is adequate reason to believe that this is not because incomes above the stipulated exemption limit have been themselves negligible but mainly due to the problems posed in the actual administration of the tax. Even in the case of plantations one finds several instances of their audited accounts showing continuous losses alongside growth in acreage and output; of course, the internal inconsistency of these phenomena cannot by itself be an adequate ground for questioning the correctness of the accounts, since there is no law in the country which lays down that only enterprises in the public sector can show continuous losses and still insist on expanding their operations!

For all these reasons, despite the obvious attractions of extending income-tax to agriculture, there has been growing recognition the world over to find an alternative method of direct taxation of agriculture. This has been in evidence particularly in the context of countries in which agricultural output forms a high proportion of the total national income and the distribution of land holdings is sufficiently skewed for progression being made an essential element of such direct taxation.

A common feature of most of the alternatives suggested is that the proposed tax is not linked to the actual income derived from agriculture but to the potential productivity of land* given the soil

* "Potential productivity" is usually taken to mean in this context the productivity that one can reasonably expect to be achieved with the use of the existing practices and techniques prevalent in the area, not what can be attained by adopting improved practices and techniques.

and climatic conditions, the choices open in respect of the crops that can be grown, and the prevailing practices and techniques of agricultural production in the area. In so far as the tax base proposed is potential productivity it is essentially a return to the principle underlying the system of land revenue in ryotwari areas. The differences from this system, and between the various proposals themselves, are mainly in regard to the method of assessment of the potential productivity of a holding.

Some link potential productivity mainly with properties of the soil, availability of water, and climatic conditions, and would assess it for a holding with reference to the actual productivity of land in tracts that are reasonably homogeneous in respect of these objective factors without going into the actual crop-mix in the holding or even the average productivity of land under each of these crops in the tract concerned. The presumption is that once the land in each holding is classified according to the characteristics of soil, water supply and climate, the choices open to it can be objectively determined and it is upto each holding to arrive at the optimal crop-mix without the choice being affected by the amount of tax payable.

Others would not attempt detailed classification of soil in each holding — on the ground that the properties of the soil can now be modified to a considerable extent by the application of chemical nutrients — but place more importance on going into the observed crop-mix in each holding and the average productivity of land under each crop in tracts that are more or less homogeneous in respect of soil, water supply and climate. The implicit reasoning here is that,

while soil need not be regarded as imposing any absolute constraints on the choice of crops or on the productivity that can be realized, there could be other constraints on the choices actually open and that it is therefore essential to take into account the crops grown in each holding and how much can be secured thereby.

✓ The Agricultural Holdings Tax proposed recently by the Committee on Taxation of Agricultural Wealth and Income approximates more closely to the second of these two variants. In so far as it is based on the actual crop-mix, and takes into account the productivity of each crop or crop group, it is in effect a systematic way of making crop cesses the basis of direct taxation of agriculture and introducing progression into it in a way that cannot be done now on the basis of the existing land revenue system. The details of the methods and procedures proposed, and the possible differences of opinion on them, are not so important as the fact that basically the objective is to avoid determination of actual income or productivity for each holding but to find a reasonable basis for assessing potential productivity with minimal scope for arbitrariness in administration. This approach has the additional advantage that by relating the tax to certain norms of productivity it offers some built-in incentives to achieve higher levels of productivity, since the gains so secured by the producer will not be subjected to additional tax at the margin as in the case of the prevailing systems of taxation of income.

It is obvious that the objective conditions that have to be taken into account in assessing potential productivity may differ

to such an extent that the methods suggested in one set of circumstances may not seem appropriate or reasonable in another situation. Any scheme of taxation of this kind has to have therefore within it sufficient flexibility to be adapted to the requirements of each case. But what is beyond doubt is that classification of assesseees on some objective criteria, and determining the tax payable on the basis of norms considered appropriate to each such group, is an accepted method of direct taxation; all that is essential is that there is a procedure laid down for appeal by any assessee who feels that injustice has been done.

[Various administrative problems have been mentioned as reasons why it might be difficult in practice to organize and operate effectively the Agricultural Holdings Tax. Among them are the non-availability of records relating to operational holdings, the difficulties in demarcating tracts and areas that are broadly homogeneous in respect of soil and climate, the burden that would be imposed on the administrative machinery if the assessments have to be made annually, the difficulties posed by the existence of 'benami' holdings etc. These are indeed genuine problems, but none of a nature that precludes its adoption.

The most crucial step involved in the implementation of the tax is the delineation of tracts and areas, which are markedly different from each other in regard to soil and climate, but sufficiently homogeneous within to provide a reasonable basis for providing norms of gross output per acre for different crops in each such tract or area. This is by no means an impossible task, nor is it the case

that such attempts at classification have not been made in the past. In fact similar demarcation was carried out in the Mysore State as part of land revenue resettlement operations initiated in 1958. In States such as Kerala, where land of heterogeneous kind can often be found in close proximity, there could be difficulty in demarcating homogeneous tracts on the basis of contiguous areas; but in such regions there are usually other ways of classifying land. Problems of this nature are in fact continually faced by administrators in different States when policies and programmes formulated at the national or State level have to be carried out; reasonably workable solutions are in practice found, and there is no reason to think that such administrative ingenuity will not be forthcoming in this case.

There are some features of the proposed tax which, if found administratively burdensome, could be modified to some extent without violating the spirit of the proposals or defeating the purpose. For instance, if annual assessments are found difficult, triennial or quinquennial assessments might do. Similarly if, for non-administrative reasons, the 10-year period suggested for averaging to determine the norms of productivity for different crops is thought to be too long, there is no reason why a shorter period considered more appropriate should not be adopted. These are essentially matters of detail in which considerable adaptation may be necessary from even State to State and crop to crop for taking into account differences in circumstance.

There are still other problems of an administrative nature that one has to live with and which are by no means peculiar to the Agricultural Holdings Tax. For instance, problems associated with identification of 'benami' holdings, incorrect reporting of aggregate holdings of families, or those arising out of deliberate misreporting of the cropping pattern are of a category that is common to any form of direct taxation. They have to be faced as best as one can unless the attempt to rely more on direct taxes is itself given up.

Even the lack of records relating to occupational holdings is the kind of problem that most forms of direct taxation have to contend with in the initial stages. Neither the wealth tax nor the income-tax could have got off the ground if a full listing of the potential assesseees was insisted upon as a prior condition. For initiating the Agricultural Holdings Tax if it is necessary to cover only the top decile of family holdings in each area arranged according to the size of these holdings; it is difficult to believe that the revenue authorities do not know already the potential candidates in each village and taluk and cannot secure from them fairly quickly the more detailed information required in respect of their holdings.

Two important points have however been made in criticism of the proposed Agricultural Holdings Tax which deserve more serious consideration. The first is that, even if care is taken to demarcate as tracts only areas that are broadly homogeneous in respect of soil and climate, the use of the estimates of average productivity of land under each crop (or crop-group) in a tract as norms for assessing the potential productivity of land under the different crops in all

holdings within the tract might be inequitable and therefore objected to on legal grounds. The answer to this, as already indicated, is that the law as interpreted hitherto recognises the need for and the legitimacy of this kind of classification and use of norms; one has only to ensure that they seem reasonable in the light of the objectives that are sought to be attained.

Moreover, as explained earlier, the Agricultural Holdings **Tax is in effect a way of making crop cesses, hitherto levied in an ad hoc fashion for selected crops, the basis of direct taxation of agriculture in a more logical and systematic manner.** The existing crop cesses which are presumably related to the higher productivity of land under certain crops — and which, as for the area under sugarcane in Maharashtra, can be as high as Rs.100 per acre — are levied on a State-wide basis without taking into account the considerable differences in productivity that are evident within a State. Nevertheless the crop cesses have come to stay. The reasonableness or the legal acceptability of the Agricultural Holdings Tax cannot therefore be seriously disputed on the ground that it goes by norms of output for a tract instead of by individual assessment of each holding, particularly since in this case an attempt is made to ensure that each tract demarcated for the purpose has broadly similar soil and climatic characteristics.

[A second important objection raised is that, since the proposed tax is on operational holdings, it leaves out rental income from agriculture; that such rental income is not covered by any other of the actual or proposed taxes; and that it therefore allows the

perpetuation of an anomaly and an element of regression in the taxation of agriculture. As the proposals now stand this is a valid criticism.

Some solutions have been suggested to correct this deficiency. One is that the ownership holding may be made the basis of the tax; another is that the tax liability on the operational holding may be apportioned as between owners and tenants on the leased-in component. It is necessary however to ensure that the solution adopted does not either conflict with the concept of potential productivity which is crucial to the proposed tax or make the administration of the tax much more complicated. One must therefore examine also the possibility of meeting the problem in other ways.

For instance, it might be possible to amend the Indian Income-Tax Act such that rental income derived from agriculture is treated in future as non-agricultural income. The essential issue here is whether the categorization of income for the purposes of income-tax should be on the basis of the sector from which the income originates or on the basis of the activity through which it accrues to the assessee concerned. If the former is the criterion adopted, rental income derived from land leased out for agricultural purposes will naturally have to be treated as agricultural income; but, in that case, interest earned from lending money for agricultural purposes and dividends from shares held in companies engaged in agriculture will also have to be regarded as agricultural income. Adoption of this criterion would be however not consistent with the accepted legal interpretation of what constitutes agriculture for the purposes of income tax and what therefore is income from agriculture.

*How can income
from agri. sector
be treated as
non-agri. sector*

For, according to a judgment of the Supreme Court, some basic operation involving expenditure of human skill and labour on the land itself is essential to constitute agriculture for the purposes of income-tax. (C.I.T. versus Raja Benoy Kumar Sabas Roy, S.C.1957).

In accordance with this view, dividends received by shareholders from companies carrying on agricultural operations have been declared by the courts to be not agricultural income. The shareholders, it has been held, receive dividend not by virtue of agricultural activity carried on by them but on account of investment in the shares of the companies concerned and by reason of the contractual relations entered into thereby. The companies concerned might be carrying on agricultural operations, but the acts of these companies are to be distinguished from the acts of the shareholders who are distinct juristic entities. In fact it has been explicitly declared that the character of agricultural income in the hands of such a company changes when it is received by the shareholder. The criterion adopted therefore is clearly the activity through which income accrues to the assessee.

By this criterion, income derived from only leasing out land for agricultural purposes would not qualify for treatment as agricultural income. Apparently it does so now only because the Income-Tax Act itself defines agricultural income as "any rent or revenue derived from land which is used for agricultural purposes". If this is the case, it is also open to the Parliament to amend the Income-Tax Act defining agricultural income merely as "income from agriculture". Rental income from agriculture can then be treated as non-agricultural

with which
the
company
is concerned

See
17 Verma
Die Gurdar
Case

income, without violation of the present legal interpretation of agriculture for the purposes of income-tax or without any amendment of the Constitution; if this is possible, the rent on leased-in land paid by operational holdings can be allowed as a cost item (exactly like the costs incurred on irrigation) for the purposes of the Agricultural Holdings Tax, and the rent accruing to owners of land classified as non-agricultural income and taxed as such.

It is therefore not impossible to devise reasonably adequate solutions for the problems posed by the Agricultural Holdings Tax. At any rate, none of the objections raised so far are serious or compelling enough to dismiss it in favour of surcharges on land revenue or in favour of the conventional agricultural income-tax, both of which are highly inferior alternatives. The basic thrust of the tax could be directed at the top decile of the operational holdings, and the existing land revenue retained or modified in respect of the other holdings according to the circumstances of each State; to drop altogether the proposal for a progressive tax on agricultural holdings would be not only unjustified but wholly inconsistent with the approach outlined for the Fifth Plan.

It has been assumed by some that since one of the other proposals of the Committee on Taxation of Agricultural Wealth and Income has been accepted in the latest budget proposals — that is, the proposal for partial integration of agricultural and non-agricultural incomes for the purposes of the income-tax levied by the Centre — it is not necessary to do anything very much more. One view is that through this measure agricultural incomes would in any case get

covered to some extent, and that the rest is not worth bothering about. Another is that, since this proposal for partial integration has lent credibility and acceptability to taxation of agriculture based on the concept of income, the rest of the agricultural incomes in the relevant range can be covered by the States imposing agricultural income-tax wherever they have not done so upto now.

Both these interpretations are mistaken, and are based on a ^{sub.} ~~mis~~understanding of the respective functions of the proposals for partial integration of incomes and for a separate Agricultural Holdings Tax. [Partial integration of incomes is primarily designed to check the tendency to evade taxation of non-agricultural income by reporting part of it as agricultural income. This tendency to exaggerate agricultural income has been there partly for the reason that such income has not been subject to tax in most States; but the more important consideration has been that its non-inclusion by the Central Government for determining even the rate of tax applicable to the non-agricultural part of the total income of an assessee helped to reduce the tax liability on non-agricultural incomes, when a larger proportion of the total income was reported as agricultural income. By requiring the inclusion of agricultural income for determination of the rate of tax applicable on non-agricultural incomes, the proposal for partial integration can be expected to check evasion of this kind.] However, the need to tax agricultural incomes on a progressive basis still remains; and, since the tendency here is to under-report incomes, the case also remains for a tax that is based on the concept of potential productivity. The Agricultural Holdings



Tax cannot in fact be dropped without violating the structure and the objectives of the integrated system of taxation of agriculture proposed by the Committee. (Incidentally, this integrated system includes covering under the Capital Gains tax the gains secured from sale of agricultural land: the proposal has not found a place in the recent budget proposals of the Central Government.)

It has been suggested by some that the tendency to divide and sub-divide holdings has been so strong in recent years that there are likely to be few holdings left of sufficient size to justify a system of progressive taxation of the kind proposed. Though the existence of the tendency cannot be disputed it is not altogether obvious that the inferences drawn necessarily follow. Data regarding land-holdings collected in a recent Round of the National Sample Survey, and which would reflect the position at the beginning of the 'seventies, are not yet available for the country as a whole; however, the data collected for Maharashtra are now ready for publication, and they do not certainly support the kind of conclusion that has been drawn.* Moreover, it must be borne in mind that it is mainly the ownership holdings that have tended to get divided between individual members of the families concerned and that its impact on the size-distribution of operational holdings is likely to be less pronounced. In fact, one of the reasons for levying the Agricultural Holdings Tax on operational holdings is that it would help to check to some extent the tendency to split the ownership of land nominally while maintaining the holdings more or less intact for operational purposes.

* The data are presented in summary form in the attached Appendix. The decision to publish the data for Maharashtra was taken by the Governing Council of the National Sample Survey Organization in February 1973.

It is not unlikely that resistance to the Agricultural Holdings Tax will come as much from assesses covered by income-tax in the non-agricultural sector as from those on whom the AHT itself would fall. The Agricultural Holdings Tax can be meaningful and effective only if the nuclear family is taken as the basic unit for estimating the size and rateable value of operational holdings. ✓

Once this is accepted it would be difficult not to accept its logical implications for the levy of income-tax on non-agricultural incomes. Since the "clubbing" of the incomes of a husband and wife earning non-agricultural incomes is apparently not popular among the so-called middle classes in the urban sector,* and they favour higher rates of tax only on the agricultural population (even the richest among whom are not necessarily any more prosperous), the non-farm lobby in our society may still come to the rescue of the much-maligned farm lobby! To the extent that such joint opposition succeeds in frustrating the attempts to widening the base of direct taxation in the country the proposed strategy of development in the Fifth Plan will be of course even more difficult to implement than it is.

* Women's associations in the bigger towns and cities have been objecting to the income (and wealth) of a husband and wife being added together, for the purpose of determining the rate of tax payable, on the ground that it violates the freedom and right of women to have independent means of livelihood. Few of them, if any, had however raised this issue when the family was adopted as the basic unit for the imposition of ceilings on land holdings. Personally the members of these associations recognize peasant women only when they are treated on an equal footing with them by the Government for tax purposes! Nor does the proposal have the kind of implication attributed to it. It is simply a question of social and economic policy that has to be judged and decided in the light of the circumstances facing the country and the objectives in view.

Appendix

Distribution of Land Owned and Land Operated by Reporting
Households in Maharashtra
(in percentages)

<u>Size class of households (in acres)</u>	<u>Land Owned</u>				<u>Land Operated</u>			
	<u>17th Round (1961-62)</u>		<u>26th Round (1971-72)</u>		<u>17th Round (1961-62)</u>		<u>26th Round (1971-72)</u>	
	<u>House- holds</u>	<u>Area</u>	<u>House- holds</u>	<u>Area</u>	<u>House- holds</u>	<u>Area</u>	<u>House- holds</u>	<u>Area</u>
Upto 2.49	36.1	1.9	42.0	3.1	15.5	1.6	23.9	3.1
2.50 to 7.49	23.7	11.9	27.9	14.1	31.2	11.9	35.8	17.7
7.50 to 24.99	31.3	44.7	23.9	43.2	41.4	44.6	31.8	44.1
25 and above	8.9	41.5	6.2	39.6	11.9	41.9	8.5	35.1
<u>All Reporting Households</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
<u>Average area per reporting household (in acres)</u>	-	9.5	-	9.3	-	12.6	-	9.5

Source: "A Preliminary Report on the Survey of Land Holdings in Rural Areas of Maharashtra", Bureau of Economics and Statistics, Government of Maharashtra (1973).

According to this report, 69 per cent of the total rural households surveyed in the 26th Round were operating land; the top 12 per cent of the reporting households operated holdings with 20 acres or more, and together accounted for nearly 43 per cent of the total operated area.

