**Defending Economic Liberty: India's Resistance to Draconian Taxation Measures**

**T**he Chairman of the Indian Overseas Congress, Mr. Sam Pitroda, has recently made a resolute assertion regarding the implementation of an Inheritance Tax in India. He illustrated an instance from the United States, suggesting that if one inherits a property valued at over 100 million dollars, they would be obligated to relinquish 55% of said property to the government. However, he neglected to mention that only six states in the USA have adopted such legislation, namely Iowa, Kentucky, Maryland, Nebraska, New Jersey, and Pennsylvania. Moreover, the United States lacks a federal-level Inheritance Tax law.

Furthermore, Mr. Pitroda omitted to acknowledge that his own political predecessors introduced The Estate Duty Act in 1953 under the Congress government led by Prime Minister Jawaharlal Nehru. This Act marked India's first foray into Inheritance Tax legislation, encompassing provisions for taxing inherited property. Initially, during the pre-1970s era, the Act imposed a marginal rate ranging from 7.5% to 20%, which surged to almost 85% post-1970, particularly during the Emergency, if the inherited property exceeded 20 lakhs INR. Although adjustments were made in the 1980s, the Act was ultimately abolished in 1985 by the Rajiv Gandhi-led Congress Government, spearheaded by the then Finance Minister, VP Singh. The decision stemmed from the recognition that the Act not only engendered substantial litigation, thereby inflating tax collection expenses, but also served to stifle wealth creation among Indian citizens. According to VP Singh’s statement, a mere 20 crores of revenue were generated by this Act. He argued that the Act inflicted undue hardship on taxpayers while yielding negligible benefits to the government in terms of revenue.

One of the earliest manifestations of inheritance tax in India can be traced back to the colonial era when the British government introduced the Estate Duty Act in 1865. This legislation imposed a tax on property transfers upon death. Over time, various amendments expanded its scope and increased tax rates. Certain states in India also enacted their own laws pertaining to inheritance tax or estate duty. For instance, in Kerala, a form of inheritance tax known as the Kerala Consolidated Fund (Amendment) Act, 1969, was in effect for a period before its repeal. Consequently, a historical overview of Inheritance Tax in India underscores a pattern of inefficacy. But why did it fail? Let us delve into the answer.

In India, there exists a prevailing belief that individuals do not amass wealth solely for personal gain but rather for the betterment of their progeny and future generations. India boasts a formidable presence in the realm of family-owned businesses, with a significant portion of companies being owned by corporate and business families. Even Micro, Small & Medium Enterprises (hereinafter referred to as “MSMEs”) are often family-run enterprises, their operations overseen by legal heirs. Moreover, the imposition of Inheritance Tax fosters double taxation, manifesting in both Economic Double Taxation and Jurisdictional Double Taxation. Economic Double Taxation occurs when the same income is taxed twice—first at the corporate level, wherein profits are subjected to corporate income tax, and subsequently at the individual level, when shareholders receive dividends and incur personal income tax. On the other hand, Jurisdictional Double Taxation arises when the same income or transaction is taxed by multiple jurisdictions, owing to overlapping tax laws or conflicting interpretations of tax treaties between countries.

Critics contend that inheritance tax perpetuates double taxation, as it imposes taxes on assets already subjected to taxation during the lifetime of the deceased individual. For instance, assets subject to inheritance tax may encompass savings, investments, or property, all of which may have already been taxed as income, capital gains, or property taxes during the deceased's lifetime.

Tax experts assert that Inheritance Tax incentivizes tax evasion and avoidance among taxpayers, prompting them to transfer their assets to tax haven countries to evade heavy taxation. Consequently, the primary individuals impacted by such laws are the wealthiest citizens of the nation, equipped with extensive teams of chartered accountants and lawyers adept at circumventing such regulations. Ultimately, the burden of taxation is shifted onto MSMEs and small taxpayers, impeding business growth due to exorbitant tax burdens. Indians already contend with heavy taxation under various tax laws, with income tax rates soaring as high as 97% during periods of emergency. India, as a socialist state, places substantial pressure on taxpayers under the guise of income tax.

Contrastingly, proponents of such laws advocate for wealth redistribution, invoking the Robin Hood principle wherein wealth is extracted from the affluent and distributed equitably among the less privileged. However, they overlook the inherent unfairness of life's circumstances. While one individual may possess the gift of sight, another may be visually impaired, unable to behold the world. In such instances, what recourse is proposed? Is it plausible to bestow the gift of sight upon the blind, thereby enabling both parties to perceive the world, albeit through one shared eye? Advocates of an egalitarian society fail to grasp that true wealth distribution is contingent upon the presence of a transparent and impartial bureaucracy, an ideal that remains elusive. Modern civil servants in India often resort to corrupt practices, perpetuating a new form of feudalism. According to F.A. Hayek in his seminal work, 'The Road to Serfdom' has explained that why the worst people gets on top.

Only through free-market capitalism, characterized by competition and innovation, can this chasm be bridged. It affords individuals the liberty to pursue ethical endeavors, thereby fostering economic progress and societal advancement.

The Prime Minister of India, Narendra Modi, seeks to capitalize politically on Sam Pitroda's controversial statement. However, it is worth noting that his esteemed Finance Minister, the late Mr. Arun Jaitley, espoused similar sentiments regarding the implementation of an inheritance tax in India. In 2018, Mr. Jaitley extolled the virtues of inheritance tax, citing its efficacy in developed nations such as the USA and European countries. Furthermore, former Chairman of the Standing Committee on Finance, Mr. Jayant Sinha, also advocated for such legislation in India. Whether Congress or BJP, the narrative remains unchanged.

India's Income Tax Act of 1961 stands as one of the most labyrinthine laws in existence. The Income Tax Department in India suffers from a tarnished reputation, epitomized by the mishandling of cases such as the Vodafone dispute. The presence of retrospective provisions within the Income Tax Act renders it draconian, as even victorious litigants may find themselves subject to amendments with retrospective effect.

In conclusion, India stands poised on the cusp of economic advancement, poised to ascend to the ranks of the world's largest economies. Now is the time to champion entrepreneurship, innovation, and a laissez-faire economic model. There exists no rationale for perpetuating draconian tax laws that only serve to burden the administrative and judicial apparatuses, while simultaneously stifling wealth creation. This is a morass that we cannot afford to navigate amidst this pivotal juncture. As a student of Chartered Accountancy, I advocate for a tax-free society or the implementation of a negative income tax system, as proposed by Milton Friedman. If we aspire to cultivate a progressive and affluent society, we must rally behind the wealth creators—be they MSMEs or corporate entities—and foster trade, thereby transforming India into a bastion of capitalism.