

Oxfam report on GST is wrong and mathematically impossible



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IS IT POSSIBLE to have $2+2=5$? Of course, it is. Just imagine that the second '2' is contributing more to the addition than the first '2'. Did you think that makes no sense? In that case, why would you or anyone else believe the Oxfam report that says the poorer half of India pays almost two-thirds of all the GST collected by the government?

That Oxfam report has been out in public for almost a year now. And it has been repeatedly debunked. But of late, there has been a renewed effort to make it viral again on the internet. A careful calculation by Vidhu Shekhar shows that the bottom half of the population pays closer to 10% of all the GST collected, instead of the 64.3% claimed by Oxfam. But the Oxfam report is wrong for a much stronger reason. It is mathematically impossible.

Think about it. The GST is a consumption tax. The GST rate on an item is the same no matter who buys it. The Oxfam report divided the population of India into two equal parts: the poorer half and the richer half. So if one-half of the popu-



lation is paying more GST than the other half, it must also consume more than the other.

Now is there any item that you think the poorer half of the population is consuming more on a per capita basis than the richer half? Perhaps shirts, shoes, cars, food, toothpaste, travel, entertainment, anything? Not really. That means it is impossible for the poorer half of the population to pay more GST than the richer half.

Wait a minute, you might say. Are there not more poor people than rich people? So even though poor people might consume less per capita, they would still consume more over-

all and hence have to pay more GST. But read carefully what Oxfam said. They divided the population into two halves, the richer half and the poorer half. Believe it or not, the poorer half

A careful calculation by Vidhu Shekhar reveals that the bottom half of the population pays around 10% of all GST collected, rather than the 64.3% claimed by Oxfam

of the population has exactly the same number of people as the richer half. Just like the taller half of Bengaluru has the exact same number of people as the shorter half of Bengaluru. Just like a kilogram of cotton weighs exactly the same as a kilogram of steel.

You might want to add here that GST rates on 'luxury' items are higher than on 'essential' items. This is of course true, but less important to the argument

than you might think. Again, take any item, say cars. Who buys more cars per capita, the poor or the rich?

Evidently, the rich. Hence, the richer 50% pays more than half of the GST collected from car sales. The same reasoning works for every item, including toothpaste and soap. The richer 50% are buying at least 50% of all the soap consumed in India. Hence, the richer half of the population pays at least 50% of the GST collected from sales of soap. Observe that the exact rate of GST on cars or soap does not matter here.

Now there are some items which you could argue that the poor would consume more on a per capita basis. Railway tickets, for instance. But once you put this inside a larger category such as 'travel,' the confusion goes away. The richer half of the population spends more on travel than the poorer half. So even if all kinds of travel were taxed at the exact same rate, the richer half would pay more.

In conclusion, Oxfam's claim that the poorer 50% of the population pays 64.3% of all the GST collected in India is not just unlikely, but mathematically impossible. It is time for basic arithmetic to put an end to this rumour, once and for all.

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