

Mind the middle-class woes in Union Budget Modi ji!

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As the time for the presentation of the Union Budget comes near, the Indian middle class, particularly the salaried people, pin their hopes for a fairer treatment but feel cheated year after year. They can do nothing but pay according to one of the highest tax regimes in the world. Even though their contribution to the direct tax kitty is a significant percentage of the total collection. They are paying far more than what the corporate sector is paying. According to Mr. Jairam Ramesh, the income tax collections from this segment of the Indian populace stood at Rs 3.61 lakh crores whereas the gross corporate tax collections were Rs 2.65 lakh crores from April 1 to July 1, 2024. While the corporates got a reduced taxation rate in 2019, the middle class has been left pining for a similar gesture since 2014.

The Indian taxation system is notorious for its insensitivity towards middle-class taxpayers. The Organization for Economic Cooperation and Development has placed India at the 6th place among the 91 countries having the highest tax regime. Broadly speaking, an ordinary salaried person getting up to 25 lakh income a year has to pay more than Rs. Six lakh as income tax whether he chooses to go by the old tax scheme or the new one. This is way above what such a category of people pay in other countries. For instance, in Switzerland, income tax rates vary by district, with the average income tax rate in the bracket of 10-12% and there are no indirect taxes imposed on individuals. In China, a friend tells me, a person with income equivalent to 10-25 lakh has to pay 10% tax. In other countries like the USA, China, Singapore and Germany too, various levels of support to citizens through healthcare, unemployment benefits, etc. are available.

In India, the government offers rebates on house tax loans but surprisingly, a teacher will not get a rebate if s/he has to spend money on books or computers. The education loan is available for your ward, but if you wish to upgrade your skills and knowledge and wish to spend on relevant study material and apparatuses or pay course fees etc., no exemption is available. Compare this to a businessman who is allowed all sorts of 'business expenses', so that hardly you will find a businessman who, with income manifold of the income earned by a salaried person, pays even one-tenth of the tax that the latter has to pay.

Add to it the widespread grouse that the tax money collected from the middle class is squandered on freebies to the poor people. The taxpayers do not have any say in the matter probably because they do not constitute a significant vote bank. As an example, I can quote the case of a housemaid. She got a free plot to build a house back in her village in Bihar last year. In addition, she also got a grant to build it (the contribution to make the toilet is extra!). She gets a free ration throughout the year for all her family members. Her children don't

have to pay fees in school. Her medical expenses are met through the PM health insurance and so on! All the family members do some kind of job; even children pack material for a nearby factory at home. The women in the house make 15 to 20 thousand per month from working as domestic helps in various households. Every month, her family is away visiting a place of interest and we hear often of the birthday parties or religious functions they have to attend. I am not jealous of her but feel that a certain scholarly YouTube vlogger is right when he says that soon the middle class with its liabilities on account of hefty house rent, education, healthcare, food, transport, etc. will swap places economically with this poor class and the politicians will still dub them the elite class unworthy of any concessions!

The salaried class in India is at a disadvantage in terms of the social security set-up. We boast to be a near-developed country, but there are no unemployment schemes as in developed countries. Leaving aside the peanuts offered to aged people as doles in some states, it is pertinent to ask why the pension schemes were assigned to private players or even scrapped some years ago. There is no consideration for the retirees. Their lifetime savings deposited mostly in Fixed Deposits of various banks fetch a ludicrous rate of interest but are subject to tax cuts. Ideally, if a person has paid income tax throughout his working life, he should at least be shown sensitivity in old age and provided an assured pension. This is the time when the medical expenses increase manifold. The health insurance shot up by a big margin last year but the government is not concerned about it.

To sum up, the business class at the mid-level pays little, the lower section of society hardly any, and the big corporates pay what they like since the account books are the handmaidens of competent tax consultants. It is the poor middle class which has no support, no means to hide (and intentions too) but has to pay through the nose whatever the law of the land requires. The least that the government can and should do is to raise the exemption limit considerably to tide over inflation that hits the middle class hard in addition to providing better social security benefits and improved infrastructure. The model that our ancient economist Chanakya prescribed for tax collection – like the honeybee collecting nectar from flowers in a way that does not lead to the withering away of the flower – should be followed.

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Not the only segment of society that deserves support, of course, but a little kindness is merited. On direct taxes. Indexation for inflation on bank deposits.

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