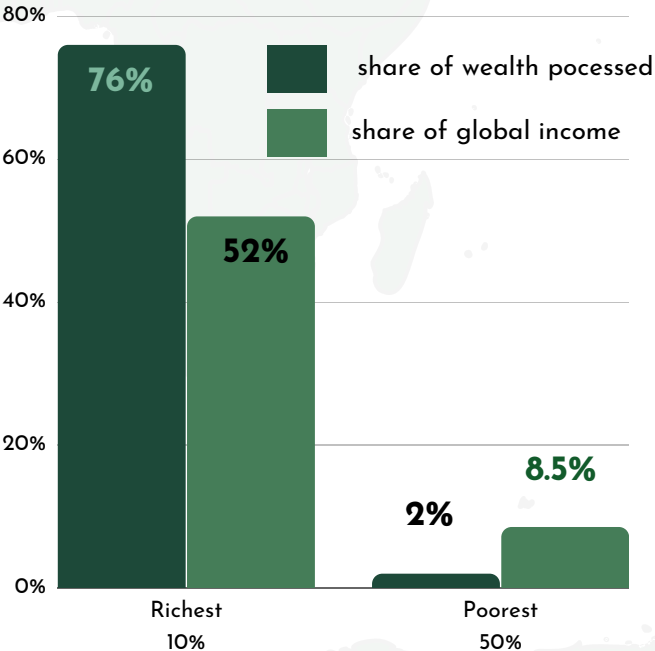


# JUST TAXATION



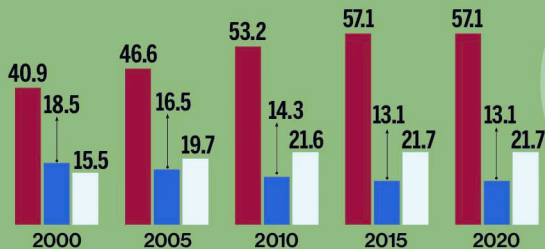
# WEALTH INEQUALITY: PATTERNS AND TRENDS

Inequality has been escalating over the years in India. This concentration of wealth resulting from certain historical factors and current policies if not addressed will continue to shatter the lives of many. A just tax system has huge potential in reducing this inequality. This brochure will take you through issues surrounding wealth inequality and possible solutions for the same in the Indian context.



## INCOME INEQUALITY, INDIA 2000-2020

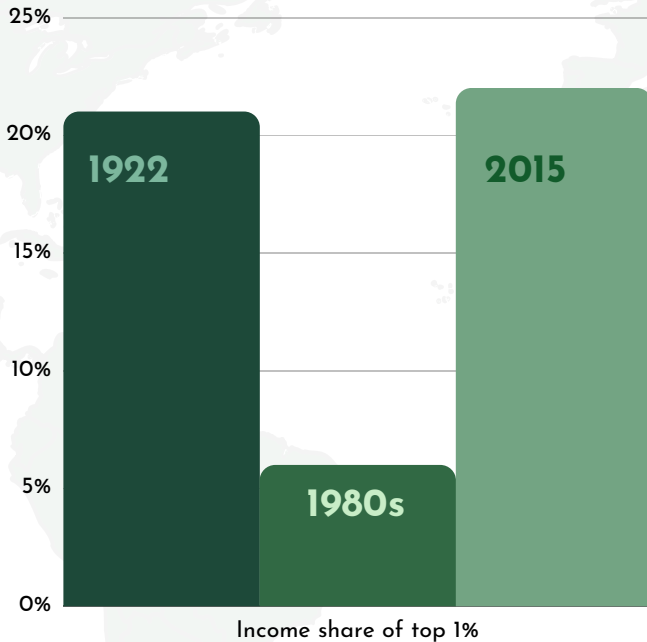
■ Top 10% share of income   ■ Bottom 50% share of income   ■ Top 1% share of income



**The wealth gap is far more stark. The top 1% own 58% of the net worth of private individuals in India!**

Since the pandemic, there has been a surge of interest globally in addressing this wealth inequality. Columbia, Bolivia, Argentina and Spain implemented wealth tax while forces within even the US and UK have advocated for it. But it hasn't brought any significant reforms in India's tax system.

## PERSISTENT PATTERNS OF WEALTH INEQUALITY IN INDIA



Wealth inequality has continued to persist in India over the years. As the above graph suggests, the income share of top 1% was brought under some control, but has been increasing since the 1980s. India being the country with third largest number of billionaires while being home to 8% of world's population living in absolute poverty is a testimony to this growing inequality.

*This K-Shaped Recovery curve of Indian economy post pandemic shows that higher income households have preserved their incomes and increased savings while low income households had to face permanent income loss due to job losses and wage cuts.*



A testimony to this widened inequality is the increase in the sale of cars and the decrease in the sale of two-wheelers proving that low-income households are lagging behind. These trends underscore the urgent need for comprehensive measures to address wealth inequality and ensure policies aiming for a more equitable society.

# WHY SHOULD INDIA HAVE A WEALTH TAX? HOW CAN IT TACKLE INEQUALITY?

Top 1%

In 2017, 73% of the wealth generated went to the richest 1%, while 670 million Indians who comprise the poorest half of the population saw only a 1% increase in their wealth.

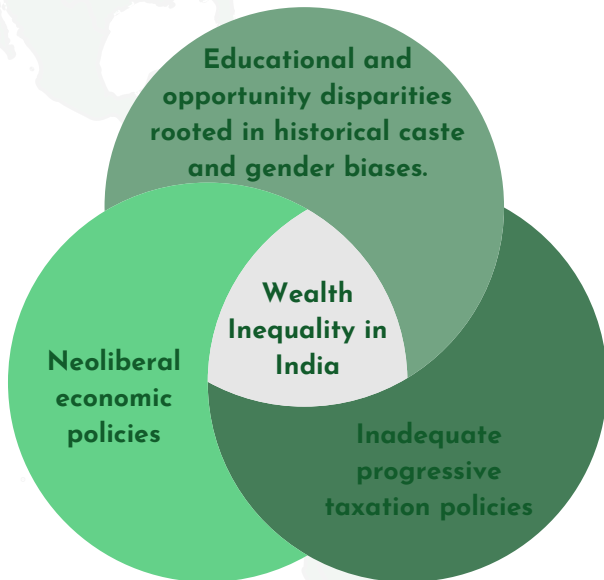
The top 10% of the Indian population holds 77% of the total national wealth.

Top 10%

166  
Billionaires

The number of billionaires in India increased from 1 in the early 1990s to 9 in 2000 and further rose to 166 in 2022.

The above data suggests India has one of the highest levels of wealth inequality which is a result of multiple factors.



Despite the implementation of the **Wealth Tax Act of 1957** to tackle the issue, it proved to be insufficient and was subsequently **repealed in 2015**. This highlights the pressing need for a more comprehensive Wealth Taxation policy in India for building a more equitable and sustainable society.

# BRIEF HISTORY OF WEALTH ACCUMULATION & TAX SYSTEM GLOBALLY

## Economic Principle Behind Wealth

Tax The level of wealth inequality, says Thomas Piketty, is determined by the rate of return on capital relative to the rate of economic growth. When the rate of return on capital is higher than the rate of economic growth, wealth inequality tends to increase, as those who own capital accrue a larger share of the economic pie.

Early 20th  
Century

Wealth inequality before the first world war was at its highest level ever. 10% of the European population held about 90% of the wealth.

Mid 20th  
Century

Wealth inequality declined by the mid-20th century due to factors such as progressive taxation, social welfare programs, economic growth and labour rights

Post  
1980s

Wealth inequality has been on the rise again since the 1980s, due to factors such as globalization, privatization, neoliberal reforms, dilution of labour rights and a decline in progressive taxation.



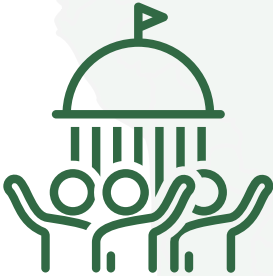
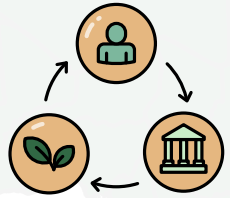


# WHY SHOULD WEALTH BE TAXED?



Reducing Wealth Inequality and concentration of wealth in alignment with the spirit of the constitution.

A wealth tax in India will be easy to administer, generate revenue, and fund welfare schemes for the underprivileged.







Wealthy individuals and corporations often have disproportionate influence in politics. A wealth tax could help to level the playing field and reduce the influence of money in politics.

It helps achieve social justice and equality, as wealth concentration in India hinders the upward mobility of historically disadvantaged groups.



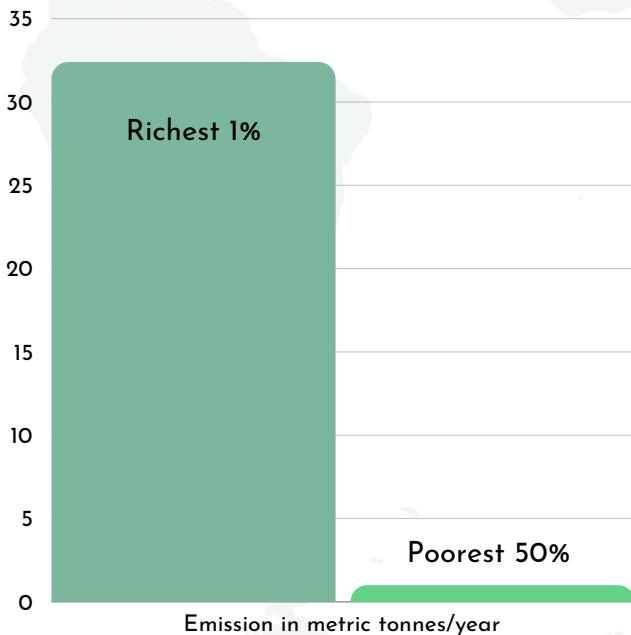
# MISCONCEPTIONS ABOUT TAXING WEALTH

Perceived	Reality
<p><b>Taxing the rich affects investment climate and discourages generation of wealth</b></p> 	<p>Economists have argued only expansion of market improves the investment climate. Far from discouraging investment, the increased public spending and higher demand can in fact boost the economy from below.</p>
<p><b>Taxing the rich brings down their profitability</b></p> 	<p>Taxing profits by say Rs. X and public spending of an exactly equal amount in fact increases demand and hence output in the economy. But the neoliberal stance on fiscal deficit means that no govt wants to spend.</p>
<p><b>Taxing the rich is bad for growth</b></p> 	<p>Thomas Pickety demonstrates, the US and Europe saw the highest growth when the taxes were at their peak (i.e., between 1940 and 1980). Tax cuts in fact have been accompanied by reduced growth rate as compared to the earlier phase and has only fostered concentration of wealth</p>
<p><b>Wealth is difficult to tax since it's invested in different forms like real estate, stocks etc.</b></p> 	<p>Given that today, the richest mostly own financial assets, rather than real estate and land, broadening the notion of progressive taxation to encompass all forms of assets and wealth is only just and imperative.</p>

# HOW IS INEQUALITY AND CLIMATE CRISIS LINKED?

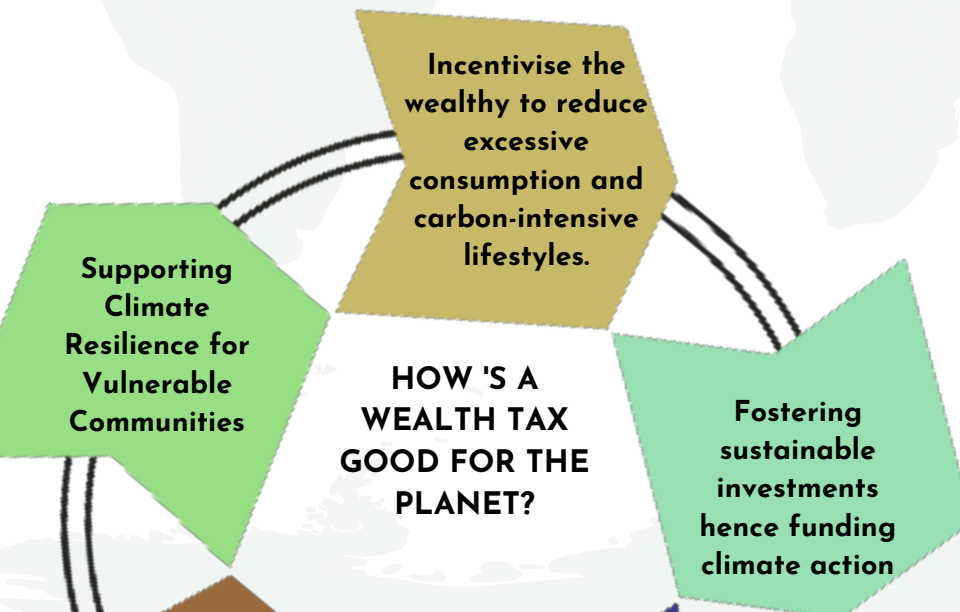
At a time when the world is reckoning with the looming threat of climate crisis we must highlight it is intertwined with inequality. The top 1% of the world is responsible for over double the carbon emissions of the poorest 50% of people.

**This graph shows the wealthy contribute most to climate change. Despite this the poor suffer the consequences more.**



Research indicates that pro-poor development has a lower carbon footprint than policies focused on increasing wealth for the rich.

Implementing a wealth tax can contribute to climate justice by using the generated revenue to support climate action for marginalized communities, fostering emission reduction and fairness.



# WAY FORWARD FOR A PROGRESSIVE TAX SYSTEM

To tackle wealth inequality in India, there needs to be a comprehensive approach which includes:



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