reducing profits artificially.

The power sought to be given to the Income-tax Officer by the said clause 3 is extraordinarily wide and is bound to work great hardship in a large number of cases where the subjective opinion of the Income-tax Officer who would be unfamiliar with the needs of a particular business, would result in the profits being artificially inflated for the purposes of assessment to super profits tax. It would make the I.T.O. sit in judgment on the soundness of business policies and practicies about which he can know hardly anything.

When the Income-tax Bill, 1961, was first introduced in Parliament, clause 37 also aimed at enabling the Income-tax Officer to disallow expenditure which he thought was not "necessary" for the purpose of the business. At the Select Committee stage there was strong opposition to this test of necessity being made the criterion of allowance, on the ground that it is the man who risks his capital who knows best what expenditure to undertake and not the Income-tax Officer and the word "necessarily" was dropped in clause 37, with the result that if the expenditure is wholly for the purposes of business, it is fully allowed regardless of the question whether the Income-tax Officer thinks it to be necessary or not. What the Government tried to do and failed to do in the Income-tax Act, 1961, is now virtually sought to be done by the said clause 3 in the Super Profits Tax Bill.