

Increase taxes on “super-rich,” suggests Rangarajan

Increasing taxes on the “super-rich” could be one of the ways to improve the tax-to-GDP ratio, chairman of the Prime Minister’s Economic Advisory Council C. Rangarajan said here on Wednesday. “The tax-to-GDP ratio should be higher, as demand and expenditure is going up. And, therefore, we will have to explore ways,” he said.

Dr. Rangarajan was speaking to journalists on the sidelines of an event at the Indian Statistical Institute.

Two ways

Asked to elaborate on his idea, the former RBI chairman said there were two ways of going about it. “One is to introduce an additional slab at a higher marginal tax rate. Two is to keep the tax structure as it is and impose a surcharge on the income above a certain level. This needs to be examined more carefully,” he said adding that he felt that the second method was a simpler one.

However, when asked if any formal proposal was placed before the Finance Ministry on this, he said: “This is only an idea or thought ... The idea being that the people earning above certain level could be charged at a rate of taxation which is higher than what it is now.”

He said the “super-rich” had to be determined on the basis of income. For those in the lower income level the existing tax structure was good.

On the growth of the economy, he said it would grow at 5.5 to 6 per cent this fiscal and could go up to 7 per cent in the next.

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