

The **major issues** related to Green Finances are:

- **Lack of internationally agreed universal definition** of Green Finance with specific standards in terms of use of proceeds, evaluations, management of proceeds, financial reporting and procedures.
- Most of Green technology is with developed countries and under protected realm of IPR.
- Green Finance should not only be limited to renewable energy investments but also to greening of coal technologies and poverty programs etc.
- With respect to India, low credit ratings of potential issues of Green Finance and high costs of issuances act as impediments.
- Green Finance should also consider unsustainable pattern of consumptions as parameters in deciding finance, particularly conspicuous consumptions and unsustainable lifestyle in developed countries.

India has started issuing green bonds for renewable energy projects. The government needs to provide specific tax incentives, increase PSL targets for Green Finance and diversify the process of Green Finance to areas not limited to renewable energy to realize the full potential.

4. ***As the recently released data shows, a narrow tax base remains a major concern in India. What are the possible reasons for such a scenario? In this context, also examine the government efforts to address the issue.***

Approach:

- Give a brief picture of the narrow tax base in India.
- Bring out various reasons for the narrow tax base.
- Enumerate and examine various steps taken by government to widen the tax base.

Answer:

The recently released data shows that only 2.9 crores Indian filed personal income tax returns for 2012-13, which is less than 4% of total adult population. More than half of 2.9 crores paid no tax at all. This is too less for effective functioning of any state as tax is the main source of government revenue and determines the capacity of government programmes.

Reasons:

- Low level of incomes so that most of the population remains below the tax net.
- Complex maze of taxes which hinders effective compliance.
- Presence of various exemptions in tax laws, which are utilized by tax payers to lower tax burdens.
- Failure of authorities to check tax evasion.
- Large informal sectors and mostly cash economy which makes it difficult for tax authorities to detect flow of money.
- Flow of black money in the economy.

The government has recognized the need to increase the tax base and has taken the following steps:

- Increasing voluntary compliances and making tax filing user friendly.
- DTC to codify all direct tax laws under one law which would use simple language, provide simplicity and stability in tax structure, consolidate taxing provisions, definitions, exemptions, incentives and procedures to make them uniform.