

# *'India must become a low-rate, high-compliance nation... where each citizen pays a moderate tax'*

**RAJEEV CHANDRASEKHAR**

As we celebrate our 70th Republic Day, the problems of poverty and destitution still cripple the lives of almost 300 million Indians. As I have urged in every Budget speech since I entered Parliament, only a decade of high double-digit economic growth will lift these large numbers of Indians out of poverty. Growth is not just about creating entrepreneurship and economic activity but is also a means to the end goal of creating an India with equitable opportunity and prosperity for all Indians.

## **Tax-compliant society**

The first step to building a prosperous India is to create an India where all Indians play their role and fulfill their obligations. Chanakya, in his famous

Arthashastra, says taxes should be collected from citizens in a way how bee collects honey from the flowers – right amount and without inflicting pain. The tragedy of the honest taxpayer all these years was that he/she not only had to pay his/her own share of taxes but also was being forced to step up for those who were evading taxes.

India for most part of the last 7 decades was a notoriously low tax-GDP nation. The first real reform to take this head on was under PM Atal Bihari Vajpayee when his government created the first Tax Information System and use of technology to expand tax compliance.

Data on Income Tax Return statistics for the AY 2017-18 released by the CBDT in October last year shows how limited the real tax net in India is. Out of an

estimated 8.6 lakh doctors, only 4.2 lakh or less than half paid income tax. From among 13 lakh lawyers, only about 2.6 lakh paid taxes. Out of the 2.8 lakh chartered accountants, only about one-third or one lakh paid taxes.

The Narendra Modi government has made it its goal to expand tax net and compliance. Its efforts and reforms, including demonetisation, have raised direct tax-GDP ratio to reach a 10-year high mark of nearly 6 per cent.

This is a growth of more than 80 per cent in the number of returns filed in the last four financial years from 3.79 crore in FY 2013-14 to 6.85 crore in FY 2017-18. This will expand as we move forward due to increased formalisation of the economy and the increased use of technology and

surveillance to expand tax net.

According to the Economic Survey, as of March 2017, there were approximately 1,37,176 direct tax cases under consideration at the level of ITAT, High Courts and Supreme Court and a total of 1.45 lakh appeals were pending with the Commissioner (Appeals), CESTAT, HCs and the SC. Together, the claims for indirect and direct tax

stuck in litigation (Appellate Tribunal and upwards) by the quarter ending March, 2017 amounted to nearly 7.58 lakh crore, over 4.7 per cent of GDP. The proposed Direct Tax Code should focus on reducing tax litigation which has direct implications for investment sentiment and ease of doing business.



The Government, especially the Revenue Department, must use technology more and more, combining databases, analytics and artificial intelligence tools and applications that identify tax net expansion opportunities. The pieces are all there already with data from GSTN, IT returns, PANs and financial sector. What is required is a good well-manned analytics division or group within the Finance Ministry to drive the next phase of Tax net expansion.

## **PM's vision**

The future of India must be a low tax rate, high tax compliance nation, where each citizen pays a moderate rate but is compliant.

That is clearly core to the economic vision of the Narendra Modi Gov-

ernment as has been seen with the gradual moderation of GST and personal taxation. That is not just in keeping with Chanakya's age old vision of economy but is also the equitable way for all taxpayers.

Corporate and individual taxpayers have been for decades victims of an unfair and inequitable deal where the honest bear the brunt of the nation's development needs where those outside the tax net enjoy themselves without any consequence. The first phase of the transformation of our economy is underway and in the next term, PM Narendra Modi's economic vision will see the implementation of a new regime of moderate taxes for all.

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