It is that time of the year when the nation goes into overdrive of chatter over taxation issues. The announcement of fiscal policy along with the Union Budget is due in a few weeks. The flavour of the month is the potential introduction of inheritance tax. Tax consultants and "estate planning specialists" are busy selling services to help beat such a tax that may get introduced.

All the Finance Minister has done is to state in public (he did so even as a Home Minister bearing the brunt of serious economic disparity) that it is time to think of inheritance tax in the context of the growing social inequity and injustice in India. More recently, he is reported to have been more guarded. After all, this is a subject emotive to the constituency that celebrates and measures economic growth by the movements in stock indices. "I am still hesitant to talk about inter-generational equity and therefore inheritance tax," media reports quote him as having said.

However, not surprisingly, the mainstream English media, particularly business newspapers are suddenly replete with reports and comments about why the Indian rich should not be taxed more and how inheritance tax is a bad idea. Most of these writings talk about how “estate duty” that India had between 1953 and 1985, was a failure. They also focus on how inheritance tax would be a double-tax in that it would tax the assets earned by way of inheritance, although such wealth would have already been subjected to tax when it was generated in the first instance.

Most commentators also argue that India should focus on expanding the tax-paying base instead of taxing the super-rich. Others suggest that what India really needs is the introduction of the general sales tax and reform in indirect taxes - seeming to suggest that taxing inheritance and implementing these other reform measures are mutually exclusive alternatives.

The truth, as always, lies somewhere in the middle. It does not need painstaking and very nuanced research to acknowledge the enormous and yet widening disparity of income and economic strength in Indian society. Our dollar billionaires are at an all-time high, and yet, the number of Indians who earn less than a dollar per day is higher than entire populations of other nations. Economic disparity is leading to social unrest – large parts of socially backward states with pathetic human development indicia are witnessing trends or armed revolution, and a breakdown in law and order.

Tax revenues in India represent only 15.5% of the GDP while direct taxes account for only 37.7% of the total tax.
revenues. In other words, the nation barely collects Rs. 15 for every Rs. 100 of national income - a really low tax revenue. Indirect taxes, which burden all members of society at the same rate regardless of capacity to bear the burden, account for an abnormally high component of tax revenues. Direct taxes, which, as taxes on income and wealth have the capacity to differentiate between the rich and the poor, contribute to only a small component of tax revenues.

A paper published by non-government organisations Oxfam India and the Centre for Budget and Governance Accountability, argues that these statistics position India as one of the most regressive nations in the G-20, and even among the BRICS countries. At least twelve nations stand way above India in the component of direct taxes to total revenue. Direct taxes paid by individuals in India contribute only 12.23% of the taxes as compared with 24.45% paid by corporates - what makes it worse is that buoyancy of corporate profits bears no co-relation with the size of taxes paid by corporates.

Access to capital is indeed a differentiator in the ability to compete. Capital that is freely inherited for generations, enables individuals who have had no stake in earning a farthing, getting to deploy that un-earned wealth in competing with more deserving but less fortunate competitors. Indeed, free inheritance across generations without any obligation to share such un-deserved income (the income flowing only on grounds of genetic descent) with society, can kill enterprise and competition.

When India threw the baby with the bath water in 1985, abolishing estate duty, she was in a pathetic state of governance. Recall that India was high on jargon and low on performance then. We had shortages for everything - basic stuff like sugar and milk required even the wealthy to queue up in front of ration shops. One had to wait for decades for a car booking to translate into a delivery. One had to book “trunk calls” to call anyone outside one's city. We allegedly had technocrats who pushed for computerising India in public life, but a computer was a luxury item subject to high import duties. In short, nothing about the India of the period in which we had “estate duty” is comparable with today's Indian society, which reeks of social inequality.

The philosophy behind inheritance taxes is that wealth should be created and earned, rather than inherited. Making each man work hard to generate wealth, enjoy the fruits of it, and spend on himself and society is central to the workings of markets and to the spirit of enterprise. An inheritance tax at a moderate rate, taking care to ensure that it kicks in only above high thresholds of inheritance — it is also important to remember that the common middle class has started getting economic opportunities only in the past twenty years — can work towards bridging the gap between those who have the fire in their bellies without money in their wallets, and those who have no fire in their bellies to justify the money in their wallets.*

* The article is reprinted from Business Standard dated January 21, 2013. (The author is a partner of JSA, Advocates & Solicitors and is on the Board of Oxfam India.)

somasekhar@jsalaw.com

SECOND EDITION OF OXFAM INDIA TRAILWALKER CONDUCTED SUCCESSFULLY

The second edition of the Oxfam India Trailwalker was completed successfully from Jan 25 to 27, 2013 with 164 teams undertaking the 100 km long walk from Pearl Valley to Eagleton. Nisha Agrawal, CEO of Oxfam India, who also took part in the Trailwalker with her team and completed the full 100 km walk said “It was one of the most exhilarating experiences of my life. I would urge everyone to sign up and experience it for themselves at least once in their lifetime.”

Oxfam Trailwalker is a global phenomenon which began in 1981 as a military training exercise for the elite Queen’s Gurkha Signals Regiment in Hong Kong. A challenge-cum-fundraising event, it requires teams of four to walk 100 km in 48 hours. As of 2012, Oxfam Trailwalker is held in 15 locations in 12 countries, including three in Australia and two in England.

Oxfam India conducted the first Trailwalker from February 10 to 12, 2012 on a route from Sangam, Mekedatu to Eagleton Golf Club, off Bangalore. Eighty teams participated last year raising a total of INR 1.19 crores. This year, not only the number of teams which participated is more than double, the funds raised has already crossed INR 1.5 crores as against the target of INR 1.8 crores.

Team 'Office of Global Security' (OGS) of Goldman Sachs which finished first in Oxfam India Trailwalker 2013 walking the entire stretch of 100 km from Pearl Valley to Eagleton in 13 hours 21 minutes and 30 seconds. The walk was flagged off from Pearl Valley at 6 a.m on Jan 25 with 164 teams endeavouring to walk the 100 km stretch in 48 hours.

Close on the heels of team OGS was ‘Confident Flying Feet’ which finished second. They took 16 hours 29 minutes and 18 seconds to finish the complete stretch of 100 km of Trailwalker from Pearl Valley to Eagleton. ‘Himalayan Wanderers’, a team which participated in Oxfam India Trailwalker in 2012 finished third.

The fastest all women team ‘Walk the walk’ made it in 26 hours 09 minutes and 42 seconds! It’s a group of young women from UK, New York and Sweden working in Bangalore.

‘Early Birds’ is the first veteran team to reach the Finish Point in 26 hours 37 minutes. It is a team of doctors from Apollo, Hyderabad with average age of more than 52 years.

kannan@oxfamindia.org
Domestic violence was recognised as a criminal offence for the first time in India and the Protection of Women from Domestic Violence Act (PWDVA) was passed by the Parliament in 2005 following a decade long struggle by women’s groups in India.

Since the passage of the PWDVA in 2005, only 19 states have made some budgetary allocation for the implementation of PWDVA. There was no minimum benchmark set by the Union Ministry of Women and Child Development for the allocations by the state on the implementation of PWDVA. As a result, there has been a varied allocation by states, ranging from Rs. 2 lakhs in Sikkim to Rs 723 lakhs in Karnataka. On the other hand, despite having higher incidences of crimes against women, many states do not have dedicated allocation for implementation of PWDVA but have some ad hoc allocations to address domestic violence issues.

The PWDVA required adequate allocations for:
- Functioning of the Protection Officer (PO) including salaries, support services, rent of offices etc;
- Support and capacity building of service providers;
- Training and capacity building of government functionaries and stakeholders; and
- Awareness generation.

The National Commission for Women (NCW) formulated a Centrally Sponsored Scheme (CSS) in 2011 which was to provide matching assistance to the state governments for the effective implementation of PWDVA. This was to be rolled out across all the state in the 12th Five Year Plan.

Budget groups like Centre for Budget and Governance Accountability (CBGA) along with women’s groups have worked on the assumption that:
- There will be two Protection Officers at the block level and one Protection Officer at the district level supported by a messenger and a data entry operator.
- A position of state level coordinator has been conceptualised to coordinate the entire work as envisaged under PWDVA.
- The budget also has considered the need of training of stakeholders, developing IEC material and annual monitoring of the Act.

Overall a requirement of Rs 1158 crores (per annum) was worked out to be the budget required for the effective implementation of the Act. On the other hand, the Working Group on Women’s Agency on Empowerment proposed a meagre Rs 450 crores for the entire plan period for the Scheme to be launched during the 12th Five Year Plan. The amount proposed by the Working Group is grossly inadequate for supporting women survivors of violence in all the states, there being no logic at arriving at this figure. Overall there is a steep decrease in the budget allocation for women’s agency under the Ministry of Women and Child Development, except for ICDS.

With all its limitations, there has been a positive shift in terms of improved understanding of the Act amongst the magistrates, women accessing the Act and obtaining relief. At present the real need is to strengthen the Act with an adequate and planned budget which can be done only through an adequate allocation in the next Union budget.

julie@oxfamindia.org and moitrayee@oxfamindia.org
Enclosed is my first donation of
Rs. 6000/- towards providing learning material for 5 children.
Rs. 4000/- towards empowerment of 5 women belonging to poor and marginalised communities and to ensure a violence free lives for them.
Rs. 3000/- to provide emergency survival material and rehabilitation to 3 families affected by a natural calamity.

I wish to donate by Credit Card
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