My Suggestions for Making a Small Dent in Inequality and Increasing Expenditures in Social Sectors

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India remains one of the most unequal societies in the world- divided not only by caste, Dalits versus OBCs and upper castes, Adivasis and the rest, but also by income and wealth class. In 2017 it was estimated that India's richest 1% owned 77% of the wealth of the country. The problem is also that income and wealth inequality are rising over time. Because of the pandemic, while the GDP has contracted by a whopping 7.77 per cent and several crores of people have lost their jobs in a country awash with unemployment the richest few of the country have substantially increased their income and wealth. The Gini coefficient of Indian income at about 45% is higher than that of most OECD countries such as Australia, Canada, France and Germany, and comparable to that of two other highly unequal countries, namely, the USA and the UK. Indian wages are now among the lowest in the world. India also ranks even lower than Sub-Saharan countries in terms of hunger index. While the human development indices (HDIs) of India's neighbours among SARC countries have improved, India's HDI, already very low, has come down.

I propose a marginal increase in the taxes payable by India's hugely hugely under-taxed rich. India is one of the few countries in the world that does not have any death duty or long-term capital gains tax. The marginal tax rate in India is 30% - in fact, even lower, for the rich businessmen and executives who obtain exemptions for various perks. India has also one of the lowest marginal tax rates – 30% - lower than the lowest marginal tax rate – 47%- among the OECD countries. I suggest that this rate should be raised to raised to 40%, which will still keep India's rich among the lowest taxed globally.

In 2017-18 persons earning RS 25 lakh and above earned around Rs. 625,000crore. By raising the tax rate by 10% the government will be able to garner an additional Rs. 62,500 crore in tax revenue. India's wealth has been estimated as $12.6 trillion or 1, 260,000 crore. Using 70 rupees to the dollar as the exchange rate, in rupee terms it comes to 862,000,0000 crore. Assuming that India's rich still own no more than 75% of the country's total wealth, their total take comes to Rs. 6465000,000. Even a 1% tax on that wealth will net the government 6lakh 465000 rupees. Thomas Piketty recommended an 80% marginal rate of tax on the richest of the world. According to him, it will not affect their incentive to invest.

The allocation on health care and education respectively in the central budget of 2019-20 were Rs. 52,659 crore and Rs 94, 854 giving us a total of Rs. 157, 513 crore. With additional income tax revenue of Rs. 62,500 crore and wealth tax revenue of Rs.6465,000 crore there can be a large increase in expenditure on the social sectors of education, health care and nutrition, and the country can then address our shameful levels of illiteracy and hunger. The corporate sector should also welcome these proposals because they will expand the domestic market substantially and lift the economy out of the current state of depression.