

Distribution of Urban Income and Wealth By Size

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Since the advent of planning in our country, more so from the second five year plan onwards, Government of India has been seriously thinking to reduce the inequalities of wealth and income so that the fruits of economic development do reach the bottom fractiles of our population. The setting up of Mahalonobis Committee for studying the concentration of economic power, the industrial policy resolution of 1956 followed by quite a good number of amendments on Industrial Licensing Act from time to time, the introduction of agrarian reforms (such as the Tenancy Reforms, Agricultural Land Ceilings, etc.) the enacting of M.R.T.P. Act and many monetary and fiscal measures often adopted obviously reveal of our Government's concern in this regard. As far as fiscal framework is concerned, direct taxation is supposed to play a very prominent role in reducing the inequalities of wealth and income. Many changes have come into being since 1956, in the structure of direct taxation especially with respect to certain taxes like Personal Income Tax, Wealth Tax, Corporation tax, etc. What has been their effect as instruments of redistribution of income and wealth in the community?

As the changes/measures taken by Government from time to time are numerous, it is beyond the scope of the present paper to make an over-view of all of them. Evaluation of every measure forms a study by itself. Rather, the present paper makes a modest attempt to derive the size distribution of urban household wealth for 1975-76 on the basis of available data for Indian economy and compares the inequalities between income and wealth distribution. As a tax on net wealth is more connected with the distribution of urban wealth, we have refrained from examining the rural wealth distribution. It may be stated in passing that rural wealth is subjected to land taxation and agrarian reforms for achieving the object of its being redistributed.

At the outset, it may be stated that a tax on net wealth has come into existence in our tax system since 1957 following the recommendations of Kaldor (1956). Initially, the scope of the tax was to impose it upon certain amounts of net wealth (i.e. Gross Wealth minus exemptions, etc.) on .