

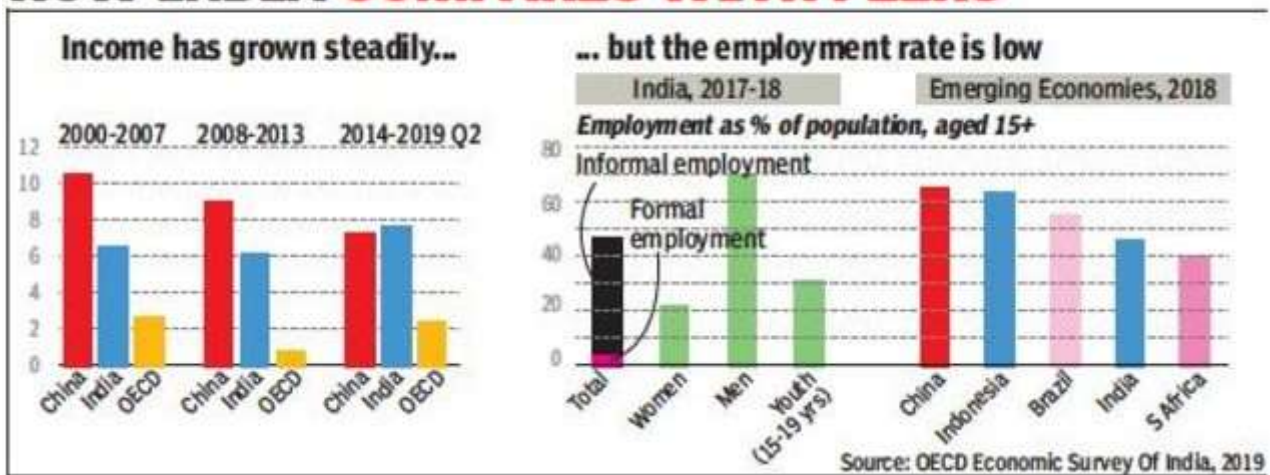
Review exemptions, bring inheritance tax, says Oecd

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NEW DELHI: Oecd, the Paris- based global think tank, has recommended that the government should reduce tax expenditures, or giveaways through exemptions, as they mostly benefit the rich. It also suggested introduction of inheritance tax and a focus on improvement in compliance.

“There is scope to raise more personal income tax revenue to finance much-needed investment in infrastructure and higher public spending on health and education and to adhere to the set target on public debt to GDP,” said the Oecd Economic Survey of India, released on Thursday.

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The recommendations flow from a report submitted two years ago, where the agency had suggested a massive overhaul of property and personal income tax to generate more revenue. It pointed out that recent tax measures of higher exemptions and tax waivers to those with taxable income of up to Rs 5 lakh annually had done away with the gains made by taxing the super-rich and advocated that doing away with the exemptions, while realigning the rates, could boost personal income tax collections by almost 50%.

The recommendations come at a time when there is growing clamour for a reduction in personal income tax rates in the budget following a steep reduction in corporation tax. It also suggested that the government should reduce import duties and reduce restrictions on services trade to become a bigger player in the global trade arena.

In recent years, the government has been raising tariffs. While suggesting that direct benefit transfers had improved efficiency, Oecd also underlined the need to make budget more transparent by focusing on removing the off-budget items. Further, it called for a reduction in input subsidies in agriculture, especially fertiliser, while proposing that PMKISAN benefits should also be available to tenant farmers and farm labourers.