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Review Article

Wealth and Tax in India: A Human Right Concern

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Abstract

Wealth and tax are important issues in India, and they are closely related to the concept of human rights. The Indian government has a responsibility to ensure that its citizens have access to basic necessities such as food, shelter, and healthcare and that these needs are met through fair and just taxation policies. However, there are concerns that the current tax system in India does not always meet these standards, and that the wealthy are not always paying their fair share. This can lead to increased poverty and inequality, which can have a negative impact on human rights in the country. It is important for the government to take steps to address these issues in order to promote a more just and equitable society.

The tax system in India is designed to redistribute wealth and promote economic equality. The main tool for this is the progressive income tax, where individuals and businesses are taxed at a higher rate as their income increases. The government also provides various tax exemptions, deductions, and credits to lower-income individuals and families to help them meet their basic needs. Additionally, the government has implemented various welfare programs, such as food and housing subsidies, to help those in need.

However, there are concerns that the current tax system in India is not always effective in redistributing wealth and promoting economic equality. Some argue that the tax system is not progressive enough, as the wealthy are able to avoid paying their fair share through loopholes and tax havens. Additionally, tax evasion and avoidance by businesses and the wealthy is a widespread problem in India. This results in lower revenue for the government, which in turn affects the funding of welfare and development programs.

Overall, the tax system in India is intended to redistribute wealth and promote economic equality, but there are challenges in ensuring that this goal is met in practice. The government continues to take steps to address these issues and improve the tax system to make it fairer and more effective.

Keywords: Wealth Distribution; Tax System; Human Rights

Abbreviation

CEDAW: Covenant on the Elimination of All Forms of Discrimination against Women; CESCR: Committee on Economic, Social and Cultural Rights; CSO: Civil Society Organisation; ECOSOC: Economic and Social Council of the United Nations; GDP: Gross Domestic Product; ICCPR: International Covenant on Civil and Political Rights; ICESCR: International Covenant on Economic, Social and Cultural Rights; IMF: International Monetary

Fund; NGO: Non-Governmental Organisation; OECD: Organisation for Economic Co-operation and Development; OHCHR: Office of the United Nations High Commissioner for Human Rights; SDGs: Sustainable Development Goals; UDHR: Universal Declaration of Human Rights; UNDP: United Nations Development Programme; UNGA: United Nations General Assembly

Introduction

In India, the issue of wealth and taxes has been a topic of debate and concern in terms of human rights. Wealth inequality is a persistent issue in India, where a small percentage of the population controls a substantial portion of the wealth. The government has implemented various taxes and policies aimed at reducing wealth inequality and generating revenue for public services, but there are concerns about the fairness and effectiveness of these measures. Some people argue that the tax system is regressive and places a disproportionate burden on the poor, while others believe that the wealthy should pay a greater share of their income in taxes to support social welfare programs. The Indian government has also been criticized for not adequately addressing the issue of tax evasion by the wealthy, which undermines the effectiveness of the tax system. Overall, the issue of wealth and taxes in India raises important questions about social justice, economic equality, and the role of government in promoting the well-being of all citizens.

While taxation is necessary for the functioning of a country, excessive taxation can lead to human rights concerns such as infringement on the right to property and economic freedom. The Indian government is constantly working towards a tax system that balances the need for revenue with the protection of citizens' rights.

It is important for the government to be transparent and accountable in its tax policies and administration, and for citizens to be informed about their rights and responsibilities in paying taxes. This can help ensure that the taxation system contributes to the overall well-being of society, rather than becoming a source of oppression and human rights violations.

Taxation and human rights: International concern

The Committee on Economic, Social, and Cultural Rights has been paying increased attention to taxation issues in recent years. This thesis deviates from the Committee's taxation work and examines the current situation. A General Comment on taxation should be adopted by the Committee, it is argued. It's possible that the realization of economic, social, and cultural rights has little to do with tax policy. When three aspects are taken into consideration, it becomes abundantly clear that tax policy is human rights policy. First, the extent to which financial resources are made available for allocation and expenditure is crucial to the gradual realization of economic, social, and cultural rights. Second, tax policies can redress systemic social, economic, and gender disparities by redistributing wealth. Market imbalances and historical discrimination embedded in societies can be regulated and the common good protected through the tax system. Thirdly, the application of participation, transparency, and accountability strengthens the civic contract that underpins the state's taxing authority and is based on the protection of citizens' rights.

In addition, it was carefully chosen to concentrate on the current situation and present a more coherent human rights-based taxation strategy that focuses on resource generation, wealth distribution, and accountability aspects. The right to self-determination and taxation on natural resources are not covered in the thesis because of their limited scope.

Furthermore, no particular nation will be used as an illustration for the recommendations. However, there are country examples throughout the thesis, particularly in relation to the Committee's Concluding Observations or to highlighting specific tax developments.

The International covenant on economic, social and cultural rights

The primary treaty of universal character that covers economic, social, and cultural rights is the International Covenant on Economic, Social, and Cultural Rights. It was approved in 1966 and entered into force on January 3, 1976 [1], following 35 ratifications [2]. A state that has ratified it is required to honor its obligations in good faith, in accordance with the pacta sunt servanda principle [3]. There is no established tax structure in the Covenant itself. However, when examining tax policy, it is essential to focus more on internationally recognized human rights principles. In fact, these principles guide the development of a tax system that aims to reduce extreme inequality, poverty, and discrimination, strengthen the civic bond between the people and the state, and generate sufficient resources in a predictable and sustainable manner.

Main Principles Regarding States' Obligations under the ICESCR

The International Covenant on Economic, Social, and Cultural Rights (ICESCR) lays out the state's obligations to respect [4], protect, and fulfill economic, social, and cultural rights for their citizens. The main principles regarding these obligations are:

- **Non-discrimination:** States must ensure that economic, social, and cultural rights are available to all individuals without discrimination of any kind.
- **Progressive realization:** States are obligated to take steps to progressively realize these rights, taking into account their available resources and other circumstances.
- **Maximum of available resources:** States must use the maximum of their available resources to fulfill these rights.
- **Justiciability:** These rights are justiciable, meaning that individuals can hold their governments accountable for their violations of these rights.
- **Transparency:** States must provide regular reports to the United Nations Committee on Economic, Social, and Cultural Rights on their progress in fulfilling these rights.
- **Duty to cooperate:** States must cooperate with one another in promoting and protecting economic, social, and cultural rights.

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Theoretical contextualisation

Taxation can be contextualized theoretically in several ways, including:

1. **Normative theory:** This approach examines the morality and justice of taxation, asking questions about what tax policies are fair, equitable, and just.
2. **Positive theory:** This approach is more empirical and focuses on describing how tax systems actually work, rather than how they should work.
3. **Public finance theory:** This approach focuses on the economic efficiency and revenue-raising capabilities of tax systems.
4. **Political economy theory:** This approach examines the political and economic forces that shape tax policies, taking into account the distribution of power and resources among different groups in society.

Regardless of the approach, taxation is a central tool for governments to raise revenue, redistribute wealth, and shape economic and social outcomes.

Wealth distribution and tax system in India

Gaps in wealth distribution in India

The wealth distribution gap in India is a significant issue. Despite India's rapid economic growth over the past several decades, the distribution of wealth remains highly unequal, with a large portion of the population still living in poverty. According to recent studies, the top 1% of the Indian population controls nearly 60% of the country's wealth, while the bottom 60% of the population controls just 5% of the wealth. This wealth gap is reflected in other areas, such as access to education, healthcare, and basic necessities, and it exacerbates poverty, social inequality, and political instability [7]. The Indian government has attempted to address the wealth gap through various means, such as providing subsidies and support for the poor, but these measures have not been sufficient to bridge the gap. Addressing the wealth gap in India will require a more comprehensive and sustained effort by the government and society as a whole [8].

Making appropriate wealth distribution through the tax system in India can be achieved by implementing several key measures:

- **Progressive taxation:** The tax system should be structured in a way that the wealthy pay a higher proportion of their income in taxes than the less wealthy. This can be achieved through a progressive tax rate structure, where tax rates increase as income levels rise.
- **Closing tax loopholes:** Closing tax loopholes and cracking down on tax evasion by the wealthy will help ensure that everyone pays their fair share of taxes. This can be achieved through improved tax administration, increased enforcement of tax laws, and stricter penalties for tax evasion.
- **Increased government spending on social welfare programs:** Increased government spending on social welfare programs can help to address poverty, reduce wealth inequality, and improve access to basic necessities, such as education and healthcare.
- **Encouraging wealth redistribution:** Encouraging wealth redistribution through measures such as wealth taxes and inheritance taxes can help to reduce the concentration of wealth in the hands of a few.
- **Encouraging charitable giving**: Encouraging charitable giving through tax incentives can help to support non-profit organizations that provide important social services to those in need.
- **Addressing systemic issues:** Addressing systemic issues such as corruption, lack of transparency, and lack of accountability in government can help to ensure that tax revenues are used effectively and efficiently.

Implementing these measures will require a comprehensive and sustained effort by the government and society as a whole, but they hold the potential to significantly improve wealth distribution in India and promote greater economic equality [9,10].

Improve the tax system in India to address poverty.

Improving the tax system in India to address poverty can be achieved through several key measures:

- **Broadening the tax base:** Broadening the tax base by increasing the number of taxpayers and ensuring that everyone pays their fair share of taxes can increase the amount of revenue available for social welfare programs.
- **Implementing a simplified tax system:** Implementing a simplified tax system that is easy for individuals and businesses to understand and comply with can reduce the administrative burden and cost of tax collection.
- **Targeted tax incentives:** Providing targeted tax incentives for businesses that invest in low-income areas or support poverty reduction programs can encourage economic development and job creation in these areas.
- **Addressing tax evasion:** Addressing tax evasion by the wealthy and ensuring that everyone pays their fair share of taxes will help to ensure that tax revenues are used effectively and efficiently.
- **Increased government spending on social welfare programs:** Increased government spending on social welfare programs, such as education, healthcare, and food subsidies, can help to address poverty and reduce wealth inequality.
- **Reducing corruption:** Reducing corruption and increasing transparency and accountability in the tax collection and use of tax revenues will help to ensure that tax revenues are used effectively and efficiently for poverty reduction programs.

Improving the tax system in India will require a sustained effort by the government and society as a whole, but it has the potential to significantly reduce poverty and promote greater economic equality [11].

Concluding Remarks

The Indian wealth tax system has not been implemented since 2015, and there have been no recent reports of it causing any human rights concerns. It's important to note that all tax systems have the potential to have negative impacts on individuals and communities if not implemented fairly and transparently. The government has a responsibility to ensure that its tax policies do not infringe on basic human rights and to provide adequate protection for its citizens.

The COVID-19 pandemic has had a significant impact on the Indian economy and tax system. In response to the economic slowdown caused by the pandemic, the Indian government has announced several measures to support businesses and individuals, including tax relief. For example, deadlines for tax payments and returns have been extended, and certain taxes, such as the goods and services tax (GST), have been reduced temporarily. Additionally, the government has introduced a new income tax regime with lower tax rates for individuals who are willing to forego exemptions and deductions. These measures are intended to provide economic relief and support recovery efforts, but their long-term impact on the tax system and the economy as a whole is still uncertain.

There are several potential solutions to address wealth inequality in India, including:

- **Progressive taxation:** Implementing a progressive tax system, where individuals with higher incomes pay a higher percentage of their income in taxes, can help redistribute wealth from the wealthy to the less fortunate.
- **Access to education and employment:** Improving access to quality education and employment opportunities can help people from lower-income families improve their economic status and reduce wealth inequality.
- **Social safety nets:** The government can implement social safety nets, such as cash transfers and food subsidies, to provide support to the most vulnerable populations and reduce poverty.
- **Encouraging philanthropy:** Encouraging philanthropy and private sector investment in social and economic development initiatives can also play a role in addressing wealth inequality.
- **Addressing corruption:** Corruption can result in the concentration of wealth in the hands of a few individuals, so addressing corruption and ensuring the rule of law can help reduce wealth inequality.
- **Regulating monopolies and oligopolies:** Regulating monopolies and oligopolies can help prevent the concentration of wealth and reduce economic inequality.

These are just a few potential solutions, and the actual solutions may vary depending on the specific circumstances and needs of the country. It's important to implement these solutions in a fair and transparent manner to ensure that they have the intended impact and do not create unintended consequences.

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