

# Tax chronicle

A compilation of articles on fiscal and taxation issues is a useful volume

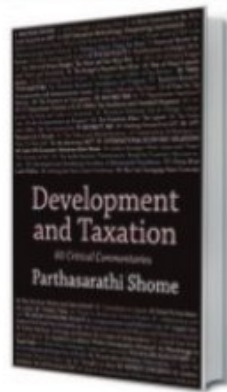
RENU KOHLI

**P**ARTHASARATHI SHOME'S grasp on taxation systems across countries, and experience in reforming these is vast and possibly unchallenged. His expertise has been regularly tapped by various governments, including in India, where he has drawn and directed many structural reform initiatives. The most recent of these is the tax administrative reforms commission.

Over these years, he has shared his insights through regular columns in newspapers, now bringing these together into the volume, *Development and Taxation*. However, fiscal and taxation matters are not all there is to this book; on display is a wide range that includes macroeconomic policy and socio-political issues, as well as international economic affairs.

For any student wishing to familiarise herself with critical changes and issues in India's taxation system and fiscal policy in recent years, this volume is a useful starting point. Other readers could benefit from various insights and suggestions the author has on important policy issues. The possibility of matching potential with actual tax collections by using available corporate data on value-added tax, a key input for GDP compilation, for example, could be of enormous help to the tax department looking to expand the tax base and increase revenues. The articles profiling tax reforms, tax effort and the interplay of incentives also point to the inevitability of focusing reform efforts towards administrative overhaul.

Incidentally, this also underlines India's near-stagnant tax-GDP ratio, or a failure to fully reap the fruits of several rounds of tax reforms at central and state levels. Perhaps the author could elaborate on this in the future, drawing especially



## Development and Taxation: 60 Critical Commentaries

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upon comparative performances of other countries (like China), which also shifted to value-added tax systems, coupled with other reforms, with far better outcomes such as a maintained pace of rise in tax-GDP ratios. Cross-country evidence already shows that the quality of tax administration affects firm performance in emerging market and developing countries. From a policy perspective, therefore, improvements in tax administration that lower compliance costs faced by firms can yield significant growth and productivity dividends.

Perspectives on matters of public in-

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terest, like the Vodafone affair, the 2015 Land Acquisition Bill, raising the share of manufacturing to 25% of GDP, the methodology of estimating GDP itself, and some very recent topics such as demonetisation and 'ease of doing business' are all informative and interesting. How immoral and undesirable activities get captured in services' GDP, for example, provokes some thought. In the same vein, one hopes for some insights in the future on making GDP a more comprehensive and gender-weighted measure of economic activity. This includes contributions from unpaid domestic and care work, which may not be very high in added value, but is socially important and, therefore, leads to a more detailed and fairer measure of a country's output.

Dry as taxing matters are, does a lifetime involvement with these shut out other interests? The section on social-economic policy does not indicate this, for Shome has also expressed views on topics as diverse as healthcare and compassionate-palliative care; how the cultural, educational and implementation aspects could undermine policy initiatives such as Swachh Bharat (or Nirmal Bharat in its previous incarnation); and the underpinnings of water wars in factors like pollution, rapid and concentrated urbanisation, with chilling examples of how economic conflicts revolving around water transformed into ethnic ones in several parts of the world. These drive home the urgency of resolving impediments and conflicts sooner than later.

An international dimension comes from the discussion of important issues in India's trade and economic relations with countries such as the UK, China, Pakistan and the euro area. An article on globalisation and the G20 assumes current relevance when the group as a whole is confronting the possible retreat of its leading member from the multilateral, rules-based trading system constructed and agreed to by countries more than two decades ago. In balance, a useful volume on many contemporary policy issues.

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