"Treasury is the backbone of administration" is too commonly known a dictum to be dwelt upon in details. Direct taxes have been an important source of state revenue since times immemorial. Only the ramifications thereof have been changing from time to time. In India, however, direct taxation with the specific nomenclature of Income-Tax has been in vogue since 1860. Thus, Income-tax Law is being administered in our country for well over a century. Till 1922 it was in its gestation period. For sixty two years - 1860 to 1922 - law as well as practice kept changing in form and substance; yet changing it could not come up as a self-contained code. There used to be general notification identifying the tax payers and asking them to furnish return and pay taxes. Assessment was based on anything but a sound footing. It emanated from bureaucratic whim or cumulative opinion of informers and public men. There was no separate machinery for assessment and collection of Income-tax. The usual land revenue hierarchy was entrusted with
this additional job. They did not get any extra benefit or incentive for doing this work. The District Collector was too busy in the normal chores to be able to devote any time worth the name to administration of Income-tax. There were no well devised modes of collection except deduction of tax at source which was also a late development.

Based on the report of the All India Income-tax Committee of 1921 the Income-tax Act 1922 (Act XI of 1922) was enacted and came effect from 1-4-1922. It was spread over ten chapters, sixtyeight sections and one schedule. It provided for the broad frame work which even today forms the skeleton of our present tax administration. Levy and collection of Income-tax thenceforth became a responsibility of the Central Government. A separate machinery was constituted to carry out this work. There was no longer a dependence on provincial governments except in cases of chronic recoveries. The Central Board of Revenue was constituted at the top. Functionaries were provided for at the regional and intermediate levels apart
from the field establishment. Besides deduction at source collection was started through advance payment of income-tax. But, for this, a positive effort on the part of the Income-tax Officer was called for. Limited powers were given to field officers to collect information for the purpose of making assessment. Appellate authorities were also appointed. Thus, the administration of Income-tax was in its buoyancy stage.

Yet, as the tax machinery started using its teeth - though the milk-teeth - the selfish tax payer felt a chink in his arm. Personal interest was paramount for him and he could care no less for the larger national interest. He started finding out ways and means to get away from the tax net. The disadvantages of a democratic system came in handy for him. He was frequently successful in his designs.

The vigilant state machinery also did not sit idle. Every time a loop-hole in law became a recognised channel of tax avoidance the legislature readily came forward to plug it. Yet there is no denying the fact that the cat and rat race had set in. The tax navar
and their intelligent advisors would not leave any avenue of tax avoidance unexplored. The process continued for as many as forty years. Meanwhile, in the sixth decade of our century three new direct tax laws — Wealth-tax, Gift-tax and Estate Duty — were brought on the statute book. Their basic purpose was to play a supportive role for minimising tax evasion techniques which were interfering in our system and which could otherwise not be helped. In our year of grace — 1936 — Estate-duty has been done away with; but the remaining two other-direct-taxes are still very much in existence.

As a result of recommendations of a series of Committees and Commissions entrusted with the job of suggesting improvements in our system of tax administration the Income-tax Act, 1961 (Act XLIII of 1961) was passed by the Parliament and received the President's assent on 13.9.1961. It came into effect from 1-4-1962. It encompasses, as it originally stood, twenty-three chapters, two hundred ninety-eight sections and ten
Schedules. Since 1962 till date there has been a plethora of changes. Dozens of new sections, chapters and schedules have been added and some have been deleted. Yet some of the provisions have undergone kaleidoscopic change. But the fact remains that today the Act is a complete code and takes care of all the aspects of a sound tax administration.

There is a well-defined pyramid of administrative machinery. Central Board of Direct Taxes functions as a wing of the Ministry of Finance as far as policy formation is concerned. It also acts as the apex body of tax administration. Its Chairman and Members are ex-officio Additional Secretaries to the Government of India. They have clearly demarcated areas of work. There are more than a dozen Directors of Inspection which function as attached offices of the Board. They play a vital role for maintaining a smooth two-way traffic between the Board and the field officers. Then there are institutions of Chief-Commissioner, Commissioner, Assistant Commissioner, Income-tax Officer and
Inspector. All of them owe their existence to specific provisions in the Act and also derive their powers therefrom. The line of command is also given in the Act. Besides, there is provided for the necessary appellate hierarchy for giving complete satisfaction to the tax payer that there is no scope of his harassment. There also provided for other institutions which are entrusted with the job of bringing into the net all liable income on the one hand and, on the other, helping the honest tax payee discharge his obligations.

Officers and members of the staff are appointed through direct recruitment as well as through promotions. Institutions exist for their in-service training which also mount updating and refresher courses for all cadres.

But, ideal is that which cannot be achieved. In every system, thus, there is always scope for improvement. On a deeper study of our system of direct taxes administration we find that some changes are called for in its organisation and functioning. Upgradation of the post of the Chairman, administrative powers for the Directorate
of Inspection, statutory powers for the Chief Commissioner, delegation of some of the existing functions of the Commissioner to the Inspecting Assistant Commissioner; changes in nomenclature of some functionaries, upgradation of the qualification of judicial members of the Appellate Tribunal, abolition of the posts of Appellate Assistant Commissioners (giving all like their powers to the Commissioner of Income-tax -- Appeals) and conversion of their posts as I.A.C. (Assessment) and Deputy Director of Inspection (Intelligence & Investigation) and special privileges officers and staff posted in Tax Planning and Legislation Wing of the Central Board of Direct Taxes are some of the suggestions which seem to be warranted as a result of the study.