

**SPEECH OF THE HON'BLE PRESIDENT OF INDIA, SMT. PRATIBHA DEVISINGH PATIL  
ON THE OCCASION OF THE CONCLUDING CEREMONY OF THE YEARLONG  
CELEBRATIONS COMMEMORATING 150 YEARS OF INCOME TAX IN INDIA**

**Vigyan Bhawan, New Delhi, 15th July 2011**

Ladies and Gentlemen,

I am delighted to be in your midst at the Concluding Ceremony of the celebrations marking 150 years of Income Tax in India. To commemorate this event, I am informed that a Citizen's Charter was released, a coin was issued and year long celebrations were held in each of the Chief Commissionerates, as a part of the efforts to boost the morale of the cadre and improve public interface. On this very momentous occasion, I convey my very best wishes to the Income Tax Department and to all connected with its achievements.

Taxation, in one form or another, as a source of revenue, is an ancient concept. Kautilya in the "Arthashastra" mentions the management of treasury, including tax collection, as one of the essential elements of a State. That the purpose of taxation was meeting expenditure for fulfilling the various functions of the State and for public welfare is also an equally old view. Both these ideas continue to be relevant fundamentals for tax structures and systems of Nation States of the 21st Century.

It was in 1860, that for the first time in India's legislative history, a Bill imposing income tax, in its contemporary form, was passed. Since then, income tax stands transformed not only into a measure for mobilizing resources for national development, but also, through its exemptions and deductions, has emerged as a tool for directing investment to priority sectors of the country. The personnel of the Income Tax Department will however, have the continuous challenge of adopting modern management skills and innovative use of technology, to ensure equity and efficiency. This should also help in bringing maximum transparency in the implementation of tax policies and in the collection of taxes.

Tax payer services have improved with the introduction of e-filing of returns, e-payment of taxes, refund banker scheme, speedy and centralized processing of returns. Due to rationalization of the tax structure and improvement in tax administration, direct taxes now contribute about half of the Central Government's revenues. A major initiative to reform and simplify tax laws has been launched, with the introduction of the Direct Tax Code now under consideration of Parliament.

We can be proud of our successes, but there are many significant tasks that are yet to be accomplished. In particular, there is need for generation of additional resources to fulfil our pledge to bring about a more equitable society, in which the marginalized sections also become a part of the growth story of our nation. It is for this reason I feel, that this Closing Ceremony of the celebration of 150 years should be an occasion to introspect about how we have fared so far, and what are the tasks ahead. In this regard, there are some broad policy issues on taxation on which I would like to speak.

Firstly, an environment of voluntary tax compliance has to be fostered and nurtured in the country. This could best be done perhaps, by inculcating voluntary tax compliance as a core duty. Generating discussions in public platforms and in the media, conveying the message through performing and fine arts should all be considered for achieving this goal. In this context, I am glad that workshops were held by the Income Tax Department across the country in which artists, citizens and especially children, were invited to execute works that depict their perception of the role of the Department in nation building. It would, indeed, be well to ingrain in the minds of children, at an early age, the importance of meeting tax obligations, so as to create tax responsible citizens.

Second, while undoubtedly the fostering of an environment of voluntary compliance will help, there is also need for putting in place measures, through laws and procedures, to ensure that recalcitrant tax evaders are brought to book. The war against black money has to be addressed both domestically and through cross-border measures. The thrust for better global co-operation has to be continued, through appropriate agreements on tax information exchange, and on mutual co-operation between countries to track down evaders taking shelter in other jurisdictions.

Thirdly, the interface with compliant taxpayers, especially small taxpayers, senior citizens and pensioners must be initiated and maintained on a continuous basis, for a feedback on difficulties being faced by them. Rectifications in systems and processes, if required, can then be carried out in real time. At the same time, the use of electronic modes for filing of returns should be further popularized in the interest of greater efficiency. The improvement of basic infrastructure in offices, especially where taxpayer services are rendered, should be looked into, in order that a visit to the tax office is a pleasant experience.

Fourthly, for any dynamic institution, innovation is the keyword. Such innovation is likely only through introspection, experience-sharing, discussion and debate. There should be periodic interaction between officers, holding of seminars and workshops for brainstorming, as well as study of international best practices and experience sharing with foreign tax administrations, to keep abreast of the global economic environment. Dialogue with major think tanks, economic institutions and experts for fostering of innovative and new solutions to the problems which confront tax administration, could be intellectually stimulating, and can also generate some new ideas. The Advanced Mid-Career Training Programme for Indian Revenue Service Officers recently started in collaboration with top institutions in India and abroad, would be useful for enhancing their capabilities. It goes without saying that constant upgradation of technical skills is the driver for efficiency in any administration.

I am sure that with initiative and dynamism, steps in the direction I have mentioned above, will soon come about and there will be further improvement in some of the core areas of the functioning of income tax authorities. With continuing innovative efforts and with the widening of the rather small taxpayer base of about 3.5 crore taxpayers, the direct tax-to-GDP ratio should rise beyond the present figure of 6.1 percent. Therefore, while congratulating the Income Tax Department on its performance till date, I exhort its personnel to rededicate themselves with fresh energy and fresh ideas, to the task of building a prosperous and modern India. You can take inspiration from a beautiful verse of the 'Raghuvansha', written by the classic poet Kalidasa, where he says of King Dileepa, "It was only for the good of his subjects that he collected taxes from them, just as the Sun draws moisture from the Earth to give it back a thousand fold." I would like you to keep in mind these lines while formulating tax policies.

With these words, I once again convey my greetings to all connected with various aspects of Income Tax - from the formulation of policies to their implementation, tax collection, dispute settlement and the tax payers themselves.

Thank you.

**Jai Hind**