

## Scope for reducing taxes: Chidambaram

Expressing satisfaction over tax compliance by corporate and individual assessees, Finance Minister P. Chidambaram Tuesday said there was scope for further moderation in income tax rates.

'I am particularly happy to note the attitude of assessees towards taxes seems to have undergone a remarkable change,' Chidambaram said while inaugurating the two-day Economic Editors' Conference here.

'Both corporates and individuals seem to have imbibed the principle of 'honesty is the best policy'. There are still many who evade, or avoid taxes, but a large proportion is willing to pay taxes that are due - to lead a life of dignity and peace,' he added.

According to him, this was the result of moderate and stable tax rates, coupled with the numerous measures to make the tax collection machinery friendly and helpful to the taxpayers, especially the smaller assessees.

'There is scope for further moderation. However, this will depend upon greater tax compliance,' the finance minister said, adding that he also wanted to ensure a secular rise in the ratio of taxes to the gross domestic product (GDP).

An estimated 40 million Indians, out of a population of 1.17 billion, pay taxes.

Chidambaram said this ratio had risen from 8.3 percent in 1998-99 to 11.2 percent in the current fiscal, as per the budget estimates. He also said there was also considerable buoyancy in collections till Sep 30.

Collections from central excise had risen 6.74 percent against a target of 6.49 percent, customs were up 33.78 percent against the target of 18.11 percent and service tax had grown 64.89 percent against 43.52 percent, he said.

Similarly, collections on account of direct taxes such as income tax and fringe benefit tax were also up 30.56 percent against a target of 18.71 percent, while corporation tax was higher by 47.88 percent against the target of 33.77 percent.

The finance minister also made it clear he would exercise caution towards fiscal concessions in order to adhere to the fiscal deficit targets mandated by the Fiscal Responsibility and Budget Management ACT.

The central government's fiscal consolidation is largely revenue driven and an equal emphasis was needed on containment of expenditure, but there has also been a renewed emphasis on outcomes of public expenditure.

'But so long as we are not able to eliminate wasteful expenditure, we have to adopt a cautious attitude towards tax concessions and revenue sacrifices,' the finance minister told the conference.

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