Wealth Tax

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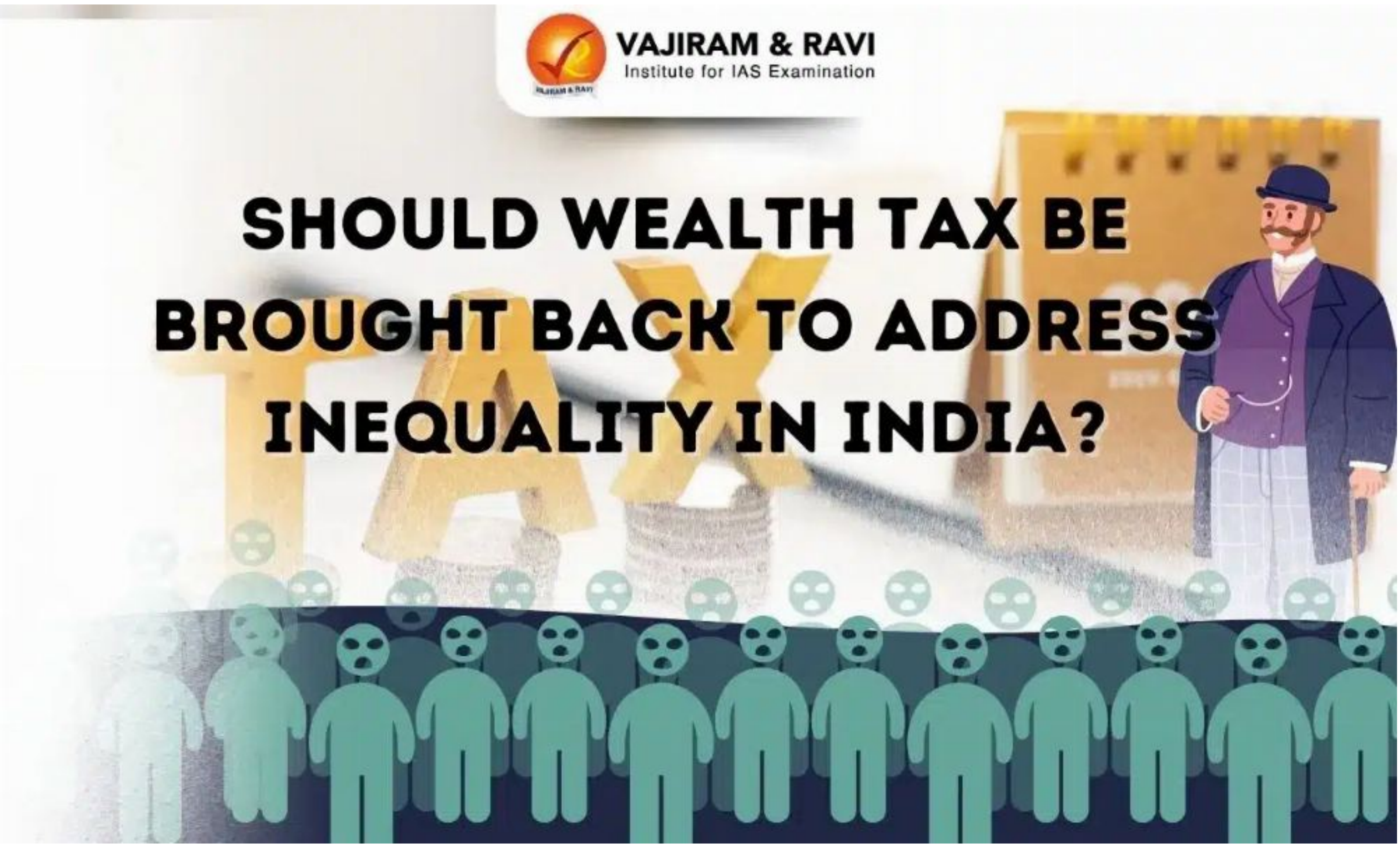

About Wealth Tax

- **Wealth Tax** is levied on the **net market value** of various assets owned by an individual, such as **cash, bank deposits, shares, fixed assets, personal cars, and real property**.
- Globally, several countries like **France, Portugal, and Spain** impose wealth tax.
- The primary **objective** of the tax is to **target unproductive and non-essential assets** of individuals.

Wealth Tax in India

- **Introduction:** The **Wealth Tax Act** was introduced in **1957** based on the recommendations of the **Kaldor Committee** (1955) as a part of tax rationalization measures.
  - It imposed a **1% tax** on earnings exceeding **₹30 lakh per annum** for individuals, Hindu Undivided Families (HUFs), and companies.
- **Abolition:** Abolished in **2015** due to issues such as **Extensive litigation**, **Increased compliance burden**, and **High administrative costs**.
  - Replaced by an increase in the **surcharge** on the super-rich.

- **Replacement measures**: The surcharge for individuals with income exceeding **₹1 crore** and companies with income over **₹10 crore** was increased from **2% to 12%**.

Other Relevant Concepts

- **Tobin Tax**: A tax on financial transactions, especially currency exchanges.
- **Pigovian Tax**: Levied to correct negative externalities (e.g., pollution tax).
- **Laffer Curve**: Demonstrates the relationship between tax rates and tax revenue.
- **Tax-GDP Ratio**: Indicates the tax revenue as a percentage of GDP, critical for fiscal analysis.

Q1) What is the Goods and Services Tax Council?

The GST Council, established through the Constitutional (122nd Amendment) Act, 2016, recommends policies on Goods and Services Tax (GST) to the Union and State governments. It became functional after Presidential assent on September 8, 2016, ensuring cooperative federalism.

Source: TH