Indian Economy

Examine the role of tax incentives in promoting philanthropy. Discuss the concerns associated with large charitable donations by wealthy individuals and suggest measures to ensure transparency and public accountability.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 20/10/2026	—	Indian Economy

MARKS	WORD LIMIT
10	~150 words

Answer Hint

Meaning of philanthropy, charitable tax deductions, incentives for social welfare, capital gains tax, private foundations, transparency, independent audits, disclosure requirements, public accountability.

Model Answer

Introduction

Philanthropy refers to voluntary contributions of money or assets to support public welfare. Tax incentives can encourage individuals and businesses to contribute to education, healthcare, scientific research and poverty alleviation.

Role of Tax Incentives

- **Promoting donations:** Tax deductions can reduce the effective cost of charitable giving.
- **Supporting social development:** Philanthropic funds can supplement public spending on research, disaster relief and social services.
- **Encouraging long-term contributions:** Donations of shares and other assets can provide charities with substantial resources.

Key Concerns

Large donations may enable wealthy individuals to obtain significant tax benefits. Private foundations may also concentrate decision-making power in the hands of a few donors. Limited transparency can create concerns about conflicts of interest, fund utilisation and the distinction between genuine philanthropy and tax planning.

Way Forward

Governments should ensure clear eligibility criteria, independent audits, transparent reporting of donations and expenditure, and strict compliance with tax laws. Appropriate safeguards should prevent misuse without discouraging legitimate charitable contributions.

Conclusion

Tax incentives can strengthen philanthropy, but their benefits must be balanced with fairness, transparency and public accountability so that charitable giving genuinely serves the public interest.

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