

Centre's reliance on indirect tax revenue has deprived govt of resources during covid crisis.

As the covid-19 crisis hit the economy, the central government has may loss its revenue from direct tax therefore there will ~~be~~ <sup>rely of</sup> Centre ~~reliance~~ on indirect tax revenue. This rely on indirect tax should suffer the people more in our country. So the Union Government ~~change~~ has a significant choice to make a cess on covid-19 by surcharging the very rich.

Rely of Government in cess and surcharge:

The period near the end of OPA government and the ~~gover~~ present government rely on hiking cess and surcharge. After abolition <sup>of</sup> wealth tax in 2016, the present government levies 2% surcharge of rich individuals, but it rolled back in 2019, for the seek of foreign investors corporate tax reduces ~~to~~ from 30% to 22%.

This reduction results in ~~no~~ tax revenue loss and hiking cess and surcharge leads indirect tax ~~revenue to~~ increase of 50% of gross tax revenue in FY 2019. The combined share of customs, excise duties and Value added tax results in 10.5% of GDP which is high as perious 10.1% of GDP in 1987-88. ~~The increase is~~ ~~recovered by~~ ~~central~~ <sup>revenue from</sup> ~~three years~~

The 3-year steady increase in these duties on commonly used goods, petroleum, metals and sugar, automobile and consumer durable. The another reason is hike of 1% from 12.4% ~~percent~~ in 2014. ~~There~~ though it is an increase, it troubles the poor and middle class than rich.

The cut in ~~private~~ corporate taxes have resulted in revenue loss of 1.5 lakh crore contributing the states poor condition. This cut results in shrink of 3.5% of Direct tax. As of now <sup>Union</sup> Government settled the states of GST compensation from the current and last year revenue ~~loss~~ by compensation cess. How the union will tally the next ~~as~~ financial year? because there must be a shrinkage of revenue occurs. As the Indirect taxes have not made up for loss in direct taxes, the fiscal deficit jumped beyond 4.5% of GDP in 2019-2020.

Heading to wrong path?

The ~~cut~~ cut of corporate tax, increase in indirect tax revenue, decreased capital expenditure leads the public spending on education and health ~~was stagnated~~ to stagnation. Comprising to a view, the present government is a business friendly one not pro-poor. Due to financial stress on states in this health crisis, the states open liquor shop to retain the finance which also ensuring the ~~opening~~ lack of social distancing and lockdown rules.

~~Alternative to~~

An choice to tackle ~~the~~ revenue crisis:

The income tax higher officials proposed an idea that the impose of higher tax on super rich and covid relief cess of 4.1% ~~existing above 2% rate~~.

According to the data of Rich list, 953 Indian Families have value Greater than 26% of GDP. The 4.1% tax ~~can~~ can give government equivalent of 1% GDP the amount of first and second covid-19 relief packages.

Conclusion:

The Deferring tax payments, continued late fees and penalties on filing extension and slashing corporate tax is not the appropriate way to revive the economy.

The relief package announced how the ease of loans and supply of essential commodities over a short period will not actually compensate the loss of revenue of ~~poor~~ poor and middle class. So the wealth tax for the rich will make path to equality in ~~real~~ economy ~~conditions~~ and make ~~change~~ reforms in tax policy that is work towards inclusive growth and sustainable development rather work in investment led economic growth.