

# Modi government punishes officials for urging increased taxation of rich to fight coronavirus

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The panicked response of India's far-right government to a suggestion from some Indian Revenue Service (IRS) officials that higher taxes be imposed on the rich and super-rich to help fund the country's response to the COVID-19 pandemic has demonstrated, yet again, that Prime Minister Narendra Modi and his Bharatiya Janata Party (BJP) are loyal servants of the country's rapacious capitalist elite.

The suggestion was made as the highly contagious and potentially lethal novel coronavirus continues to surge across the world's second most populous country, and as an ill-prepared government lockdown inflicts enormous economic hardship on India's workers and toilers. As of yesterday, India had more than 42,000 confirmed COVID-19 positive cases and 1,380 deaths. Because of the government's rationing of tests and the lack of health facilities in large swathes of the country, these figures undoubtedly severely underestimate the true extent of the pandemic.

A report titled "Fiscal Options & Response to COVID-19 Epidemic," or FORCE, was prepared by a group of 50 IRS officers and shared on Twitter on April 25. It suggested raising the income tax rate by up to 40 percent and imposing a super-rich tax for those with income over 10 million Indian rupees or US \$130,989 to "rebuild the economy post-coronavirus pandemic." It also proposed the reintroduction of a wealth tax for those with a net wealth of 50 million rupees (\$654,584) and above, and the levying of a "one-time COVID Relief Cess" of 4 percent on those with a taxable income of 1 million rupees (\$13,079) and above.

Almost as soon as the report became public, the Modi government initiated an inquiry against three senior IRS Association officers—Prashant Bhushan, general secretary of the Indian Revenue Service Association (IRSA), Sanjay Bahadur (principal director of investigation) and Prakash Dubey (director of the department of personnel and training)—for their alleged involvement in the preparation and release of the policy paper.

According to news reports, IRSA had submitted the FORCE report to the chairman of the Central Board of Direct Taxes (CBDT) a few days before it was shared on

Twitter. The report was meant to initiate internal discussion, but was later leaked to the public via social media because the CBDT chairman stonewalled, refusing to issue any formal response to it.

The Modi government is now demanding the IRS officials answer charges that they created "confusion and uncertainty with respect to the policy of government with respect to income tax" amid a pandemic. They are also under investigation for producing a document for wide dissemination that "amounts to criticism of government policies" by senior tax officers, thereby "causing avoidable embarrassment to the government."

While the Modi government feels "embarrassed" about a suggestion for a modest increase in the taxation of the super rich, it has proven callously indifferent to the fate of hundreds of millions of day-labourers who have lost their jobs and livelihoods due to its chaotic coronavirus lockdown. Nor has it shown any remorse for the millions of migrant workers who have been herded in to makeshift camps in appalling living conditions as a result of its failure to make any provisions for their sustenance during the lockdown. (See: Modi government represses desperate migrant workers amid calamitous coronavirus lockdown)

The BJP regime's claim that the FORCE report's proposals for increased taxes on the incomes and wealth of the rich "amounts to criticism of the government's policies" underscores that its principal focus is protecting the wealth of India's tiny super-rich elite and convincing foreign investors they can make superprofits off the sweatshop exploitation of the working class.

As the *Hindustan Times* acknowledged in its report on the controversy, the BJP government reduced corporate tax rates drastically in September 2019, "sacrificing Rs. 1.45 lakh crore (more than \$19 billion) in revenue." The report continued, "Companies were given the choice of opting for a lower corporate tax rate of 22 percent (15 percent for newly incorporated companies) provided they don't seek exemptions."

The Modi government is granting such massive tax

concessions to the corporations and super-rich under conditions where close to 900 million people in India are forced to live on less than \$2 a day. In a further concession to the wealthy elite, the Reserve Bank of India (RBI), the country's central bank, has written off about 686.07 billion rupees of outstanding loans from the top 50 wilful defaulters. These include Vijay Mallaya, the billionaire liquor baron who absconded to Britain in 2016.

The BJP government fears that exposure of its pro-capitalist agenda, which it seeks to conceal behind a veil of phony populist rhetoric and strident communalism, could trigger a social explosion. Mass working class opposition to the Modi government was already developing before the pandemic, and undoubtedly has been further fuelled by its ruinous class response to the COVID-19 crisis. The government knows that under these conditions a call for increased taxation of the rich and super-rich could find mass support and—notwithstanding the moderate intentions of the FORCE report's authors—serve as a catalyst for social struggle.

The coronavirus pandemic and 40-day-long national lockdown have sent shockwaves through the Indian economy. Modi's lockdown, which was announced without preparation or forewarning, has created catastrophic conditions. Unemployment in urban areas has risen to more than 30 percent and millions of migrant workers are going hungry, if not starving, in impromptu "relief camps," whose organization and provisioning the BJP central government and the various state governments have left largely to NGOs and charities.

The government has announced a mere 1.7 trillion rupee (\$22.5 billion) package of relief measures, equivalent to just 0.8 percent of India's GDP and about \$16 per person. Much of this money is in fact recycled, and much of the increased food rations for India's poorest will not be available for weeks hence.

By contrast, the Reserve Bank of India, at the government's urging, has injected 3.7 trillion rupees (\$49.4 billion) into the country's financial markets to boost the fortunes of Indian and foreign capital. On April 27, the RBI opened a special 500 billion rupee (\$6.56 billion) liquidity facility for mutual funds.

When Modi extended the lockdown for a further 19 days, the BJP government announced no increase in its miserly relief measures. Nor was any relief package presented to address the needs of the MSME (Micro, Small and Medium Enterprises) sector, which employs over 100 million people.

A tiny and corrupt super-rich layer has accumulated a mountain of money that could easily meet the urgent needs of the poor and oppressed under conditions of a raging pandemic. The study "Time to Care" released by Oxfam

ahead of the 50th Annual Meeting of the World Economic Forum this year noted that India's richest 1 percent own more than four times the wealth possessed by the 953 million people who make up the bottom 70 percent of the country's population. The collective wealth of the 63 richest Indian billionaires is more than the entire annual national budget (\$360 billion), according to the Oxfam study.

With its pro-investor reforms, Modi's BJP-led government has taken the process of boosting the wealth of this tiny wealthy layer at the expense of the working class to new heights. However, the entire Indian bourgeoisie is responsible for this state of affairs. Successive governments at the centre and state level have enforced pro-corporate policies, including those led by the opposition Congress Party and supported by the Stalinist parliamentary parties, the Communist Party of India (Marxist) or CPM and the Communist Party of India (CPI).

Mehring Books, the publishing arm of the Socialist Equality Party (US), is proud to announce the publication in epub format of Volume 1 of *COVID, Capitalism, and Class War: A Social and Political Chronology of the Pandemic*, a compilation of the *World Socialist Web Site's* coverage of this global crisis.

It was the Stalinist-backed, P.V. Narasimha Rao-led Congress Party government that in 1991 abandoned the Indian bourgeoisie's failed state-led capitalist development strategy and initiated the drive to make India a cheap-labour haven for global capital. And until 2014, when Modi's BJP came to power, the Congress did most of the heavy lifting in pushing through anti-worker neo-liberal reforms—privatization, massive tax cuts for business and the rich, the elimination of price subsidies, etc.—as well as in transforming India into US imperialism's principal ally and junior partner in the region.

While the entire political establishment has colluded in slashing taxes for the rich and big business for the past three decades and even now opposes seizing even a fraction of the immense fortunes of India's 130 plus dollar billionaires to fund health care or feed the poor, it has funnelled hundreds of billions of dollars over the past two decades into building a nuclear-armed military to pursue the Indian bourgeoisie's predatory global ambitions. A report released on April 27 by the Stockholm International Peace Research Institute found that India was the world's third-biggest military spender in 2019, trailing only the United States and China.



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