

## **India's Tax Problem**

Before the global pandemic, India was the world's fastest-growing big economy. Its GDP (the nation's income) rose by 7% in 2017. To some degree, India can certainly pat itself on the back, and not just about the extra cash it's generating year by year. Children are more likely to survive childhood, and to see their 65<sup>th</sup> birthday. They're also more likely to be able to read: over seven out of 10 Indians are now literate.

The average Indian's income might have almost tripled since 2000 but that doesn't mean that all Indians are doing well. One in five Indians, many of them farmers, live on less than \$2 per day. India's main problem is that whilst it is growing, its government are not gaining more money- they're not taking in enough tax to help make sure that everyone in the country can lead a good quality of life.

To get its hands on the money it needs to help India grow, the government has to know what or who it is taxing, and make sure it gets the money in. For every dollar of output, or GDP, generated in India through wages, only 17 cents is paid in tax. That's half the rate of most of the rich countries that India is aiming to compete with. Nearly 50% of Americans paid income tax in 2013, compared with less than 3% in India. Incomes for many, particularly farmers, are so low in India that they do not qualify to pay tax- but that's a small number. There are other reasons why India cannot collect enough tax.