PRIMER ON

WEALTH INEQUALITY IN INDIA

ISHAN ANAND & ANJANA THAMPI

CFA
Centre for Financial Accountability

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Introduction

Several overlapping crises afflict the world today – the pandemic and the health crises, an uneven economic recovery and impending recession, the climate emergency, and the question of survival of democracies and institutions with the rising wave of authoritarianism. While the exact nature of these crises varies significantly, a fundamental driver across regions has been the obscene levels of inequality. Economic inequalities have risen sharply around the world since the 1980s. But it is after the global financial crisis of the late 2000s, subsequent shifts in academic discussions, and movements such as Occupy Wall Street that the rise in inequality gained greater attention in academic, policy, and public discourse. The Covid-19 pandemic further exposed the depravity of the economic order that works perfectly well for the top 1 percent while the rest are one shock away from severe deprivation.

Inequality in India is striking in terms of its absolute magnitude and the distinct ways that it interacts with its social structures. The Indian case of high and rising inequality is compounded by the overwhelming numbers of the poor and hungry amongst its population. India ranked 107 of 121 countries in the Global Hunger Index 2022 and is home to 8 percent of the world's population living in absolute poverty, only marginally better than Nigeria and Democratic Republic of the Congo.
[World Poverty Clock][1] The extent of economic inequality can also be seen by the disparities in income and consumption expenditure. A recent study has shown that the income share of the top 1 percent was around 21 percent during British rule in 1922, declined to 6 percent in the 1980s, but returned to 22 percent by 2015 (Chancel & Piketty, 2019). That is, income concentration is at an all-time high in around a century!

[1] World Poverty Clock

This primer focuses on inequality in wealth and access to assets, an aspect that has not received sufficient attention. Wealth is increasingly concentrated at one end of the distribution, while millions in the rest of the distribution do not have access to basic amenities and opportunities. The recently released Oxfam India report noted that the share of the top 1 percent in India's total wealth was as high as 40 percent and that of the top 10 percent was about 72 percent (Oxfam India, 2023). Inequality and deprivation in India also need to be understood through the axes of caste, gender, religion, and region. We discuss the evolution of wealth inequality in India and argue that inequality and deprivation are not inevitable or insurmountable. To this end, a simple wealth tax proposal is discussed along with its policy implications.

What is wealth?

Wealth is different from income. Income represents a flow of monthly or annual earnings while wealth is the stock of accumulated assets net of all loans and liabilities. In the Indian case, common household assets include productive and homestead land, houses and other buildings, vehicles, gold, agricultural and non-farm machinery, livestock, and financial assets such as bank balances, fixed deposits, shares, and other financial investments. Wealth or net worth provides a source of income – a landed individual in rural India can earn from cultivating the land or entering into a tenancy arrangement; buildings can be rented out; stocks can be traded for profits. But wealth is more than a mere source of income. It frees people from dependence on others – a Dalit agricultural labourer need not work under oppressive terms on the land of privileged communities if she owns her own plot of land. Wealth can also act as a cushion in times of economic or health shocks. For instance, the impact of job loss following a recession would not be the same for a person who has family wealth to fall back on and another who does not. Wealth can also significantly improve life chances – it enables people to get lifesaving medical treatment or a career-changing educational degree. Wealth is typically accompanied by power and socio-economic status, which is then transferred across generations. Evidence from different parts of the world also suggests that economic inequality is much starker in terms of wealth than in income or consumption expenditure.

How do we measure wealth in India?

Household wealth in India is typically estimated using the official sample surveys conducted by the National Sample Survey Office (NSSO). The All-India Debt and Investment Surveys (AIDIS) provide detailed information on household assets and liabilities in 1991, 2002, 2012, and 2018. While these surveys are the only official source of wealth, they have some limitations due to which levels of wealth inequality are underestimated.

The official surveys generally fail to account for benami properties (illegal holdings). These surveys also underestimate the wealth of the super-wealthy at the top end of the distribution. For instance, estimates from AIDIS data suggest that the wealthiest person in India owned around INR 244 million in 2018, while the Forbes India rich list for the same year indicates that the wealthiest Indian was worth more than INR 2500 billion. Clearly, the official sample surveys do not include some of the wealthiest people in India, who are among the richest in the world. To overcome this limitation, we also consider the rich lists curated by Forbes India and Hurun India to understand the evolution of wealth at the top end of the distribution.

Disparities in assets and amenities

i. Land

An important source of wealth, particularly in rural India, continues to be land. The value of land constitutes about 60 percent of the total wealth of an average household in India. About 86 percent of Indians own some land, including homestead land, as per 2018 AIDIS data. However, when we look at the ownership of productive land – that is, plots of land used to generate income – the ownership rates fall significantly.

The land ownership rates are particularly stark for historically deprived communities. NSSO data categorises caste groups in India into Scheduled Castes (SC), Scheduled Tribes (ST), Other Backward Classes (OBCs) and Others, a residual category that mainly comprises population in the 'upper castes'. About 42 percent of all rural households were landless in terms of productive land, that is, land other than homestead land. 58 percent of rural SC households did not own any productive land, while this was true for only about 35 percent of the rural forward castes households. Landlessness among SC households is extremely high in regions such as Punjab (87 percent) and Haryana (80 percent), where landed farmers were able to reap the benefits of the green revolution and accumulate further wealth. Disproportionate landlessness among the SC population reflects the enduring legacy of caste-based discrimination and untouchability, and the failure of the redistributive land reforms agenda to level the playing field.

ii. Housing and amenities

Another important source of wealth for an average household in India is buildings. The value of buildings constituted around 30 percent of total average wealth in 2018 and close to 91 percent of households owned housing, as per AIDIS data. The proportion of the population without owned housing is greater in urban areas, where over one-fourth of the population live in rented accommodation. Inequality in housing can be assessed through the size and quality of the dwelling.

Around a quarter of the Indian population stay in a house with just one room.[2] 65 percent stay in a house with two rooms or less. On the other hand, around 5 percent of the population stay in a house with more than five rooms. 69 percent of the households that stayed in a one-room dwelling and 86 percent of those in two-room dwellings had three or more members. For a large majority of the population, it would thus have been near impossible to isolate themselves in case of a Covid-19 infection during the pandemic.

Disparities also persist in the access to basic amenities. As per the National Family Health Survey (NFHS) conducted during 2019-21, 40 percent of households did not have access to clean fuel, and 30 percent of the population did not have access to an improved sanitation facility in their household (Table 1). 28 percent of women and 15 percent of men were not literate. 66 percent of women had never used the internet, and 46 percent of them did not have a mobile phone for own use. More than 35 percent of children below the age of five years were stunted (low height for their age), and the mortality rate of children in this age group was around 42 percent.

[2] These estimates are based on authors' calculations using the NSSO Socio-Economic Survey: Drinking Water, Sanitation, Hygiene and Housing Condition 2018 data.

Table 1: Access to facilities, literacy, and nutritional status (%)

Indicators	Proportion %
Access to amenities and facilities	
Households using clean fuel for cooking	58.6
Population living in households that use an improved sanitation facility	70.2
Women who have ever used the internet	33.3
Men who have ever used the internet	57.1
Women with a mobile phone for own use	54.0
Literacy status	
Women who are literate	71.5
Men who are literate	84.4
Nutritional status and mortality of children	
Children aged below 5 years who are stunted	35.5
Under-five mortality rate	41.9
Source: National Family Health Survey-5 2019-21 Factsheet	

Wealth inequality: Trends and distribution

Aggregate trends in the inequality of wealth in India are quite stark. The World Inequality Database reports a rise in the wealth share of the top 1 percent in the country from around 23 percent in 1995 to 33 percent in 2021. Wealth is reportedly far more concentrated in India as compared to neighbouring countries – Nepal, Bangladesh, Pakistan, Sri Lanka, and China. Wealthy elites in India have witnessed a dramatic change in their fortunes over the last twenty years. The number of dollar billionaires in India rose from only one in 1991 to over 140 by 2022. As per the Hurun Global Rich List 2022, India has the third-largest number of billionaires surpassed only by the United States and China. 58 new people entered India's list of billionaires in 2022, a year in which the global economy continued to struggle from the aftermath of the Covid-19 crisis, the Russian war on Ukraine, and surge in energy prices.

The richest Indian is worth USD 150 billion as per the Forbes India rich list 2022. At an exchange rate of 80 INR per USD, this translates to about INR 12 lakh crore, a staggering amount of wealth to be held by a single individual. If the richest Indian were to spend INR 2000 every minute, more than 10,000 years would pass before his net worth is exhausted!

Top 1% net personal wealth share, India, 1995-2021
35
32.5
30
27.5
25
Share of total (%)
2000
2005
2010
2015
2020
Net personal wealth | Top 1% | share | adults | equal split
Graph provided by www.wid.world

Wealth tax in India: A brief history

In 1955, the government of India tasked Nicholas Kaldor – a Cambridge economist visiting India at the time – to review the Indian tax system. Kaldor's assessment was astute, and the recommendations in his report were unambiguous (Kaldor, 1956). He also argued in a published article on the same theme:

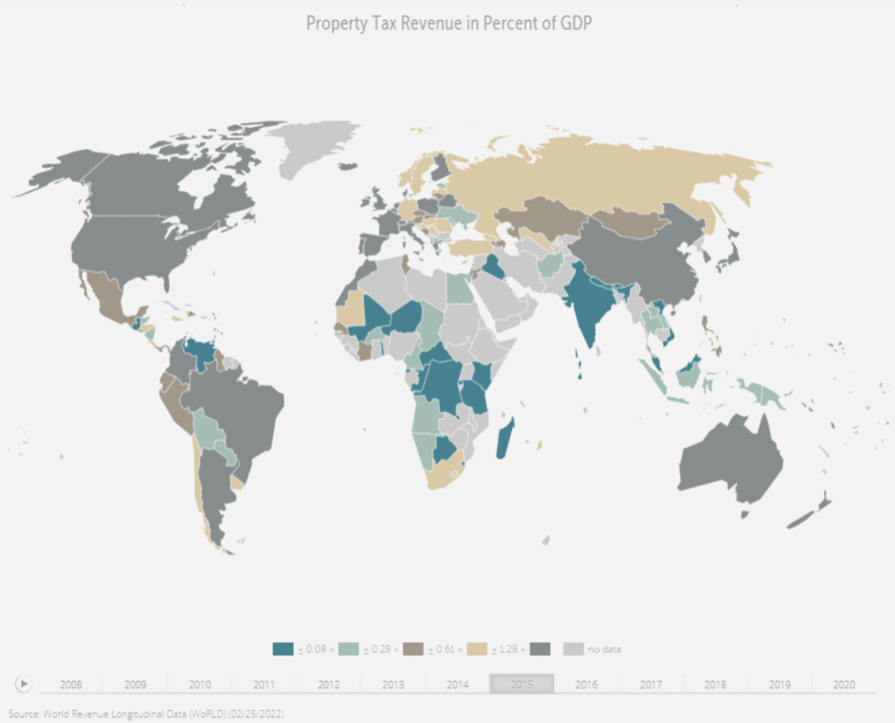
"In a community where there is such a wide gap between the position of a privileged minority of well-to-do and the vast majority who live in dire poverty social cohesion can only be achieved if economic inequality is effectively lessened and the tendency towards increasing concentration of wealth is effectively counteracted. This can only be done through the instrument of taxation." (Kaldor, 1959)

Kaldor recommended a comprehensive tax structure, including taxes on income, capital gains, wealth, personal expenditure, and a general gift tax. Following the publication of his report, the Parliament of India introduced the Wealth Tax Act in 1957, joining the few countries that levied wealth tax along with tax on income. The wealth tax was levied on the net worth of individuals and Hindu Undivided Families (HUF) valued as of 31 March every year.

However, the wealth tax was abolished in 2015. In the budget speech, the then Finance Minister stated that the focus of the government was on *"minimum government and maximum governance with focus on ease of doing business and simplification of Tax Procedures without compromising on tax revenues." Questioning the relevance of the wealth tax, the finance minister stated, "The total wealth tax collection in the country was ₹1,008 crore in 2013-14. Should a tax which leads to high ost of collection and a low yield be continued or should it be replaced with a low cost and higher yield tax?" (Government of India, 2015, p. 23). The official response to this question was clear with the wealth tax replaced with a 2 percent surcharge on those with a taxable income above INR 1 crore.*

Just before its abolition, the wealth tax was levied at the flat rate of 1 percent on net worth of more than INR 30 lakh. In 2015-16, it generated a paltry INR 1079 crore. To put the number in perspective, the total tax revenue in the country in the same year was over INR 23 lakh crores. That is, the wealth tax contributed only about 0.05 percent to India's total tax revenue. The revenues raised in India from taxing wealth were much lower than in several European countries, the United States, China, and certain Latin American and African countries (Figure 1). The wealth tax in its original form was clearly not effective in generating revenue or curbing the rising concentration of wealth in India. This could be due to the poor design and implementation of the tax. In estimating total net worth, several important assets such as residential properties, houses used for business or professional purposes, commercial establishments, and agricultural land were excluded. Several exemptions and complicated computations rendered the wealth tax near toothless.

Figure 1: Property tax revenues as a percentage of GDP (%)



Why tax wealth ?

With the abolition of the wealth tax, India has removed itself from the list of countries that continue to implement it, such as Spain, France, Switzerland, Norway, and the Netherlands. A list of such countries is shown in Table A1. While very few countries have a comprehensive wealth tax, most countries do have taxes on property and inheritance (Chancel, Piketty, Saez, & Zucman, 2022). The World Inequality Report 2022 argues in favour of a progressive wealth tax based on all forms of wealth, and not just real estate properties. Discussions around wealth tax proposals have been revived in several countries. In the United States, Bernie Sanders and Elizabeth Warren, presidential candidates of the Democratic Party, proposed a strong wealth tax during their presidential bids. Argentina raised over \$2.4 billion with a one-off tax on its super-wealthy to aid recovery from the pandemic.[3]

India has had the experience of implementing a system of wealth taxes, albeit not a very good one. Nonetheless, there are strong arguments in favour of implementing a better, reliable, and useful wealth tax. First, a progressive wealth tax is aligned with the spirit of the formation of modern India. The Constitution of India was the product of serious deliberations and reflected the progressive spirit of the freedom struggle. Apart from providing the basis for equality before law and prohibiting discrimination, the Constitution also underlines the directive principles of state policy. Although these principles cannot be enforced in a court of law, they are seen to be fundamental in the governance of the country. The directive principles unambiguously note that the policies of the State should be directed towards ensuring that the "operation of the economic system does not result in the concentration of wealth and means of production to the common detriment". It is however clear that the concentration of wealth in India today is to the serious detriment of the common good.

Extreme concentration of wealth gives a handful of wealthy elites disproportionate influence over politics, policy, media, and institutions, and weakens democratic functioning. Second, a wealth tax, followed by a progressive redistribution, would go a long way towards achieving the goals of equality and social justice, as enshrined

[3] Wealth tax fought by the rich raises more than US\$2 billion, Buenos Aires Times, 3 May 2021

in our constitution. The distribution of personal weath in India closely mirrors the status hierarchy. Historically disadvantaged social groups, in particular the Scheduled Castes and Scheduled Tribes, continue to have much lower wealth than other communities, which then reduces their chances of upward mobility. Redistributive land reforms could have enabled the socially backward and economically weak communities to push themselves ahead. Unfortunately, the project was abandoned before it could gain any momentum. Levying a wealth tax and investing in communities that continue to lag behind can go a long way towards fulfilling the promise of social justice.

The third argument in favour of a wealth tax follows from the perspective of administrative efficiency and revenue generation. India already has an elaborate tax administration, and the prior experience of wealth tax implementation. A renewed wealth tax can be levied with only minor changes and without having to overhaul the system. Administratively, a tax on the top 1 percent or the top 1000 individuals in the wealth distribution would be easier to administer than a tax on a broader base. Such a tax on the super-wealthy, coupled with an inheritance and gift tax, can also generate sizeable revenue that can be used to fund welfare and social security schemes.

At the end of the day, introducing or implementing a wealth or any other form of taxation requires political and social justification. If a political and social consensus is built around the need for a wealth tax and higher public investments, large corporations may very well fall in line. In fact, there are even times when big capital itself has called for higher tax rates! In 1944, the top industrialists in India, including J.R.D. Tata, G.D. Birla, and Lala Shri Ram, came together and drafted what is now known as the Bombay Plan. The Bombay Plan was a vision for India's economic development. Despite being a wishlist of the top corporates at the time, the Bombay Plan called for policies to curb the concentration of wealth and means of production: *"To secure an equitable distribution of income, it is therefore necessary gradually to reduce the existing inequalitiesvof wealth and property and to decentralize the ownership of the means of production. Imposition of death duties and other similar levies, if undertaken in pursuance of well-defined social objectives, by a government fully responsible to the people, would contribute towards achieving the first object" (Baru & Desai, 2018).* In a more recent example, more than 120 millionaires and billionaires penned an open letter calling for a higher and fairer tax: "we urge you to step forward now - before it's too late - to demand higher and fairer taxes on millionaires and billionaires within your own countries and to help prevent individual and corporate tax avoidance and evasion through international tax reform efforts".[4]

[4] Millionaires and wealthy celebrities demand to pay more tax because they are the 'most privileged human beings to walk the Earth', *Evening Standard,* 23 January 2020

Let us now look at some common misconceptions about wealth tax and provide a brief counter to some popular but bad-faith arguments against a wealth tax.

Wealth tax is not feasible as much of it is notional

One of the most common arguments against wealth tax is that a wealth tax is not feasible as the nature of wealth is not correctly understood. Detractors of wealth tax argue that wealth is not just lying around in cash to be taxed. They claim that a lot of wealth is notional, that is, it is held in form of equities and other financial instruments, the value of which fluctuates with the market. This argument essentially claims that notional wealth is not real and does not provide any substantial benefits to the holder. After all, someone with a net worth of a billion dollars can suddenly see their fortunes sink if the stock prices tank on any given day.

This argument is misleading and disingenuous. It is true that a large proportion of wealth of the richest individuals is in the financial market, and it does fluctuate with market trends. However, this wealth is not just notional – it gives the holder immense power and provides the capacity to generate income and multiply their wealth. Financial wealth, like other forms of wealth, can be used to generate income, it can be transferred and can be liquidated if the need arises. Moreover, billionaires very often pledge their shares, that is, they use the shares as collateral and raise loans, which can go into boosting their business. Simply put, while unrealised gain (or loss) from financial wealth may be notional, there are plenty of real advantages that financial wealth brings to the holder.

Wealth tax is bad for growth

Another popular and oft repeated argument is that wealth tax is bad for economic growth. It is argued that taxing wealth is a penalty for the risk-taking entrepreneur. It is said that imposing or increasing taxes may trigger a behavioural response. Free-market economists tend to argue that higher rates of income tax can reduce the incentive to work. This would not apply to a wealth tax as it is not a tax on the income flow, but on the stock of accumulated wealth. It is also argued that a wealth tax or any move or policy that disturbs investor sentiment can lead to capital flight. That is, financial investors may retrieve their capital and park their funds in other countries. Such arguments have been applied to other proposed policies, such as higher rates of corporate taxes or labour laws or environmental regulations.

However, giving in to the demands of big capital only leads to a race to the bottom between different countries and regions. This is also true of state governments within the country that offer outlandish relaxations and concessions in an effort to woo corporations. The race to the bottom ends in massive concessions for big corporates, and the benefits in terms of job creation are often very limited. Moreover, the possibility of capital flight seems unlikely, given that India also provides a massive domestic market and investment opportunities for the big capital. In fact, taxing wealth can generate sizeable revenues for the exchequer and can increase public investment, which may in turn boost growth.

Wealth is difficult to tax

Another argument is that wealth is difficult to tax. There are several sources of wealth – physical assets such as land and buildings, jewellery, paintings and other such assets, and different kinds of financial assets. It is argued that there are issues pertaining to valuation of assets, identifying the owner of the wealthy, and dealing with ‘benami’ property. It is true that wealth estimation is a difficult task and there would always be attempts to hide wealth for saving taxes. However, this is not reason enough to avoid taxing wealth. For one, these concerns are equally valid for income tax. It is rather difficult to ascertain the income from non-salaried sources, but that has not come in the way of having a robust income tax system. Moreover, the difficulties of estimation of wealth are likely to reduce when the targeted base is the top 1 percent.

Wealth tax is immoral and unjustified

It is argued that wealth tax is unjustified and immoral, for wealth is a reward for all the hard work and risk-bearing capacity of the wealthy entrepreneur. This is a disingenuous argument. Corporate wealth is typically accumulated by exploitation of workers, by keeping their wages lower than the values they generate in the production process. Wealth is also accumulated on the back of massive public investment in infrastructure and research, which aids private innovation. Wealth tax is perfectly moral and justified, particularly if the revenue generated goes into providing workers with basic amenities and economic opportunities.

Wealth tax proposals for India

What kind of wealth tax should India adopt? Should the tax be at a fixed rate for all or on a progressive basis? Should the tax be levied on all households or only on the wealthy elites? What would be the expected revenue from a wealth tax if implemented today? Some proposals have already been made on these questions. S Subramanian (2020) estimated that a 4 percent Covid wealth tax on the wealthiest 953 families in India could generate revenues worth 1 percent of GDP, and this was more than the financial package announced by the central government in the aftermath of the pandemic. Prabhat Patnaik (2020) estimated that a wealth tax of 2 percent on the top 1 percent in the country would fetch INR 8 lakh crores.

We provide our own estimates with a focus on the wealthiest households in India. We provide an updated estimate of a lumpsum tax on the wealthiest 1 percent. We also discuss two simple tax proposals, both of which target those with a net worth of INR 1000 crore or more. The Hurun India Rich List named 1007 individuals and families with a net worth of INR 1000 crore or more in 2021, and we use the information in this list.

Proposal 1: Tax rate of 2 percent on the top 1 percent

The Global Wealth Report 2022 reports India's total wealth in 2021 to be USD 14225 billion. Considering the average exchange rate for 2021 of INR 74 to a dollar, India's total wealth turns out to be Rs 1052 lakh crore. The same report also suggested that the share of the top 1 percent of wealth owners in India was 40.6 percent. That is, the total wealth of the top 1 percent of the wealthy in 2021 was about INR 427 lakh crore. A two percent wealth tax of the top one percent would enerate about INR 8.54 lakh crore for the exchequer.

Proposal 2: Tax rate of 2 percent on wealthy elites

At the time that the wealth tax was abolished in 2016, India had a flat rate of tax on wealth. If a flat wealth tax rate of 2 percent was imposed on individuals with net worth of INR 1000 crore or above, that is, if the wealthiest 1007 families in the country were targeted, the total tax revenues generated in 2021 would have been INR 1.84 lakh crore.

Proposal 3: Progressive tax on extreme wealth

A more reasonable approach would be to levy a progressive wealth tax. That is, the marginal tax rate would increase with higher levels of wealth of individuals. Imposition of a wealth tax is intended not only to generate tax revenue, but also to curb the disproportionate power and influence of billionaires. We therefore propose five slabs of wealth tax rates: a tax rate of 2 percent on wealth between INR 1000 crore and INR 25,000 crore; a tax rate of 3 percent on wealth between INR 25,000 crore and INR 50,000 crore; a tax rate of 4 percent on wealth between INR 50,000 crore and INR 75,000 crore; a tax rate of 5 percent on wealth between INR 75,000 crore and INR 1,00,000 crore; and a tax rate of 6 percent on wealth over and above INR 1,00,000 crore. This proposal of marginal wealth tax rates, ranging from 2 percent to 6 percent depending upon the total wealth of the individual, would have generated tax revenues of INR 2.76 lakh crore in 2021.

Table 2: Proposal for progressive wealth taxation on wealthy elites

Wealth slab (INR 1000 crore)	Number of individuals	Marginal tax rate (%)	Total revenue (INR crore)
1 – 25	942	2	85,332.5
25 – 50	42	3	31,605
50 – 75	9	4	15,550
75 – 100	1	5	2,450
Above 100	13	6	140,720
Total	1007		275,658
Source: Authors' calculations using Hurun India Rich List 2021			

Inheritance and Gift Tax

The intergenerational transfer of wealth maintains its extreme concentration in the society. An inheritance tax can break the intergenerational monopoly of wealthy elites over societal resources and enable a break from the past, towards a just future. An inheritance tax on the transfer of property of the super-wealthy also has the administrative advantage of being relatively easy to track, along with the capacity to generate substantial revenue. In the Indian case, an inheritance tax is essential to break the dominant control that a minority of historically privileged and dominant caste groups have over productive resources. Administratively, the wealth tax needs to be supplemented with an inheritance and gift tax to maintain its effectiveness. In the absence of an inheritance and a gift tax, the wealth of an individual can be distributed to friends and family to avoid entering the taxable bracket. This would be similar to the early attempts to enforce land ceiling and implement redistributive land reforms. Some form of inheritance and gift tax is in place in several diverse economies of the world, such as the United States, Germany, France, Japan, Turkey, Chile, Italy, and Korea, among others. The inheritance tax rate in some of these countries varies from over 50 percent in Japan to 33 percent in Ireland.

What can be done with a wealth tax?

Our proposals to tax the top 1007 wealthy individuals and families in India would have generated revenues between INR 1.84 lakh crore and INR 2.76 lakh crores in 2021 – the equivalent of approximately 1 percent of the gross domestic product (GDP) of the country in 2020-21. Taxing the top 1 percent would generate INR 8.5 lakh crore. This is no mean feat, considering that the public health expenditure as a percentage of GDP in India has been at around 1 percent since 2000. In other words, implementing a wealth tax could potentially generate sufficient revenue to finance the public health expenditures of the country. Indeed, these revenues can be used to supplement the existing expenditures on essential services such as health, education, transport, and housing. The central government recently presented the union budget for 2023-24. One of the main problems facing the Indian economy is the inability to increase revenues, with the tax-GDP ratio remaining low (around 11 percent) and unchanged for several years. The total gross tax revenue in 2021-22 was about INR 27 lakh crore. Our proposed progressive wealth tax on the wealthiest 1007 people in 2021 would have increased revenues by 10 percent. The rise in revenue will allow the government to increase capital expenditure without cutting down on crucial social security schemes and policies. The current state of social security and public spending is far from ideal. The Centre's contribution to old age pension is Rs 200 per month, unchanged since 2006. ASHA workers, who were at the forefront of the Covid crisis, are typically paid a paltry monthly amount of Rs 2000 from the centre, and a similar amount from the state governments (Raman, 2020). It is well-known that India's social sector spending in health and education is far lower than that of its South Asian neighbours and other similar countries. The RBI Bulletin noted in 2018: "In terms of GDP, the social sector expenditure, primarily constituting health and education in India continues to remain woefully below peers" (RBI Bulletin, 2018, p. 98).

The revenue from wealth and inheritance and gift taxes can be directed towards universal public provisioning of basic services, in addition to a universal employment guarantee and for climate mitigation and adaptation expenditures. These proposed expenditures can effectively work towards addressing the structural and social inequalities that afflict the country.

Conclusion

Pro-free market economists argue that India cannot afford an elaborate social security apparatus now, and we need to first enable growth and redistribute later. However, the fact of the matter is that the resources are there for all to see. It is concentrated with a few wealthy elite households and takes the form of a lavish houses overlooking Asia's biggest slum in Mumbai, is accumulated in tax havens across the world, or is invested in financial markets to generate more wealth. Welfare spending in India is hindered not by lack of resources, but the political will to garner those resources by levying perfectly reasonable wealth and inheritance taxes.

A progressive wealth tax on those with a net worth of INR 1000 crores or more, that is, the top 0.0001 percent of the population, would generate revenue worth around 1 percent of the GDP. If implemented properly, wealth, inheritance and gift taxes can not only generate substantial revenues, but also correct historic wrongdoings. The concentration of productive assets and wealth in the hands of a small proportion of the society – the traditionally dominant communities, merchant groups, and the historically landed caste groups is no accident. Underprivileged communities in India were kept largely assetless through several means, including direct coercion and brutal oppression. The hierarchy within families also ensured that women have historically not had the right to inherit family property or been able to exercise control over it even when they did. A tax on wealth and its redistribution through social security policies and universal basic services can correct historic wrongs, reduce the extent of social deprivation, and pave the way for strengthening democracy.

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Appendix

Table A1. Wealth tax structures around the world

Country	Wealth tax structure
Argentina	0.50% to 1.25% for assets held in Argentina and 0.7% to 2.25% for assets held abroad
Belgium	Annual tax on securities accounts (version 2.0) levied at a rate of 0.15% on the average value of the account in excess of EUR 1 million
Bolivia	2.4%
Ecuador	0.15%
France	1.5%
Italy	Wealth tax on real estate properties owned outside of Italy (IVIE): 0.76% Wealth tax on investments owned outside of Italy (IVAFE): 0.2%
Liechtenstein	The wealth tax is included in the income tax by including a deemed interest on the net wealth which is added to the taxable basis.
Luxembourg	0.5% up to EUR 500 Mio and 0.05% for any amount in excess of EUR 500 million
Moldova	0.8%
Norway	1.1%
Spain	3.5% according to the state tax scale, which is applicable if the autonomous community has not approved its own tax scale

Switzerland	Federal: Exempt Cantonal and communal personal net wealth tax rates vary per canton, resulting in an overall personal net wealth tax rate between 0.02% and 1.01%
Uruguay	Individuals are subject to NWT at a progressive scale of rates. For non-residents that are not subject to IRNR: 0.7% to 1.5%. For residents and non-residents subject to IRNR: 0.1% to 0.3%.
Venezuela	0.25%

Centre for Financial Accountability (CFA) engages in critical analysis, monitoring and critique of the role of financial institutions – national and international, and their impact on development, human rights and the environment, amongst other areas. Our body of work includes both research and programmes.

We produce information resources and policy analysis for a range of different readership – civil society, grassroots movements, general public, media houses, policy makers and parliamentarians. Our awareness programmes work towards demystifying finance through increasing public awareness and encouraging public debates about issues of financial accountability.

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