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## Countdown to Budget: 'Taxes must be rationalised'

*Stakeholders weigh in on the areas that need redressal in the Union Budget next week*

### **Chennai:**

A major focus area in the current budget needs to be in taxation of the salaried class. The current rate structure catapults wage earners into the top slab at a level of Rs 10 lakhs, which is approximately \$1400, the same level as per capita GDP (in PPP terms).

In no other country does income levels at per capita GDP attracts the highest tax slab. Over the years, gradual whittling away at exemptions and simple bracket inflation has squeezed wage earning tax payers. Without an incentive for domestic consumption, economic growth cannot be sustained, and nor should we expect to see any industrial investment unless there is an uptick in demand.



**Sanjoy Sircar Professor, Finance, Director PGPM, Great Lakes Institute of Management, Chennai**

Currently, the higher tax bracket wage earners suffer from a combined tax incidence of 50 -60% taking indirect taxes into account, which is one of the highest incidences of taxation anywhere. This needs to be rationalised and the discussions about inflation indexation to tax rates seriously considered.

Any short to medium-term turnaround in growth must be consumption-driven and the finance minister needs to find ways to increase disposable income across a wider spectrum of wage earners.

The multiplier effect of higher domestic consumption by the tax paying salaried class cannot be ignored in an economy where most of the employment and income generation happens in the informal service sector.

Read the article online at -

<http://www.dtnext.in/News/Business/2018/01/29003323/1060014/Countdown-to-Budget-Taxes-must-be-rationalised.vpf?Tid=112131>