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Vice President's Secretariat

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Expanding middle class will be the key driver of India's economic growth: VP

Take advantage demographic numbers by creating jobs for the young: VP

VP Calls for re-orientation of education system to ensure that youngsters remain committed to values

Addresses National Seminar on, Contemporary Challenges and Issues in Finance, Marketing and Taxation in Hyderabad

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The Vice President of India, Shri M. Venkaiah Naidu has said that every citizen must consider it as his sacred duty to pay taxes as development and welfare measures would suffer if governments do not get adequate revenues. He was addressing the National Seminar on Contemporary Challenges and Issues in Finance, Marketing and Taxation, held at Keshav Memorial College in Hyderabad today. The Deputy Chief Minister of Telangana, Shri Mohammad Mahmood Ali and other dignitaries were present on the occasion.

The Vice President said that while tax evasion has to be dealt with sternly, it should be ensured that there is no unnecessary harassment of the tax payers by overzealous officials. Transparency in governance will ensure accountability and also improve remittances to the government, he added.

The Vice President said that with introduction of GST, the biggest ever tax reform taken since Independence, India is finally 'one-country, one-market'. He further said that this reform has changed the face of the indirect tax regime in the country as it imposes one tax instead of several taxes by various State Governments and the Union Government. It has made compliance easy for businesses and traders and demonstrated the victory of bipartisanship in the democratic and federal set-up of India, he added.

India's tax-to-GDP ratio is 16.6 per cent in FY2017, which compares with 26.0 per cent in the USA, 20.1 per cent in China, and 34.3 per cent in OECD countries. India needs to significantly ramp up its tax-to-GDP ratio to fund a modern 21st century government which can offer basic public goods and social security to its citizens. Direct tax collected in FY2018YTD has grown at 18.2 per cent. This

increase in collection has been driven by increase in compliances with the number of taxpayers increasing for both direct and indirect taxes. 5.9 million tax-payers have registered for GST and 28.2 million people filed their income-tax returns for FY2017.

Demonetization, SIT on black money and notification of the Benami Transactions Act, 1988 are some of the strong steps taken to bring more economic activity into the tax net, even as the war on black money needs to continue unabated.

The Vice President said that the expanding middle class will be the key driver of India's economic growth in the coming years and the need of the hour is to take full advantage of this demographic numbers by creating adequate job opportunities for the young population. He further said that merely turning out lakhs of students with degrees is not enough, we have to provide them skills not only to earn livelihood but life skills that will enable them to deal effectively with any situation. He opined that the education system should be re-oriented to not only impart life skills to students, but also to ensure that youngsters remain committed to strong ethical and moral values. Whatever be the line of their professional pursuit, they all must remain wedded to India's age-old cultural and syncretic values best embodied by the concept of Vasudhaiva Kutumbakam, he added.

Following is the text of Vice President's address:

"I am delighted to inaugurate this national seminar on "Contemporary issues and challenges in Finance, Marketing and Taxation" and share my thoughts with you all.

I must compliment Keshav Memorial College for organizing this seminar at the right time in the wake of reformatory measures taken by the government like demonetization, introduction of Goods and Services Tax and Bankruptcy and Insolvency Code.

Dear students! India was a prosperous and wealthy nation more than two centuries ago and contributed 27 per cent of the world GDP. India traded in textiles, spices, cotton, semi-precious stones, sugar, pepper, indigo, ivory and silk fabric, among others. Traders and travelers, who came to India from across the seas, were astonished by the wealth and prosperity of the Indians. Indus Valley Civilization is the best example of how advanced ancient India was in those times.

However, following foreign invasions, India's colonization by the British, the country lost its pre-eminent position and even missed the industrial revolution. Post-independence, India's economic growth remained low for several years and was described as "Hindu rate of growth". Following liberalization in the 90s, India's economic growth picked up momentum and the country emerged as the fastest growing large economy. India's GDP has grown at 8.9 per cent CAGR (compounded annual growth rate) in real terms since 1991 – taking India from being a US\$225 billion economy in 1991 to a more than US\$ 2 trillion economy now.

While the first major economic reforms were initiated by the P V Narasimha Rao government, the second sweeping reforms were introduced by Shri Vajpayee and the third set of reforms initiated by the present government are drastically transforming the Indian economy.

External agencies like the World Bank and IMF have projected India's growth rate to be 7.3 per cent in 2018. India is projected to become the third largest economy in the next 10-15 years. A massive recapitalization of the public sector banks at Rs.2.11 lakh crore is expected to improve credit growth and private sector investment. The other major reform of Insolvency and Bankruptcy Code, 2016 has strengthened the rights of the creditors.

The infrastructure build out has been very rapid-- 24X7 electricity for all, massive increase in road construction across both rural and urban India, opening up of more than 50 airports and heliports in India as part of the UDAN scheme (up from 75 operational airports when the government came in) will boost the economy in the long run.

The expanding middle class will be the key driver of India's economic growth in the coming years. With the a large population of India, about 65 per cent remaining under 35 years, the need of the hour is to take full advantage of this demographic numbers by creating adequate job opportunities for the young population. Merely turning out lakhs of students with degrees is not enough, we have to provide them skills not only to earn livelihood but life skills that will enable them to deal effectively with any situation.

Earlier, children used to automatically learn those type of skills due to the joint family system, but now with increasing number of nuclear families, it appears that today's youngsters are missing out on them. The education system should be re-oriented to not only impart life skills to students, but also to ensure that youngsters remain committed to strong ethical and moral values. Whatever be the line of your professional pursuit, you all must remain wedded to India's age-old cultural and syncretic values best embodied by the concept of Vasudhaiva Kutumbakam.

Coming to the topic on hand, every citizen must consider it as his sacred duty to pay taxes as development and welfare measures would suffer if governments do not get adequate revenues. In fact, one of the major objectives of both demonetization and GST is to increase tax compliance. Expansion of formal economy will naturally lead to increased tax collections and higher revenues to the government, which in turn will be used to accelerate development—building roads, schools, hospitals and other essential infrastructure.

While tax evasion has to be dealt with sternly, it should be ensured that there is no unnecessary harassment of the tax payers by overzealous officials. Transparency in governance will ensure accountability and also improve remittances to the government.

With introduction of GST, the biggest ever tax reform taken since Independence, India is finally 'one-country, one-market'. This reform has changed the face of the indirect tax regime in the country as it imposes one tax instead of several taxes by various State Governments and the Union Government. In other words, it has made compliance easy for businesses and traders and will lead to further improvement in the ease of doing business in India. GST demonstrates the victory of bipartisanship in the democratic and federal set-up of India.

India's tax-to-GDP ratio is 16.6 per cent in FY2017, which compares with 26.0 per cent in the USA, 20.1 per cent in China, and 34.3 per cent in OECD countries. India needs to significantly ramp up its tax-to-GDP ratio to fund a modern 21st century government which can offer basic public goods and social security to its citizens. Direct tax collected in FY2018YTD has grown at 18.2 per cent. This increase in collection has been driven by increase in compliances with the number of taxpayers increasing for both direct and indirect taxes. 5.9 million tax-payers have registered for GST and 28.2 million people filed their income-tax returns for FY2017.

Demonetization, SIT on black money and notification of the Benami Transactions Act, 1988 are some of the strong steps taken to bring more economic activity into the tax net, even as the war on black money needs to continue unabated.

Since GST will be levied at the manufacturing cost and collected at the point of sale, it will bring down the price and benefit the consumer. It will be a win-win situation for both the manufacturers and consumers as reduction in price will lead to increased consumption. GST will also eliminate

corruption and tax evasion as a retailer will not be able to conduct sales without the bill. Since all the compliances like registration and returns will have to be done online, GST will increase compliance and makes the system transparent, hassle-free and eliminate corruption.

As mentioned earlier, paying taxes will improve public finances and enable the governments to meet their developmental and social objectives. Therefore, companies and businesses contribute to economic prosperity and growth of the nation.

Economic growth and reforms have created a large consuming class of citizens in India who now have consumption patterns very similar to the best in the world. Around 50-100 million people in India have broken out into the ranks of the global consuming class. There is an aspiring class of 200-300 million middle-class Indians (many of them now own four wheelers and electronic gadgets). Another class of 500-600 million people is now breaking out of the poverty and graduating from cycles to motor cycles and mobiles.

India has hence seen significant interest from foreign firms to invest FDI to serve this market.

Following the financial crisis, regulatory reforms such as Basel III were introduced for banks to improve their health. Various growing areas of finance, including micro finance, crowd funding for startups in India, cashless economy and impact investing are gaining popularity.

Sophisticated mathematical and technological developments have also advanced the field of quantitative analysis for those who work in investment management, risk management, derivative pricing, algorithmic trading, and other areas that require the application of mathematics in finance.

Further social marketing, Not-For-Profit Marketing, Guerilla Marketing, Green Marketing and Buzz Marketing are gaining popularity.

Implementation of new tax reforms, raising commodities prices and uncertain global economic environment are expected to have a bearing on the Indian economy.

In the wake of these changes and challenges, the academic institutions need to make their curriculum relevant to the contemporary needs of the society. I am sure, the participants at this national seminar on the challenges to Finance, Marketing and Taxation will analyze the trends and suggest solutions to various issues pertaining to economy and provide right inputs to students, researchers and the government. I congratulate the Department of Commerce of Keshav Memorial Institute of Commerce and Sciences for organizing this event and wish them great success.

Thank You. **JAI HIND!**"

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