

Let there be light on India's tax data; French economist Thomas Piketty nitpicks with reason

French economist Thomas Piketty is baffled about India's strange secrecy over income-tax (I-T) data. We don't blame him. At a lecture on Thursday at Delhi's Jawaharlal Nehru University, Piketty, known for his work on wealth and income inequality, said there was extreme lack of transparency in information about India's I-T data, making access almost impossible. This goes against the grain of the Fiscal Responsibility and Budget Management Act, which says the government has to conduct its fiscal operations transparently. Access to I-T data is critical to measuring inequality and understanding the distribution of wealth. However, the Budget is singularly mum on the pattern of tax collection. What India also needs is credible macro economic data in public domain.

Collating data on tax collection according to the income bracket and the number of people within each bracket is not rocket science. The government, as Piketty pointed out, published All India Income Tax Statistics until 2000. It also did away with commodity-wise data on tax collections. The government should restore this. The name and permanent account number of the taxpayer should remain anonymous to ensure there is no breach of confidentiality. This is eminently feasible, given that 95 per cent of both direct and indirect tax returns are filed online now. India has the software prowess for such data collation. This will help our researchers too. The Central Board of Direct Taxes and the Central Board of Customs and Excise should put out the data on their websites.

Piketty said he favours high taxes for the wealthy. High tax rates, however, will discourage work and investment in India. Moreover, additionally burdening honest taxpayers is unjust and won't make more of them comply. Instead, the government should use the tax information network judiciously to raise compliance. It should also quickly introduce the goods and services tax (GST) that creates multiple audit trails to income generation that goes undetected now. What's needed are policies aimed at reducing inequalities, especially of the structural kind that transmit inequality across generations.

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