

FOREWORD

THE National Institute of Public Finance and Policy is an autonomous, non-profit organisation whose major functions are to carry out research, do consultancy work and undertake training in the area of public finance and policy. In addition to carrying out on its own studies on subjects that are considered to be important from the national point of view in terms of policy formulation, the Institute also undertakes research projects on subjects of public interest sponsored by member governments and other institutions.

The present study was sponsored by the Industrial Credit and Investment Corporation of India. The subject of the study—analysis and quantification of the impact of inflation on the taxation of capital income in the corporate sector in India—is of special significance in the context of the inflationary trends prevailing in the economy over more than a decade now and the need for enabling the private sector to be in a position to generate adequate funds internally to meet their investment needs. The study was undertaken at a time when the inflationary pressures were particularly acute. While the pressures have now abated somewhat, the trend persists. As per the terms of reference, the study covers only manufacturing companies, both government-owned and privately-owned, and is limited to the period 1970-71 to 1978-79.

The study was done by Dr. Tapas K. Sen, Senior Economist, and was completed in August, 1984.

The Governing Body of the Institute does not take responsibility for any of the views expressed in the Report. The responsibility for the conclusions arrived at and the views expressed belongs to the Director and the staff of the Institute, and more particularly, to the author.

ACKNOWLEDGEMENTS

The present study involved collection of data on a large scale, and in this endeavour Ms. Anita Lalchandani, Ms. Sheila Gajwani and Ms. Jitender Kaur very ably assisted me. The data were processed at the NIPFP computer centre, and Sri K.K. Atri, Sri A.K. Halen and Ms. Geeta Bhatnagar carried out their share of the work efficiently.

Drs. R.J. Chelliah, Amaresh Bagchi, V.D. Lall and Srinivasa Madhur contributed substantially to the formulation of the methodology of the study.

While the study owes a great deal to the abovenamed persons for which I express my gratitude here, I would like to stake my claim on any errors that might have escaped undetected.

New Delhi

TAPAS KUMAR SEN