Experience all over the world shows that tax incentives, in one form or another, have been granted by different Governments to industrial concerns, because of their difficulty in financing enhanced costs of operations consequent upon rising prices. The operational costs are required to be enhanced in that case, even for maintaining the original level of activities, not to speak of providing for the normal growth of the firms. But the study here will be mainly concentrated with the tax incentives allowed by the Government in helping reduction of the gap between the accumulated historical cost depreciation on fixed assets and their enhanced costs of replacement in future.

Development Rebate, introduced in India in 1955, was such a major tax incentive for augmenting internal resources of industrial concerns mainly for replacement of fixed assets in future. The incentive had been fulfilling its desired purpose since its introduction in the year 1955. But the decision of the Government of India in 1971 to abolish the said incentive came both as a shock and a surprise. It is in this background that the present study, as already mentioned, has been undertaken. The said decision for abolishing Development Rebate as an incentive for providing depreciation at a higher rate was given effect to in 1974. There are reasons
to believe that the withdrawal of Development Rebate was a retrograde step insofar as the industrial economy of India was not far away from the take-off stage. The discontinuance of a major tax incentive would mean the withdrawal of the favourable environment essential not only for financing internally the enhanced costs of replacement of fixed assets and those of continuation of other operational activities, but also the additional costs at higher rates of further growth and development.

In connection with the preparation of this thesis, one who deserves his name to be most honourably mentioned first, is the late Dr. S.R. Dasgupta, who was one of the very favourite students and disciples of the late Dr. S. Radhakrishnan and was also the Founder Principal and Rector of Rishi Bankim Chandra College, Naihati, West Bengal. It was he, who first inspired me into undertaking a research work and, for that, placed me under the invaluable guidance of Prof. G. D. Roy, Professor of Accountancy and Head of the Department of Commerce, Calcutta University. A vast ocean of knowledge, Prof. G. D. Roy never hesitated to take upon himself the task of guiding me with his outstanding qualities. Genius enlivens whatever it touches. It goes without saying that my debt of gratitude is practically due to Prof. G. D. Roy, but for whose constant encouragement, unfailing care and valuable suggestions at every stage, the preparation of the thesis could not have been accomplished.
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THE SCHEME OF WORK

The study provides seven chapters besides introductory notes. The chapters appear as follows:

CHAPTER - ONE

This chapter deals with the background leading to the introduction of Development Rebate in India in 1955. During the years immediately preceding the introduction of Development Rebate, there was a dearth of capital as a whole in the corporate sector. What was more disquieting is that the corporate sector found it difficult to replace old worn-out machineries as retention of profit was low or nil owing to payment of taxes and dividends at high rates. Rising prices caused capital erosion insofar as the recovery of rising costs including depreciation was made at the historical cost rate and not at the current cost rate. Development Rebate was, therefore, introduced in India in 1955 for narrowing the gap between historical cost depreciation and enhanced cost of replacement.

CHAPTER - TWO

The scheme of Development Rebate is nothing peculiar to India alone. Many other countries of the world
suffered from industrial recession or stagnancy in the same way as India did owing to the hindrances in the replacement of worn-out assets created by rise in prices. Tax incentives for industrial development were, therefore, introduced in one form or another in those countries in a similar way because charging excess depreciation on replacement cost basis did not enjoy any tax allowance in those countries as well. This chapter, therefore, deals with different tax incentives operating in different countries.

CHAPTER - THREE

A pertinent question may, however, arise as to why tax incentives are found to operate in different countries to neutralise the effects of inflation, while the accountants have devised tools and techniques for inflation accounting. This is so because the inland revenue authorities in almost all countries have refused to recognise as expense items additional costs or depreciation ascertained on the basis of revaluation for the purpose of neutralising the effects of inflation on historical cost accounts. Secondly, there is practically no unanimity in the methods of inflation accounting suggested so far to achieve the end. While it has been admitted that accounts kept on historical cost basis ignore price changes and provide poor information in several ways, alternatives to historical
cost basis of accounting as suggested by many appears to have serious defects. This chapter, therefore, deals with the various aspects of different methods suggested for inflation accounting.

CHAPTER - FOUR
From the chapter three it follows that in India also, there was no alternative but to introduce a tax incentive in the shape of development rebate. This chapter deals with the various aspects of Development Rebate taking into account different changes brought about by different finance acts from time to time.

CHAPTER - FIVE
This chapter provides an aggregate study of the performance of Development Rebate on the basis of the relevant data published by the Reserve Bank of India at different times in its Bulletins, and a relevant case-study based on the published annual reports and accounts of Mahendra and Mahendra Limited. Appendices containing the relevant materials have been added. It has been seen that Development Rebate has largely fulfilled the purpose for which it was introduced. It helped in augmenting internal resources of the corporate sector and provided a stimulus to investment.
CHAPTER - SIX

This chapter deals with the propriety or otherwise of the question of withdrawal of Development Rebate. The Government decision of withdrawal of Development Rebate was viewed by many with great concern. The critics considered the abolition of Development Rebate a retrograde step.

CHAPTER - SEVEN

This chapter provides concluding remarks. It has to be admitted that no nation can prosper unless its industrial economy is sound. Under conditions of rising prices, there is no easy way towards this desired prosperity unless certain generous incentives are provided by the tax laws. A few adjustments here and there may be necessary in the pattern of tax incentives that may be administered in the light of changing circumstances. But in a developing context, these adjustments should always come in favour of the investors.