

PROPERTY TAXES ACROSS G20 COUNTRIES: Can India Get it Right?

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ABSTRACT

This paper deals with some of the issues relating to India's tax base, tax structure and their equity effects, by comparing it with other G20 countries. Focusing specifically on Property taxes, the paper attempts to discuss these issues from a political economy lens as well.

This paper makes a comparison of the tax base, in terms of the total tax to GDP ratio, across G20 countries, and analyses the progressivity of the tax structure across G20 countries by comparing the shares of Direct Taxes in total taxes. It shows that India, recording much lower levels of tax-GDP ratios and smaller shares of Direct Taxes in total tax revenue as compared to other G20 countries (including other BRICS countries), leaves a lot to be desired. The paper argues that in order to expand the tax base in India in a progressive manner, new avenues within Direct Taxes should be explored. In this context, a comparison of Property Taxes across G20 countries, focusing specifically on Wealth, Inheritance and Municipal Property Taxes, shows that these taxes have remained grossly under-utilized in India, both as a source of revenue and an instrument for progressivity in the tax system.

The paper opines that the conventional arguments for suspension of Inheritance Tax (since 1985) and dilution of Wealth Tax (since 1993) in India do not hold at the present juncture; moreover, the purpose of Wealth and Inheritance Taxes was never only revenue mobilization, but also to limit the concentration of wealth in the hands of a few as is enshrined in the Constitution of India.

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INTRODUCTION

The fiscal policy permeates most debates on the Indian economy in an explicit or implicit manner. Over the years debates on the Indian tax policy have focused on three major issues—adequacy of the tax base and efforts; efficiency of the tax structure; and incentive and equity effects of the tax policy (Roy 1998). The present paper addresses issues relating to tax base, tax structure and equity effects, but from an international comparison perspective. Focusing on Property Taxes, the paper attempts to view these issues from a political economy lens as well.

Following the methodology of the International Monetary Fund's (IMF) Government Finance Statistics (GFS) 2001 Manual, Property Taxes subsume: i) recurrent taxes on immovable property (Municipal Property Tax, Land Revenue, Tax on non-urban immovable property and Property Tax by rural local bodies i.e. Panchayats in India); ii) recurrent taxes on net wealth (Wealth Tax in India); iii) Estate, Inheritance and Gift Taxes (Estate Duty¹ and Gift Tax in India); iv) Taxes on financial and capital transactions (Securities Transaction Tax, and Stamp & Registration fees in India); v) other non-recurrent taxes on property (one time tax on revaluation of capital and property²); and vi) other recurrent taxes on property³.

While focusing on all the above mentioned categories for the international comparison, at the national level the paper specifically focuses on Wealth, Inheritance and Municipal Property Taxes, which are more importance for the revenue, equity and political economic perspective as compared to other taxes. Land Revenue, whose importance from an equity and political economy perspective has been debated a lot⁴, is left out of the analysis because of its declining importance as a source of revenue⁵. Stamp Duty on property transactions is an important source of revenue, but the same being a transaction tax, and also an Indirect Tax, does not satisfy many canons of taxation and hence has been given limited emphasis in the paper.

This paper attempts to carry out an international comparison of Property Taxes across G20^{6,7,8} countries (including BRICS countries) with two key objectives. Firstly, it attempts to analyse where India stands today internationally in its resource mobilisation strategy; secondly, it uses this analysis for suggesting possible

¹ This paper uses the terms Inheritance Tax, Estate Tax and Estate Duty interchangeably.

² For example, tax on increase in land value due to any government project.

³ For example tax on cattle, jewellery and other external signs of wealth.

⁴ For a large body of literature on agricultural income and Wealth Tax, see Roy (1998).

⁵ Desai, Nitin 2012.

⁶ No data for Saudi Arabia was available;

⁷ Average values of OECD countries have been given in chart 1 and chart 2 as a substitute for values of the European Union region.

⁸ For comparability of data between OECD Revenue Statistics, IMF Government Finance Statistics and United Nations System of National Account see Annex A, Revenue Statistics 2011, OECD.

policy interventions at national level. India, with a total tax-GDP ratio of 15.5 percent^{9,10,11}, Direct Taxes to total taxes ratio of only 37.7 percent¹², and the highest marginal income tax rate at 30 percent, leaves a lot to be desired, especially in terms of the base and progressivity of its tax system. This also makes India a peculiar case, as even lower middle income countries have total tax-GDP ratios of around 17.7 percent (Green 2012, Sumner 2012).

This paper compares tax bases, in terms of total tax to GDP ratio, across G20 countries in Section I. Section II analyses the progressivity of the tax structure across G20 countries by comparing the shares of Direct Taxes in total taxes. This section further explores the dynamics of shares of Direct Taxes in total taxes across BRICS countries and USA. Section III builds on the Direct Taxes analysis carried out in section II by comparing specifically Property Taxes base and structure across G20 countries. Section IV looks at specific Property Taxes, namely Wealth Tax, Inheritance Tax and Municipal Property Taxes at national level in India. It estimates their revenue potentials and suggests specific recommendations for India's tax policy. The paper concludes with Section V, which collates the findings presented in the preceding sections and suggests some specific policy interventions.

⁹ Actual figures for 2009-10 from IPFS (Indian Public Finance Statistics) 2011-12

¹⁰ Unless mentioned otherwise, the paper deals with general government, i.e. centre, state and local government combined, for all analysis. For Indonesia, figures given are for the central government's budgetary transactions, as it has a unitary governance structure and most of its taxes are levied at central level. Local taxes levied at provincial level form a very small part of total taxes collected in the country.

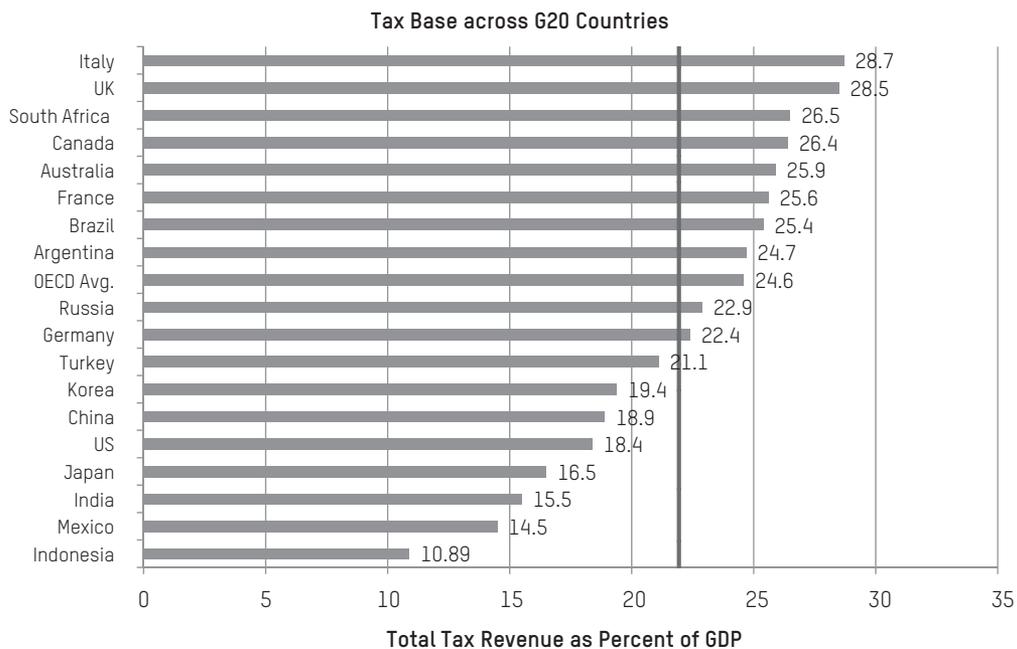
¹¹ Figures mentioned from IPFS (Indian Public Finance Statistics) do not include local government; however given the miniscule level of revenue collected from the same in India (See Lall and Deichmann 2006, Rao and Rao 2008), the analysis is not likely to be affected much.

¹² Actual figures for India for 2009-10 are from IPFS (Indian Public Finance Statistics) 2011-12.

1. TAX-GDP RATIOS IN G20 COUNTRIES

From chart. 1 below, it can be seen that with a total tax-GDP ratio of 15.5 percent (as of 2009-10), India has one of the lowest tax bases among G20 countries (beating only Mexico and Indonesia). In addition to BRICS countries like Brazil (25.4 percent), Russia (22.9 percent), China (18.9 percent) and South Africa (26.5 percent), other developing countries like Argentina (24.7 percent) and Turkey (21.1 percent) also perform better than India. Needless to add that all developed G20 countries perform much better with figures as high as 28.7 percent (for Italy).

CHART 1



Source: Appendix Table. 1

Note: All country values are for the year 2010, except for Argentina (2009), OECD Avg. (2009), China (2009), Mexico (2009) and India (2009-10).

We may also note here that the tax-GDP ratios reported here do not include social security contributions (if any). However, the methodology adopted in some publications of the Organisation of Economic Cooperation and Development (OECD) makes a strong case for including social security contributions (which are compulsory, unrequited and made to the government) in the tax revenue figures. **Hence, if we take into account the tax-GDP ratios for all these countries including the social security contributions, the differences between their figures and those of India would be even bigger.**

Hence, it can be said that there is an urgent need to expand the tax base in India in a progressive manner. For this, new avenues within Direct Taxes have to be explored. A detailed comparison regarding the share of Direct Taxes in total taxes is carried out in the following section.

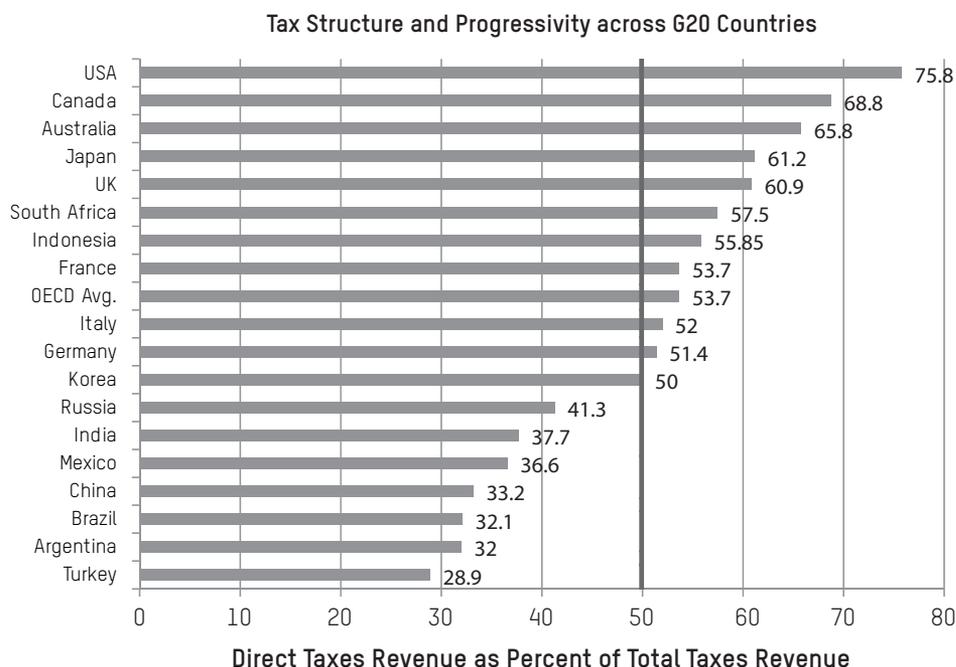
2. PROGRESSIVITY OF THE TAX SYSTEM IN G20 COUNTRIES

2.1. REVENUE FROM DIRECT TAXES ACROSS G20 COUNTRIES

Taxes for which the tax-burden cannot be shifted or passed on are called Direct Taxes. This means that any person who directly pays such taxes to the government bears the burden of that particular tax. Indirect Tax on any good or service affects the rich and the poor alike. Unlike Indirect Taxes, Direct Taxes are linked to the tax-payer's ability to pay, and hence are considered to be progressive.

Direct Taxes comprise taxes on i) income, profits and capital gains, and ii) property¹³. With a Direct Tax share of 37.7 percent in total taxes, India's tax structure is perceived to be regressive. This is further confirmed by comparing the same with other G20 countries as shown in chart. 2 below. Even developing countries like South Africa (57.5 percent), Indonesia (55.85 percent) and Russia (41.3 percent) have a more progressive tax structure, in terms of the contribution of Direct Taxes to total tax revenue. All developed countries that are part of the G20 have greater shares of Direct Taxes in their total taxes than India, with figures as high as 75.8 percent for USA.

CHART 2



Source: Appendix Table. 2

Note: All country values are for the year 2010, except for Argentina (2009), OECD Avg. (2009), China (2009), Mexico (2009) and India (2009-10).

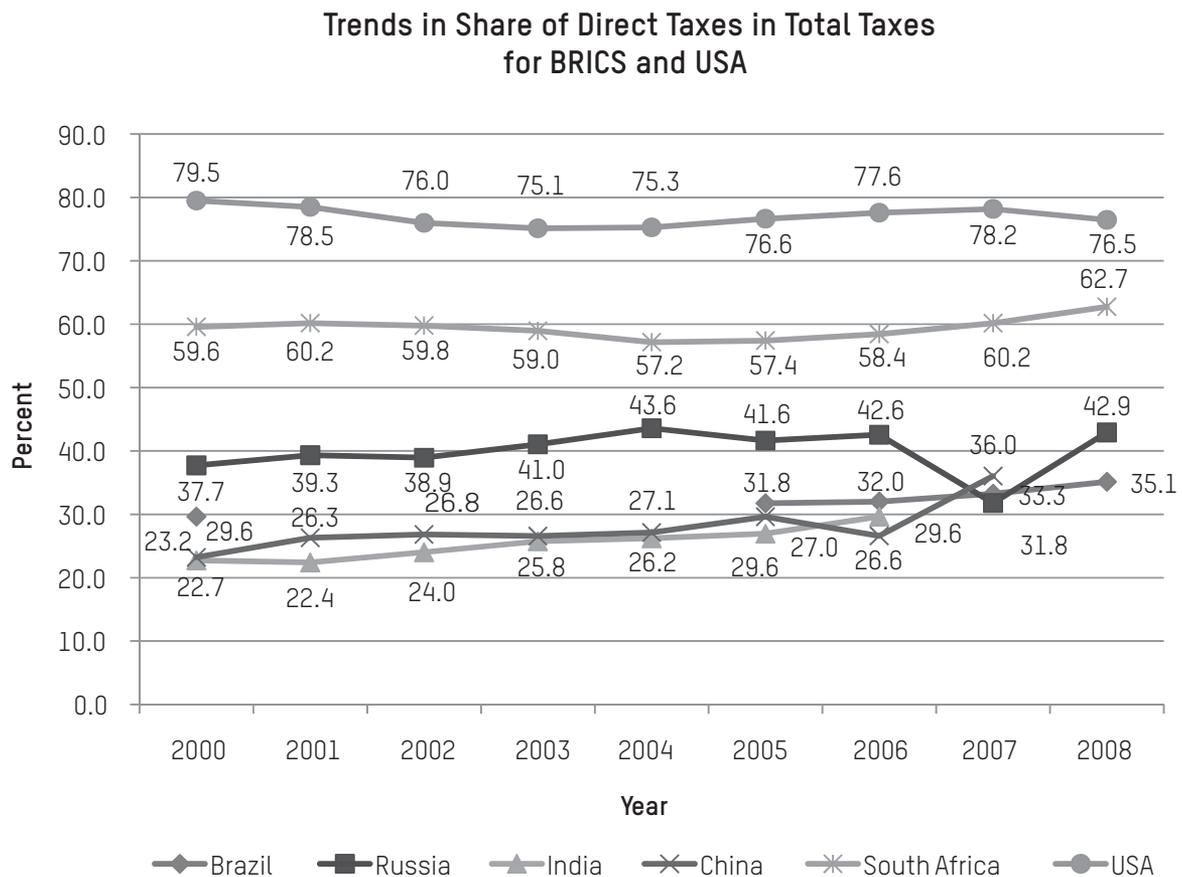
¹³ A point of caution needs to be mentioned, as in some cases transaction tax on property can be an Indirect Tax, depending on bargaining powers of seller and buyer. In India, stamp duty and registration fee for property transaction are considered as Indirect Taxes.

Though India ranks above China and Brazil in this chart, trends in Direct Taxes across BRICS and USA reported in the next section, clearly show that India, China and Brazil rank quite close to each other.

2.2. TRENDS IN DIRECT TAXES ACROSS BRICS AND USA

The analysis of Direct Taxes for BRICS and USA in chart 3 below shows that India can't afford to be complacent about its ranking above China and Brazil for the year 2009-10, as their ranks have been changing almost every year.

CHART 3.1

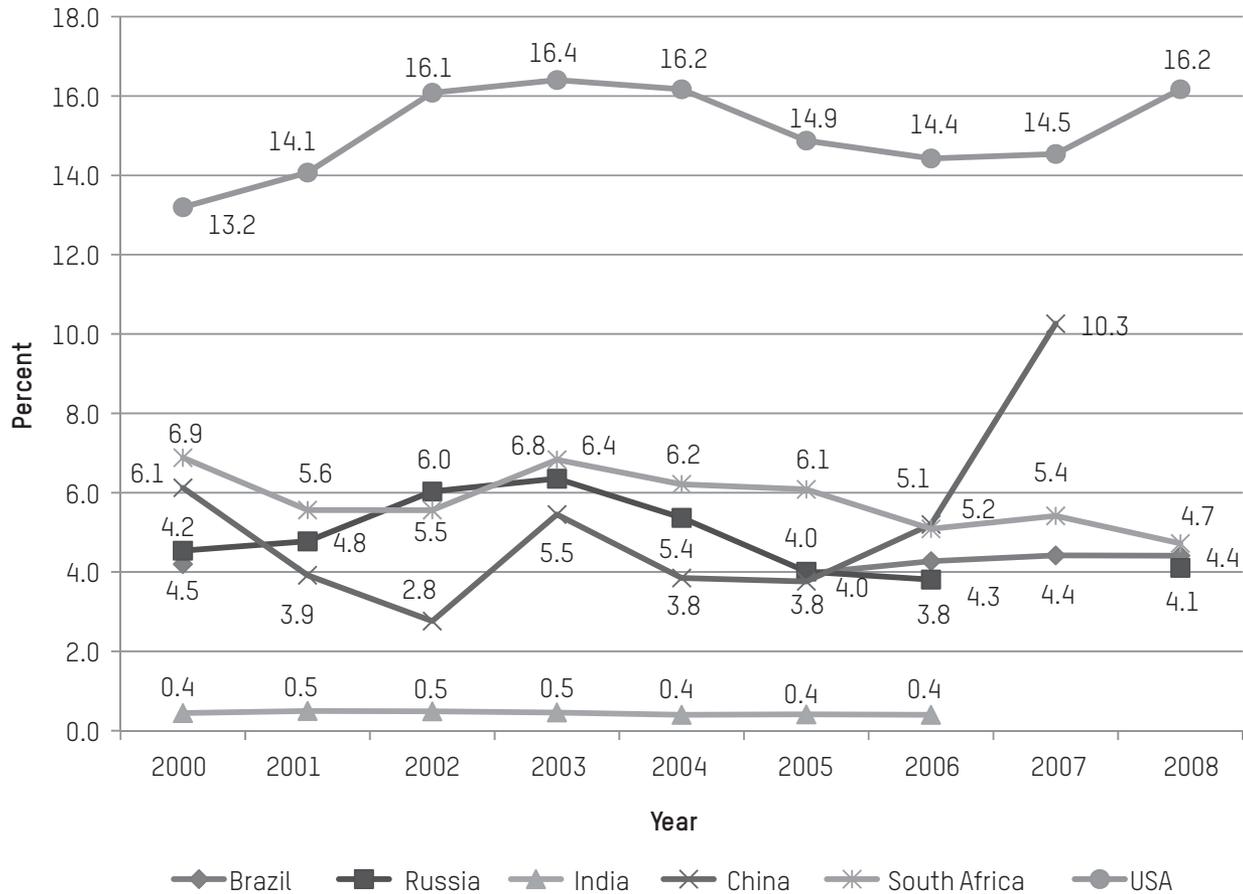


Source: Appendix Table 3.1

In addition to this, further analysis of Direct Taxes across BRICS and USA reveals that while Property Taxes are an important source of progressivity in the tax structure across BRICS and USA, it is clearly a neglected source of revenue (and progressivity of tax structure) in India. Chart 3.2 below shows this clearly.

CHART 3.2

Trends in Share of Property Taxes in Total Taxes for BRICS and USA



Source: Appendix Table. 3.2

Here, we see that Property Taxes contributed, on an average, to around 15.1 percent (USA), 5.8 percent (South Africa), 5.1 percent (China), 4.87 percent (Russia) and 4.25 percent (Brazil) of total taxes over the period 2000 to 2007-08. However, for India, the contribution has stagnated at around 0.44 percent for years. China in fact has started using Property Tax as an important tool for achieving progressivity in its tax structure lately with the share touching as high as 10.3 percent for the year 2007.

These findings clearly point to the total neglect of Property Tax base in India, which prompts us to carry out a detailed analysis of the Property Tax base and structure across G20 and BRICS countries in the following section.

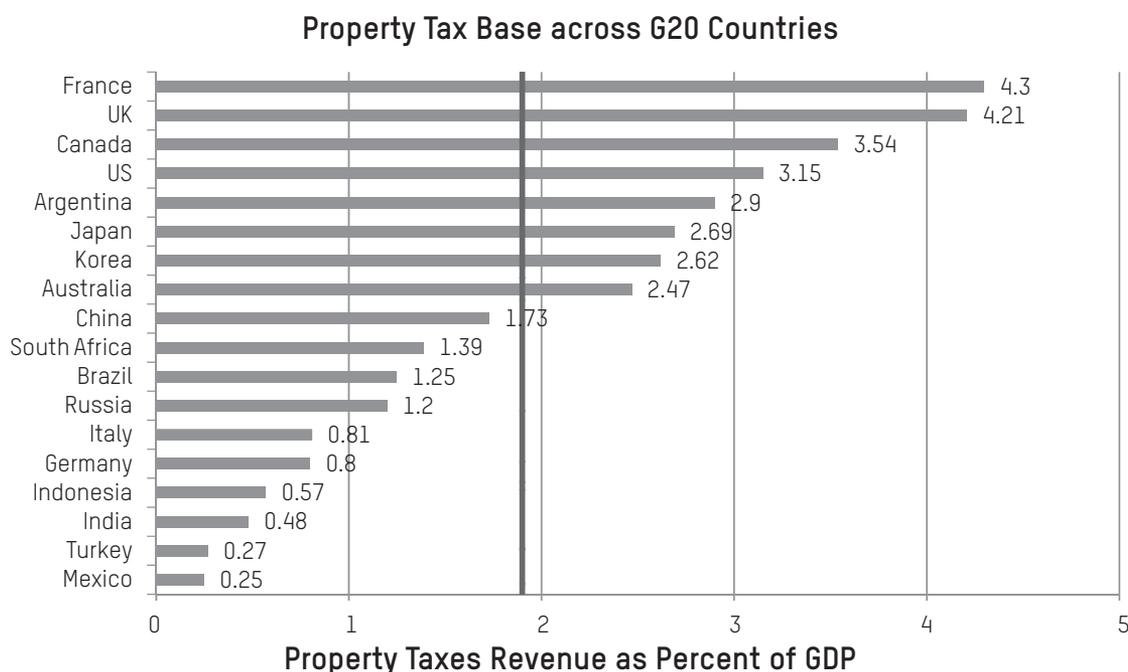
3. PROPERTY TAXES IN G20 COUNTRIES

3.1. PROPERTY TAX BASE IN G20 COUNTRIES

As mentioned earlier, Taxes on Property subsume: i) recurrent taxes on immovable property (Municipal Property Tax, Land Revenue, Tax on non-urban immovable property and Property Tax by rural local bodies, i.e. Panchayats in India); ii) recurrent taxes on net wealth (Wealth Tax in India); iii) Estate, Inheritance and Gift Taxes (Estate Duty and Gift Tax in India); iv) taxes on financial and capital transactions (Securities Transaction Tax, and Stamp and Registration Fees in India); v) other non-recurrent taxes on property (one time tax on revaluation of capital and property¹⁴); and vi) other recurrent taxes on property¹⁵.

Chart. 4 below shows that India has a Property Tax to GDP ratio of 0.48 percent^{16,17}, which is one of the lowest among G20 countries. India can learn a lot, not only from developed countries like France and the UK, which have figures as high as 4.3 percent and 4.21 percent of their GDP, but also from developing countries like Argentina (2.9 percent), China (1.7 percent), South Africa (1.4 percent), Brazil (1.3 percent), Russia (1.2 percent), and Indonesia (0.57 percent).

CHART 4.1



Source: Appendix Table 4.1 and Table 4.2

¹⁴ For example, tax on increase in land value due to any government project

¹⁵ For example tax on cattle, jewellery and other external signs of wealth.

¹⁶ Calculated from various sources, for detailed methodology see Appendix Table. 4

¹⁷ Stamp Duty and Registration Fees are not included in this calculation. For a detailed analysis regarding the same, see Appendix Table.4.2.

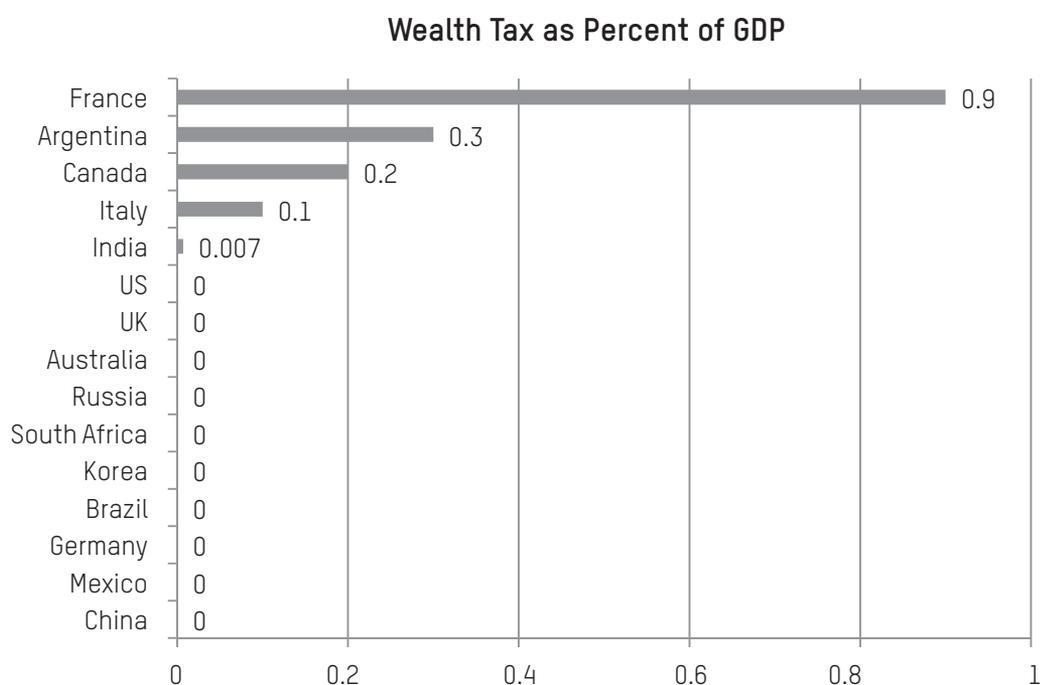
Note: All country values are for the year 2010, except for Argentina (2009), OECD Avg. (2009), China (2009), Mexico (2009) and India (2009-10).

Hence, it can be said that like total taxes, Property Taxes also have a very narrow base in India compared to other G20 countries.

Further analyses of Property Tax heads (See Appendix Table 4.1 and Table 4.2) reveal that recurrent immovable Property Tax-GDP ratio for India is a mere 0.36 percent, which is the lowest among G20 countries barring China and Mexico. However, China has other sources of revenue like a one-time tax on property, which alone accounts for 0.6 percent of GDP. Among other developing countries, Russia with the highest ratio of 1.13 percent and Argentina with the lowest ratio of 0.36 percent are quite ahead of India. Indonesia's Property Tax base of 0.57 percent of GDP comprises mainly recurrent immovable Property Tax.

Recurrent taxes on net wealth mobilized only around 0.007 percent of GDP in India, as compared to 0.89 percent in France and 0.32 percent in Argentina. Here it needs to be mentioned that, according to the IMF GFS 2001 classification, most countries do not have a specific Wealth Tax category in operation, but other Property Taxes make up for the loss resulting from the inexistence of a Wealth Tax.

CHART 4.2



Source: Appendix Table 4.1 and Table 4.2

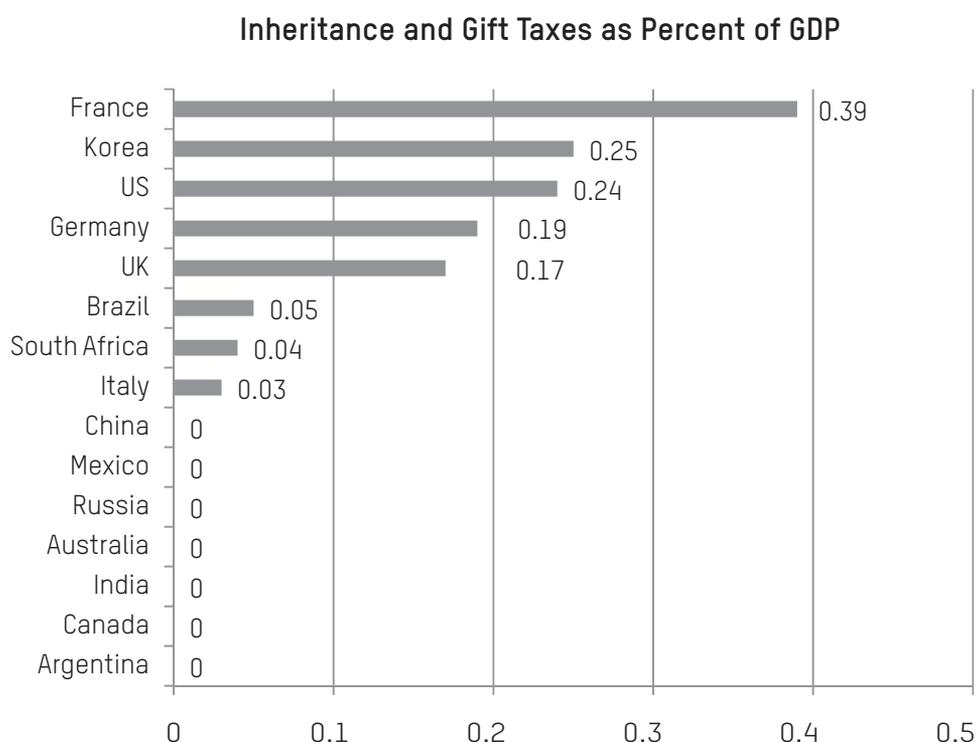
Note: All country values are for the year 2010, except for Argentina (2009), OECD Avg. (2009), China (2009), Mexico (2009) and India (2009-10).

Taxes on immovable property and taxes on financial and capital transaction are good sources of revenue in many G20 countries. India's performance in this regard is not very clear, as data for the major taxation head in this category (i.e. Stamp Duty and Registration Fees) do not specify how much revenue is raised from transaction on property and how much is raised from other sources like court fees, etc. The UK and China have a one time tax on property (i.e. non recurrent Property Tax), which mobilizes around 1.0 percent and

0.6 percent of GDP respectively, far more than the Total Property Tax ratio of 0.48 percent of GDP for India.

Estate Duty (Inheritance Tax) was suspended in India in 1985 and Gift Tax collections are far too minimal to be estimated in terms of proportion of GDP. However, these taxes have ratios of around 0.05 percent of GDP and 0.04 percent of GDP for Brazil and South Africa. France and USA, with ratios of 0.39 percent and 0.24 percent in the same category, imply a significant reliance on Estate, Inheritance and Gift Tax in these countries.

CHART 4.3



Source: Appendix Table 4.1 and Table 4.2

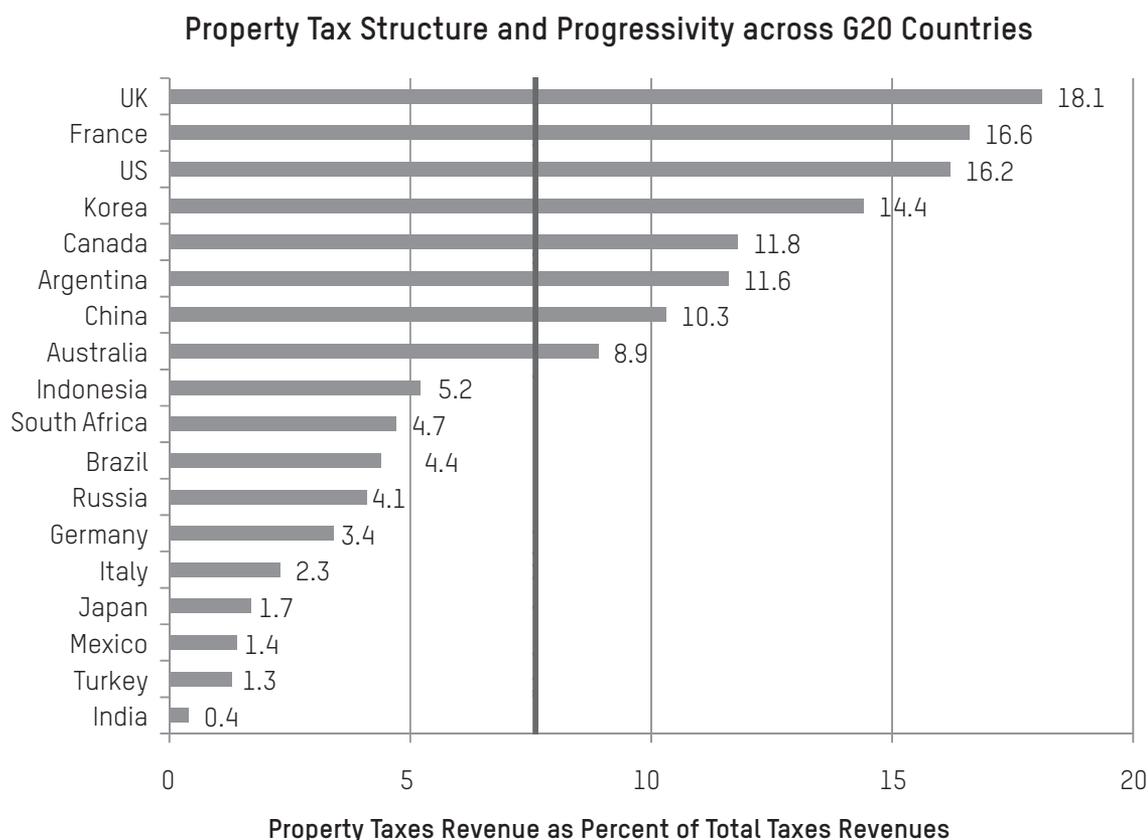
Note: All country values are for the year 2010, except for Argentina (2009), OECD Avg. (2009), China (2009), Mexico (2009) and India (2009-10).

3.2. PROPERTY TAX STRUCTURE IN G20 COUNTRIES

It can be seen from chart 5 below that Property Tax contributes only 0.4 percent¹⁸ of total tax collections in India, which is again the lowest among G20 countries. Hence, in addition to the narrow tax base, Property Tax in India is not progressive. Figures for BRICS nations like Brazil (4.4 percent), Russia (4.1 percent), China (10.3 percent) and South Africa (4.7 percent) confirm this view. Other developing countries like Argentina (11.6 percent), Indonesia (5.2 percent), Mexico (1.7 percent) and Turkey (1.3 percent) also have a better Property Tax share than India. Among developed nations, the UK has the highest figure, of 18.1 percent, and Japan the lowest at 1.7 percent.

¹⁸ Figure stands at 0.56 percent for the year 2010.

CHART 5



Source: Appendix Table 5

Note: All country values are for the year 2008, except for India (2006), Korea (2007), Canada (2007), China (2007), Indonesia (2010) and Turkey (2010).

A further analysis of Property Taxes shows that, in India, the contribution of taxes on recurrent immovable property to total taxes is around 0.35 percent¹⁹, which, with the exception of China, is the lowest among G20²⁰ countries (See Appendix Table 5). However, China has a large contribution (3.3 percent) of non-recurrent taxes on property, hence reducing the need for recurrent taxes. Among the developed countries, USA has the highest figure of 15.0 percent; while among the developing countries, Russia with 3.9 percent has the highest share.

As regards taxes on net wealth, a contribution of 0.031 percent to total taxes in India is low compared to 3.45 percent in France, 1.30 percent in Argentina, 0.67 percent in Canada and 0.17 percent in Italy. Although, at the first glance, India appears to compare better than other countries that do not have a tax on wealth, however these countries have large contributions in the form of recurrent taxes on immovable property and taxes on financial and capital transaction, in which India performs poorly²¹.

As mentioned earlier, China and the UK have an effective one-time tax on property compensating for Wealth Tax. India, however, fares very poorly in all these categories being almost the lowest within the G20 group.

¹⁹ MF GFS does not report this under this heading. But given the fact that 0.35 percent of GDP are collected from States, it can be assumed that these are Land Revenue, non-urban immovable Property Tax or Stamp Duty and Registration Fees.

²⁰ Data not available for Japan and Turkey.

²¹ IMF GFS gives figure of 0.35 percent of total taxes coming from Property Taxes by states. But it does not specify whether these are taxes on immovable property or transaction taxes i.e. Stamp Duty and Registration Fees.

4. WEALTH TAX, INHERITANCE TAX AND MUNICIPAL PROPERTY TAX IN INDIA

Estate and Inheritance Taxes no longer exist in India since 1985 and Gift Taxes contribute a minimal 0.0007 percent to total taxes. Among the developing countries, Brazil (0.19 percent) has the highest figure and South Africa (0.13 percent) also performs impressively. Among the developed countries, France (1.51 percent) has the highest share, with Korea (1.39 percent), USA (1.21 percent), Germany (0.8 percent) and the UK (0.73 percent) also performing satisfactorily. As already mentioned, countries without Estate, Inheritance and Gift Taxes have other categories of Property Taxes that compensate for the absence of an Inheritance Tax.

Estate Duty was introduced in India in 1953 and Wealth Tax was introduced in 1957 after the suggestion of the Kaldor Committee (Government of India 1956). The Wealth Tax was one of the four new taxes suggested by Kaldor, namely the Wealth Tax, the Capital Gains Tax, the Gift Tax and the Expenditure Tax, to broaden the tax base in India (Government of India 1956, Gulati 1957). Following committees such as the Bhoothalingam Committee also agreed with the continuation of the Wealth Tax (Government of India 1967, Pandey 2006).

But Property and Wealth Tax collection always remained far below its potential owing to gaps in data on many aspects of wealth distribution in India (Krishnan 1972). The government never made any serious attempts to collect data on the distribution of private wealth and concentration of economic power (Krishnan 1972). Instead in the year 1985, the Union Finance Minister proposed to abolish the Estate Duty by arguing that it seemed to be a doubled tax along the Wealth Tax on the same base, and that it had failed in its twin objectives of reducing wealth inequality and assisting states in financing their development schemes. The cost of tax collection and administration was also said to be high compared to the revenue from the same²². As a result, the Estate Duty was suspended (i.e. it was not scrapped and hence can be revived any time)²³.

However, suspending the Estate Duty because Wealth Tax already exists has become tough to justify since 1991, when a Tax Reforms Committee (TRC) led by R. J. Chelliah recommended abolition of the Wealth Tax, by arguing that the revenue collected is considerably less compared to the cost incurred (Government of India 1991-93). This TRC suggested that if the Wealth Tax is maintained it should be limited to unproductive assets only²⁴ and not apply to productive assets like financial assets. The acceptance of these recommendations in the Union Budget 1992-93 resulted in a massive revenue decline from the Wealth Tax from Rs. 468 crore in 1992-93 to Rs. 154 crore in 1993-94²⁵. Wealth Tax revenue stagnated at around Rs. 100 crore throughout the 1990's due to the narrow tax base it was now confined to. In the year 2001-02, it mobilized only Rs. 145 crore²⁶ with an expenditure of Rs. 78 Crore²⁷, i.e. a budget expenditure of Rs. 53.8 for each Rs. 100 worth of tax revenue collected. This, in turn, prompted the Kelkar Task Force on Direct Taxes to suggest

²² See Budget Speech, Union Budget 1985-86, Government of India.

²³ Businessline 2009 <http://www.thehindubusinessline.com/todays-paper/tp-mentor/article1086972.ece> (As viewed on 26 December 2012)

²⁴ The list includes vacant urban lands, buildings after exempting most of the buildings, excessive and unaccounted cash, jewelry, motorcars and aircraft, and yachts.

²⁵ Government of India (2002)

²⁶ Receipt Budget 2002-03, Govt. of India

²⁷ Expenditure Budget 2002-03, Govt. of India

the complete abolition of the Wealth Tax (Government of India 2002). Hence, after the Estate Duty was abolished on ground that, along with the Wealth Tax, it amounted to double taxation; gradually the Wealth Tax itself was diluted in 1992 and later suggested for complete abolition in 2002.

Also, according to a Report by the Comptroller and Auditor General (C&AG) of India (Government of India 2001), assessing officers have failed to link and correlate the records of Income Tax and Wealth Tax. A large number of assesseees are either not filing the returns of net wealth or not disclosing true taxable wealth. No efforts have been made by the tax department to identify new Wealth Tax assesseees despite recommendations of the Public Accounts Committee.

In light of the above discussion, it becomes interesting to revisit the Kaldor committee's view regarding the failure to implement an effective tax system, including Wealth Tax. According to him, this was mainly a political problem and not a technical or economic problem (Kaldor 1961). This leads us to the important but much neglected issue of the role of political economic environment in deciding the fiscal policy structure and efficiency in India. Rathin Roy (1998) reiterates that the fiscal policy in India becomes interesting only when interwoven with economic development for which the political economy perspective is critical.

Today, the tax on wealth is levied at 1 percent above the threshold of Rs. 30 lakh on specified unproductive assets. The much-debated Direct Taxes Code Bill proposes an exemption of tax on wealth up to Rs. 1 crore, a uniform levy of 1 percent above this ceiling and the introduction of some new categories of assets for levying Wealth Tax. In the year 2010-11, while the Wealth Tax collection was Rs. 682 crore²⁸, the total Personal Income Tax collection during this period was Rs. 1.45 lakh crore²⁹. It is thus evident that the extent of Wealth Tax collection, both in absolute terms and relative to personal income tax collection is rather meager. It is therefore pertinent to ask if the current rate of Wealth Tax at flat 1 percent on specified assets can at all be considered as equitable and whether it needs to be re-visited.

Arguments regarding double taxation can be debunked because Inheritance Tax does not tax the same person twice; it comes with a change of ownership. Kaldor also agreed that the true incidence of the Inheritance Tax falls on recipient of inheritance and not on the deceased. He opined that there is no justification in the difference of treatment between gift in vivos and receipt of legacies or bequests (Government of India 1956, Gulati 1957).

As regards wealth inequality in India, the latest India Human Development Report (IHDR) 2011 released by the Planning Commission indicates a highly skewed distribution of assets in India, with the top 5 percent of households possessing 38 percent of total assets, and the bottom 60 percent of households owning a mere 13 percent. The number of dollar billionaires in India as per the Forbes list has risen from 13 in 2003 to 55 in 2011. The combined net worth of these 55 dollar billionaires stood at over US \$ 240 billion (Rs. 13,92,000 crore) in March 2011³⁰. If these families are taxed an Inheritance Tax equal to USA's highest rate of 55 percent, then Rs 7,65,600 crore can be realised over a spread of 45.4 years³¹, giving an annual revenue of Rs 16,863 crore³². According to another Global Wealth Report by WealthX, India counts at least

²⁸ Parliament Standing Committee on Finance (2012)

²⁹ Parliament Standing Committee on Finance (2012)

³⁰ Parliament Standing Committee on Finance (2012), Appendices I, Dissent Note.

³¹ Assuming billionaires are all adults above 18 years of age and have average life expectancy of 63.4 years i.e. average of life expectancy of 62.6 years for Males and 64.2 years for Female for 2010-11 (Source: RGI and Economic Survey Appendix). Also assuming that the age of billionaires is spread uniformly across 18 to 63.4 years.

³² This is a highly conservative estimate as it assumes that the wealth of these individuals will remain constant over the next 45.4 years and considers only the top 55 billionaires rather than all high net worth individuals including millionaires.

8200 ultra-high net worth individuals worth at least US\$ 945 billion³³ (Rs. 47,25,000 crore), while the collection of Wealth Tax was just about Rs. 1000 crore in 2011-12. If these individuals are taxed at the present low level of 1 percent, around Rs 47,250 crore³⁴ can be realised annually. Credit Suisse Wealth Report 2012 reports that India, with a wealth of US \$ 3.2 trillion is home to 1,58,000 dollar millionaires. Other global Wealth Reports by Capgemini & the Royal Bank of Canada, Knight Frank and Citi Bank etc., also report similar findings.

The primary source of accumulated wealth in both developed and developing countries is real estate. Such property is visible, immobile and a clear indication of one form of wealth. Property Tax on real assets is thus difficult to avoid and, if administered, well can present a non-distortionary and highly efficient fiscal tool (McCluskey 1999). However, at the same time the scope of undervaluation is also greater for immovable property compared to movable property (Gulati and Krishnan 1973). Municipal Property Tax is an important source of local revenue in many countries (Lall and Deichmann 2006). But urban Property Tax levied by municipalities is an underused source of revenue in India (ibid.). It has also been argued that the weakness of Property Tax (Municipal Tax) is perhaps best exemplified by India (Davey and Devas 1996).

It has been argued that Municipal Tax is based on 'benefit principle' as against Wealth and Inheritance Taxes, which are based on the 'ability to pay principle' (Mathur et al 2009). Therefore, Municipal Tax is not for distributive justice but for municipal services (Mathur et al 2009, Government of India 2009) and self financing of urban development. But it can indirectly lead to distributive justice by increasing funds available for public provisioning for disadvantaged sections of the society.

Municipal Property Tax revenue in the 36 largest cities in India have been estimated at Rs 4,522 crore, yielding a per capita revenue of Rs. 486 with large inter-city variations (Government of India 2009, Mathur et al 2009). The all-India collection of Property Tax yield blow up from the 36 city sample is estimated to be between a low of Rs. 6274 crore and a high of Rs. 9424 crore. Even at the higher end, it amounts to just 6 percent of gross rental value of urban dwellings, as estimated in the National Accounts Statistics.³⁵ Apart from rates that are low relative to the cost of municipal services, setting the tax base is challenging because of the absence of a reliable count of properties. Collection efficiency is low, with only 63 percent of assessed properties actually paying taxes in the "large city sample", and it is estimated that this amount to 56 percent of the universe of properties. Even for the house properties actually assessed, poor collection efficiency, at 37 percent of demand for the sample, along with the non-indexation of property values have exacerbated the problem (Government of India 2009). Municipal Property Tax revenues could increase to Rs. 22,000 crore – Rs. 32,000 crore, merely by bringing all cities to a 85 percent coverage level and 85 percent collection efficiency, without changing any other variables (ibid.).

Moreover, technology advances and Direct Taxes administration reforms have made it easier to track Property Taxes than it used to be in the 1980's. Today, it is less challenging for the Income Tax Department to track assets and the cost³⁶ of collection may be much lower. Also, if a simple and transparent set of

³³ Rediff Business 2011 <http://www.rediff.com/money/slide-show/slide-show-1-india-has-8200-hnw-individuals/20111115.htm> [As viewed on 26 December 2012]

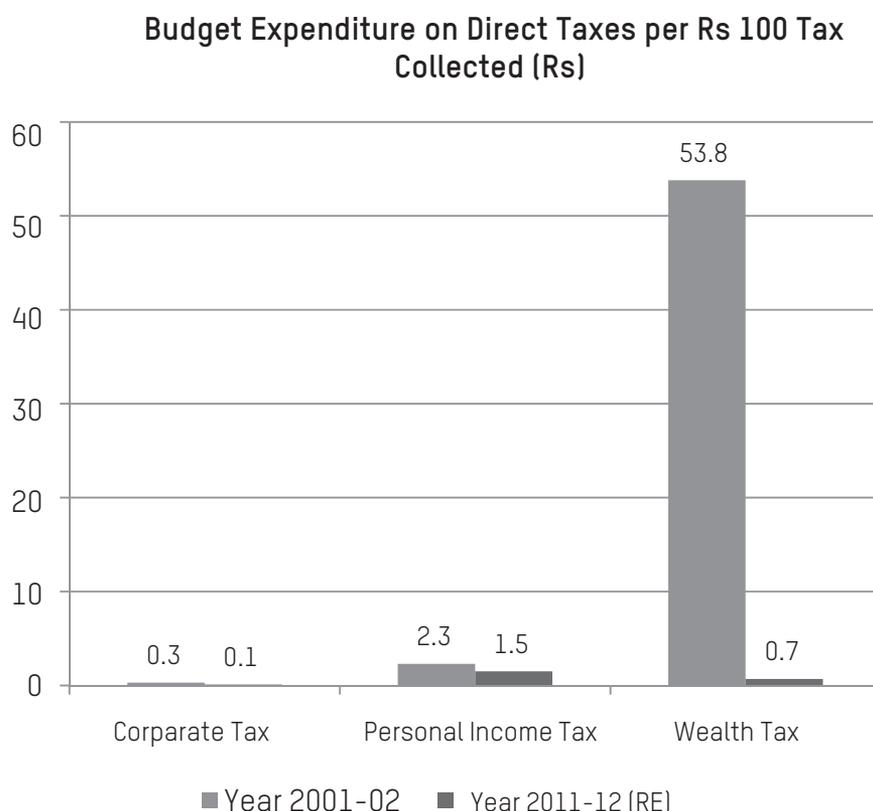
³⁴ Ignoring categorization between productive and non-productive assets.

³⁵ Desai, Nitin 2012, Government of India 2009, Mathur et al 2009.

³⁶ Cost of tax collection and cost efficiency of tax in the present analysis is taken to mean direct money costs to the government of collecting various taxes. It excludes indirect costs arising in the process of tax payment or resulting from the detrimental effects of various taxes (Ahmed 1968).

valuation rules are devised, the threat of frivolous litigation may be considerably reduced.³⁷ According to World Bank Doing Business Report, India stands 7th among G20 countries, above USA, Germany etc., in the ease of paying Direct Taxes (i.e. Corporate and Labour Taxes) in terms of time consumed (World Bank 2012). As regards the expenditure incurred in tax collection, it can be seen from chart 6 below that for the year 2011-12, among three Direct Taxes viz. Corporate, Personal Income and Wealth Tax, Wealth Taxes are second most expenditure efficient, with an expenditure of Rs. 0.7 for each Rs. 100 of revenue mobilized, compared to an expenditure of Rs. 0.1 and Rs. 1.5 for Corporate and Personal Income Taxes respectively.

CHART 6



Source: Appendix Table 6

Scholars (e.g. Dhawan 1968) have argued that the cost / expenditure incurred by the Personal Income Tax Department may be slightly overestimated because the same department was also in charge of collecting Wealth and Inheritance tax, whose expenditure was usually given under the expenditure on Personal Income Tax heading. However, even with this note of caution, the cost efficiency of Wealth Tax at present is visible. In 2001-02, Rs. 145 crore Wealth Tax was collected by incurring a budget expenditure of Rs. 78 crore, i.e. an expenditure of Rs. 53.8 to collect Rs. 100 of tax revenue (see Appendix Table 6). This prompted the Kelkar Committee also to suggest abolishing the Wealth Tax (Government of India 2002). However, in the year 2011-12, Rs. 1092 crore were collected at a budget expenditure of Rs. 6 crore only (See Appendix Table 6). Hence, the expenditure on Wealth Tax collection was around 77 times more in 2001-02 than in 2011-12. It needs to be mentioned that the present Wealth Tax collection includes only a very narrow base

³⁷ Business Standard 2012a <http://www.business-standard.com/india/news/pitfallsinheritance-tax-double-taxation-/492294/> [As viewed on 26 December 2012]

of non-financial assets recommended by the Chelliah TRC. If financial assets are also included in wealth, Wealth tax collection comes out to be most expenditure efficient in India, and hence in the world, as India's Direct Tax collection is already one of the most cost-efficient in the world³⁸. In light of these findings it would be pertinent to suggest a relook at the suspension of Estate Duty (Inheritance Tax) and a flat Wealth Tax rate only on non-productive assets.

Concerned over the low total tax to GDP ratio, the present Union Finance Minister had also earlier pitched for higher taxes on luxury products and imposing Inheritance Tax³⁹. Some economists also agree that there is a strong case for Estate Duty in India, through which the wealth concentration across generations can be counteracted (Kelkar and Shah 2011). According to Arun Kumar,⁴⁰ given the disparity in India, which is greater than in USA, the Estate Duty should be at least 60 percent.⁴¹ Parthasharathi Shome is of the opinion that the earlier version of Estate Tax did not work because of a multitude of problems like the complex nature of tax, very low tax base, high tax burden and haphazard implementation. He opines that with the modernization of the tax system, better revenue collection can be expected from the Estate Tax. Also, he thinks that since someone other than the earner reaps the benefits, a part of windfall in inheritance should be shared with the fiscal⁴². Inheritance tax also contributes to increase donations for philanthropy. According to Warren Buffet, Estate Tax have resulted in many wealthy families in the US to pledge large chunks of their wealth to philanthropy⁴³, to spare their heirs the burden of Estate Tax that can reach up to 55 percent.

Inheritance is clearly an 'unearned' income, and hence should be taxed effectively. It is important to circulate such unearned income so that after a few generations, such unearned income is put to use for the larger society. An effective Inheritance Tax system would also spur entrepreneurship and competition in the marketplace. Those inheriting a lot of wealth should be allowed to continue working hard to earn new income, while those who do not have the capacity to effectively earn income but inherit wealth should not have the capacity to unduly impede competition.

However, reasonable care should be taken to introduce a suitably high threshold limit above which Inheritance and Wealth Taxes would be payable to ensure that the salaried class and the poor do not get impacted. It needs to be remembered that enacting a tax law is the easier part; the much more difficult part is enforcing it and punishing evaders⁴⁴. If the government decides to revive the Estate Duty (Inheritance Tax), this needs to be done in a foolproof manner with no loopholes like trust, gift, 'benaami' account transfers that could undermine its efficiency. A well-defined and well-structured Property Tax is a necessary precondition for levying Inheritance Tax, to avoid any litigation. Reforms should bring the assessment of the Property Tax base closer to market values. Structural issues such as improved valuation, increasing buoyancy of tax, and building taxpayer confidence need to be addressed to make Property Tax reforms sustainable (Lall and Deichmann 2006). Self-evaluation options suggested by the Kaldor Committee (Government of India 1956), Wanchoo Committee (Government of India 1971), Soumen Bagchi (2003) can also be explored. Reforms in Municipal Property Tax valuation will in turn improve Wealth and Inheritance Tax valuation and collection,

³⁸ One India News 2008 <http://news.oneindia.in/2008/03/28/cost-of-tax-collection-in-india-cheapest-in-the-world-fm-1206689604.html> (As viewed on 26 December 2012)

³⁹ The Indian Express 2012 <http://www.indianexpress.com/news/tax-inheritance-luxury-items-chidambaram/797376/1> (As viewed on 26 December 2012)

⁴⁰ Professor, Centre for Economic Studies and Planning, Jawaharlal Nehru University.

⁴¹ Outlook 2011 <http://www.outlookindia.com/article.aspx?271247> (As viewed on 26 December 2012)

⁴² Outlook 2011 <http://www.outlookindia.com/article.aspx?271247> (As viewed on 26 December 2012)

⁴³ Outlook 2011 <http://www.outlookindia.com/article.aspx?271247> (As viewed on 26 December 2012)

⁴⁴ Business Line <http://www.thehindubusinessline.com/features/investment-world/personal-finance/article2214299.ece> (As viewed on 26 December 2012)

as real estate is the prime store of wealth in both developed and developing countries (McCluskey 1999). It will also lead to effective enforcement of Income Tax as capital values are also used to estimate income accruing from ownership (Gulati and Krishnan 1973). For this, good case studies such as the Municipal Property Assessment Corporation (MAPC, Canada) and the West Bengal State Valuation Board, suggested by the XIII Finance Commission can be explored. Other reforms discussed by Amaresh Bagchi (1997), Rao and Ravindran (2002), Gangadhar Jha (2002), the World Bank (2003), Karnik and Pethe (2003) should also be analysed. Resource gap in Income Tax Department with staff shortage of around 15 percent⁴⁵ should be filled before going for Inheritance Tax. As suggested by Kaldor, top wealth owners can be a starting point; then as the department gains expertise, it can move down to lower wealth owners and the base can be expanded gradually (Government of India 1956).

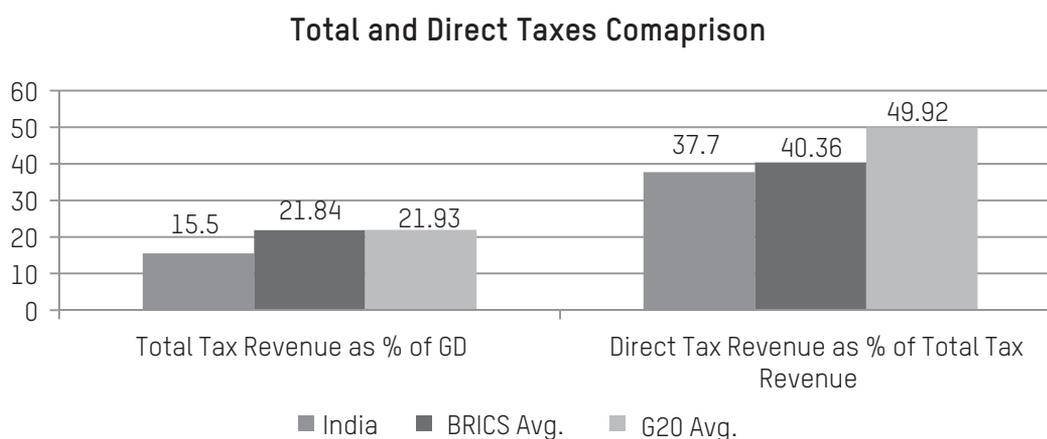
⁴⁵ Government of India 2012

5. CONCLUDING REMARKS

Taxation is the most important government instrument to mobilize resources, not only to meet its day-to-day expenditure but also to mobilize adequate funds for social development, tackling poverty and unemployment, and promoting economic growth. The taxation policy is also an important tool to address the problem of disparity in income and wealth in the country, and to spur entrepreneurship among youth regardless of their inherited wealth. It also acquires prime importance in a country like India whose Constitution explicitly directs the State to ensure that the “operation of the economic system does not result in the concentration of wealth and means of production to common detriment”⁴⁶.

However, the analysis carried out in this paper clearly shows that the government seems to have failed in its objectives and duties with regard to distributive justice. A huge gap exists between India and G20 countries in terms of resource mobilization. As shown in the chart below, India’s Tax-GDP ratio of 15.5 percent falls far short of G20 and BRICS averages, of 21.93 percent and 21.84 percent respectively. Also, with a 37.7 percent share of Direct Taxes in total taxes, the Indian tax structure is less progressive than G20 and BRICS averages, of 49.92 percent and 40.36 percent respectively.

CHART 7.1

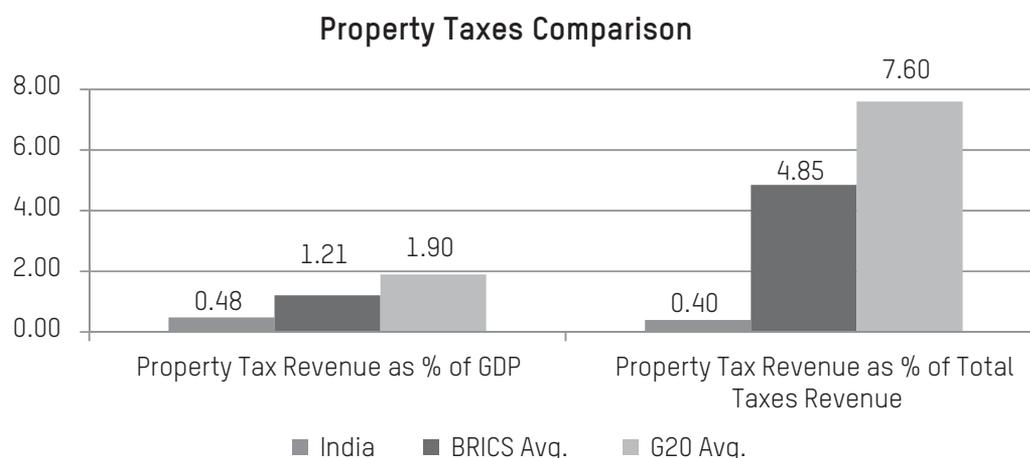


Source: Appendix Table 7.

As regards the Property Taxes base shown in the chart below, India lags far behind with a Property Taxes-GDP ratio of 0.48 percent as compared to G20 and BRICS averages of 1.21 percent and 1.90 percent respectively. The share of Property Taxes in total taxes is also low at 0.40 as compared to G20 and BRICS averages of 7.60 percent and 4.85 percent respectively.

⁴⁶ Article 38 and 39, Directive Principles of State Policy, Constitution of India.

CHART 7.2



Source: Appendix, Table 7

The Indian government (Centre and States combined), which spends only around 6.7 percent of GDP⁴⁷ on its social sectors (such as education, health, water and sanitation) compared to 14 percent of GDP for OECD countries on average (CBGA 2012), can gain considerably from a progressive Property Tax. Therefore, one should strongly consider the case of improving valuation and targeting of property, making Wealth Tax more broad based and progressive and reintroducing Inheritance Tax so that inherited wealth does not serve more than [three to five] generations. This will in turn send a clear message that India is not a feudal country, but a vibrant democracy which believes in merit and where opportunities do not come by birth.

- Compared with other G20 countries, India has a very narrow tax base and a regressive tax structure.
- The contribution of Direct Taxes to total tax revenue and of Property Taxes within Direct Taxes is remarkably low, and worse than some of developing countries and BRICS nations.
- Both these problems can be addressed to some extent by a better taxation of property in India.
- This includes⁴⁸ tax on wealth, tax on immovable property and estate, Inheritance and Gift Tax.
- At present, the Indian tax system seems to be weak in terms of the principles of equity and social justice. It is oblivious of the dangerously growing inequality and concentration of wealth in the hands of the few in a country where the largest number of poor people in the world live today.
- Hence, there is an urgent need to introduce an Inheritance Tax and make the existing Wealth Tax more progressive, which in turn requires better valuation and targeting of property.

⁴⁷ 2010-11 Budget Estimate.

⁴⁸ According to the IMF GFS 2001 Methodology.

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APPENDIX

TABLE 1: TAX REVENUE FROM DIFFERENT SOURCES AS PERCENTAGE OF GDP

Country	Year	Tax Revenue as percent of GDP						Total Tax Revenue
		Taxes on Income, Profits & Capital Gains	Taxes on Payroll and Work Force	Taxes on Property	Taxes on Goods and Services	Taxes on International Trade	Other Taxes	
Italy	2010	14.1	0.0	0.8	11.9	0.0	1.8	28.7
UK	2010	13.1	0.2	4.2	10.9	0.0	0.1	28.5
South Africa	2010	13.8	0.3	1.4	10.0	1.0	0.0	26.5
Canada	2010	14.6	0.7	3.5	6.9	0.2	0.4	26.4
Australia	2010	14.5	1.3	2.5	7.1	0.5	0.0	25.9
France	2010	9.5	1.4	4.3	10.7	0.0	-0.2	25.6
Brazil	2010	6.9	0.3	1.3	15.7	0.6	0.7	25.4
Argentina	2009	5.0		2.9	16.4		0.5	24.7
OECD Avg.	2009	11.4	0.4	1.8	10.7		0.2	24.6
Russia	2010	8.3	0.0	1.2	6.6	6.9	0.0	22.9
Germany	2010	10.7	0.0	0.8	10.9	0.0	0.0	22.4
Turkey	2010	5.8	0.0	0.3	12.6	0.3	2.1	21.1
Korea	2010	7.1	0.0	2.6	7.2	0.9	1.6	19.4
China	2009	4.6	0.0	1.7	12.1	0.4	0.1	18.9
US	2010	10.8	0.0	3.2	4.3	0.2		18.4
Japan	2010	7.4	0.0	2.7	6.1	0.2	0.2	16.5
India	2009-10	5.7		0.48 ⁴⁶				15.5
Mexico	2009	5.0	0.3	0.3	8.7		0.2	14.5
Indonesia	2010	5.17	0.0	0.57	4.45	0.31	0.05	10.89

*Source – Compiled from the data provided in:

Government Finance Statistics 2011, IMF

For Argentina and Brazil, Revenue Statistics in Latin America, 2011 OECD/ECLAC/CIAT

For India: India Public Finance Statistics 2011-12, Ministry of Finance, Government of India.

For Mexico and OECD: Revenue Statistics 2011. OECD

***Note:**

1. Figures are for general government except for Indonesia; Indonesia figures are for its central government's budgetary transactions.
2. We may also note here that the tax-GDP ratios reported here do not include social security contributions (if any). However, the methodology adopted in some of OECD's publications makes a strong case for including social security contributions.
3. BRICS countries are highlighted in the table above.

⁴⁶ For calculations see detailed methodology given for Table 4.2.

TABLE 2: DIRECT TAXES REVENUE AS PERCENTAGE OF TOTAL TAX REVENUE

Country	Year	Direct Tax Revenue as percent of Total Tax Revenue
USA	2010	75.8
Canada	2010	68.8
Australia	2010	65.8
Japan	2010	61.2
UK	2010	60.9
South Africa	2010	57.5
Indonesia	2010	55.8
OECD Avg.	2009	53.7
France	2010	53.7
Italy	2010	52.0
Germany	2010	51.4
Korea	2010	50.0
Russia	2010	41.3
India	2009-10	37.7
Mexico	2009	36.6
China	2009	33.2
Brazil	2010	32.1
Argentina	2009	32.0
Turkey	2010	28.9

*Source

Calculated from the data provided in:

Government Finance Statistics 2011, IMF

For Argentina and Brazil- Revenue Statistics in Latin America 2011, OECD/ECLAC/CIAT

For India- India Public Finance Statistics 2011-12, Government of India

For Mexico and OECD- Revenue Statistics 2011, OECD

***Note:**

1. Figures are for general government except for Indonesia; Indonesia figures are for its central government's budgetary transactions.
2. BRICS countries highlighted above.

TABLE 3.1

Share of Direct Taxes in Total taxes for BRICS and USA									
Year	2000	2001	2002	2003	2004	2005	2006	2007	2008
Brazil	29.6					31.8	32.0	33.3	35.1
Russia	37.7	39.3	38.9	41.0	43.6	41.6	42.6	31.8	42.9
India	22.7	22.4	24.0	25.8	26.2	27.0	29.6		
China	23.2	26.3	26.8	26.6	27.1	29.6	26.6	36.0	
South Africa	59.6	60.2	59.8	59.0	57.2	57.4	58.4	60.2	62.7
USA	79.5	78.5	76.0	75.1	75.3	76.6	77.6	78.2	76.5

Source: Calculated from IMF GFS CD ROM.

For Brazil: Calculated from OECD/ECLAC/CIAT 2011

Note: Figures for China are for central and local government combined.

TABLE 3.2

Share of Property Taxes in Total Taxes for BRICS and USA									
Year	2000	2001	2002	2003	2004	2005	2006	2007	2008
Brazil	4.2					4.0	4.3	4.4	4.4
Russia	4.5	4.8	6.0	6.4	5.4	4.0	3.8		4.1
India	0.4	0.5	0.5	0.5	0.4	0.4	0.4		
China	6.1	3.9	2.8	5.5	3.8	3.8	5.2	10.3	
South Africa	6.9	5.6	5.6	6.8	6.2	6.1	5.1	5.4	4.7
USA	13.2	14.1	16.1	16.4	16.2	14.9	14.4	14.5	16.2

Source: Calculated from IMF GFS CD ROM.

For Brazil: Calculated from OECD/ECLAC/CIAT 2011

Note: Figures for China are for centre and local government combined.

TABLE 4.1 PROPERTY TAX REVENUE FROM DIFFERENT SOURCES AS PERCENTAGE OF GDP

Property Tax Revenue (as percent of GDP)								
Country	Year	Recurrent taxes on immovable Property	Recurrent taxes on net wealth	Estate, Inheritance, and Gift Taxes	Taxes on financial and capital transactions	Other non-recurrent taxes on Property	Other recurrent taxes on Property	Total Property Tax Revenue
France	2010	2.48	0.9	0.39	0.5	0.0	0.0	4.30
UK	2010	2.53	0.0	0.17	0.5	1.0	0.0	4.21
Canada	2010	2.85	0.2	0.00	0.0	0.4	0.0	3.54
US	2010	2.91	0.0	0.24	0.0	0.0	0.0	3.15
Argentina	2009	0.36	0.3	0.00	2.2	0.0	0.4	2.90
Japan	2010							2.69
Korea	2010	0.72	0.0	0.25	1.6	0.0	0.1	2.62
Australia	2010	1.16	0.0	0.00	1.2	0.0	0.1	2.47
China	2009	0.00	0.0	0.00	1.2	0.6	0.0	1.73
South Africa	2010	0.97	0.0	0.04	0.4	0.0	0.0	1.39
Brazil	2010	0.45	0.0	0.05	0.1	0.0	0.6	1.25
Russia	2010	1.13	0.0	0.00	0.0	0.0	0.1	1.20
Italy	2010	0.71	0.1	0.03	0.0	0.0	0.0	0.81
Germany	2010	0.38	0.0	0.19	0.0	0.2	0.0	0.80
Indonesia	2010							0.57
India	2009-10	0.36	0.007	0.00	0.11 ⁴⁷	0.0	0.0	0.48
Turkey	2010							0.27
Mexico	2009	0.15	0.0	0.00	0.1	0.0	0.0	0.25

*Source

Compiled from the data provided in:

Government Finance Statistics 2011, IMF

Government Finance Statistics 2010, CD-ROM, IMF

For Argentina and Brazil, Revenue Statistics in Latin America, 2011. OECD/ECLAC/CIAT

For India: See Table 4.2

For Mexico: Revenue Statistics 2011. OECD

*Note:

1. Figures are for general government except Indonesia. Indonesia figures are for its central Government's budgetary transactions.
2. BRICS countries are highlighted above.

⁵⁰ Include only Securities Transaction Tax and exclude Stamp Duty and Registration Fees.

TABLE 4.2: PROPERTY TAXES IN INDIA FOR YEAR 2009-10

Property Taxes in India for year 2009-10				
		Rs Crore	as percent of Total Taxes	as percent of GDP
1	Land Revenue	5133.68	0.513	0.080
2	Taxes on professions, trades, employment and non- urban immovable properties etc	4103.37	0.410	0.064
3	Panchayat Property Tax*		0.350	0.070
4	Municipal Property Tax**	9424	0.942	0.146
1+2+3+4=5	Recurrent taxes on immovable Property		2.215	0.359
6	Wealth Tax	504.93	0.050	0.008
7	Estate Duty	0.23	0.000	0.000
8	Gift Tax	0.97	0.000	0.000
7+8=9	Estate, Inheritance and Gift Taxes	1.2	0.000	0.000
10	Securities Transaction Tax***	7394.17	0.739	0.115
11	Stamp Duty and Registration Fee	40607.03	4.057	0.629
10+11=12	Taxes on Financial and Capital transaction	48001.2	4.796	0.743
5+6+9+12=13	Total Property Taxes		7.061	1.110
13-11=14	Total Property Taxes (-) Stamp Duty and Registration Fee		3.004	0.481
13-(1/2) of 11=15	Total Property Taxes (-) (1/2) of Stamp Duty and Registration Fee****		5.033	0.796

Source:

Indian Public Finance Statistics (various years)

*For year 2002-03 from Rao and Rao 2008

**Taking upper estimate by 13th Finance Commission and Mathur et al 2009

***Source: Budget Receipt

****Assuming that 50 percent of Stamp Duty and Registration Fee are for non-property transactions

Note on Stamp Duty and Registration Fees in India:

Even if we take 50 percent of Stamp Duty and Registration Fee as transactions of property, Property Tax-GDP ratio still comes out to be 0.796 percent only, keeping India's position and rank unchanged at 16th out of 18 G20 countries and last among BRICS.

If all Stamp Duty and Registration Fees are taken as transactions of property, then Property Tax-GDP ratio comes out to be 1.11 percent, slightly improving India's position to 14th out of 18 G20 countries, but still ranking below all BRICS countries.

TABLE 5: PROPERTY TAX REVENUE FROM DIFFERENT SOURCES AS PERCENTAGE OF TOTAL TAX REVENUE

Property Tax Revenue (as percent of Total Tax revenue)								
Country	Year	Recurrent Taxes on Immovable Property	Recurrent Taxes on Net Wealth	Estate, Inheritance, and Gift Taxes	Taxes on financial and capital transactions	Other non-recurrent taxes on Property	Other recurrent taxes on Property	Total Property Tax revenue
UK	2008	10.9	0.00	0.73	2.2	4.3	0.0	18.1
France	2008	9.6	3.45	1.51	2.0	0.0	0.0	16.6
US	2008	15.0	0.00	1.21	0.0	0.0	0.0	16.2
Korea	2007	3.9	0.00	1.39	8.8	0.0	0.3	14.4
Canada	2007	9.5	0.67	0.00	0.0	1.2	0.0	11.8
Argentina	2008	1.5	1.30	0.00	8.8	0.0	1.6	11.6
China	2007	0.0	0.00	0.00	6.9	3.3	0.0	10.3
Australia	2008	4.2	0.00	0.00	4.5	0.1	0.2	8.9
Indonesia	2010							5.2
South Africa	2008	3.3	0.00	0.13	1.3	0.0	0.0	4.7
Brazil	2008	1.6		0.19	0.5		2.2	4.4
Russia	2008	3.9	0.00	0.00	0.0	0.0	0.3	4.1
Germany	2008	1.6	0.00	0.80	0.0	1.0	0.0	3.4
Italy	2008	2.0	0.17	0.08	0.0	0.0	0.0	2.3
Japan	2008							1.7
Mexico	2008	0.8			0.6			1.4
Turkey	2010							1.3
India	2006		0.031	0.0007				0.4

*Source

Compiled from the data provided in:

Government Finance Statistics 2010, CD-ROM, IMF

For Argentina and Brazil, Revenue Statistics in Latin America, 2011. OECD/ECLAC/CIAT

For Mexico: Revenue Statistics 2011. OECD

Note:

1. Figures are for general government except
 - i) Indonesia figures are for its central government's budgetary transactions.
 - ii) India figure are for centre and state governments combined.
2. BRICS countries are highlighted above

TABLE 6: REVENUE AND EXPENDITURE FOR VARIOUS DIRECT TAXES

	Year	Corporate Tax	Personal Income Tax	Wealth Tax
Revenue (Rs Crore)	2001-02	39,059.0	3,4438.0	145.0
Expenditure (Rs Crore)	2001-02	117.7	803.7	78.0
Expenditure per Rs 100 Tax collection (Rs)	2001-02	0.3	2.3	53.8
Revenue (Rs Crore)	2011-12 (RE)	3,27,680.0	1,71,879.0	1,092.0
Expenditure (Rs Crore)	2011-12 (RE)	388.9	2,527.9	7.5
Expenditure per Rs 100 Tax collection (Rs)	2011-12 (RE)	0.1	1.5	0.7

*Source: Receipt Budget and Expenditure Budget, Union Budget 2002-03 and 2012-13

TABLE 7: COMPARING, INDIA AND AVERAGES FOR G20 AND BRICS

	India	BRICS Avg.	G20 Avg.
Total Tax Revenue as percent of GDP	15.5	21.84	21.93
Direct Tax Revenue as percent of Total Tax Revenue	37.7	40.36	49.92
Property Tax Revenue as percent of GDP	0.48	1.21	1.90
Property Tax Revenue as percent of Total Taxes Revenue	0.40	4.85	7.60

Source: Calculated from IMF GFS (2011), OECD/ECLAC/CIAT (2011), OECD (2011), IPFS (2011-12), Report of the 13th Finance Commission, and Rao and Rao 2008.



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