THE CITIZEN'S CHOICE TAX

A Framework for Mutual Responsibility

Between Citizens, Communities, and Institutions That Shape Them

A Policy White Paper

Proposed by

Valibabu Saladi

For Submission to:

NITI Aayog, Government of India
Ministry of Finance, Department of Revenue
17th Finance Commission of India (when constituted)
Parliamentary Standing Committee on Finance

Executive Summary

This paper proposes a transformative reform to India's income tax system: allowing every taxpayer to direct 5% of their income tax to public institutions and communities that shaped them — fully at their own discretion, changeable each year, with no verification required.

The proposal addresses a structural problem in modern fiscal systems worldwide: while urbanization concentrates tax revenue in cities, the villages, schools, hospitals, and communities that produced those successful taxpayers receive no share tied to their role in producing them, and no flow reaches those specific institutions directly. This creates self-reinforcing inequality — wealthier areas grow wealthier through tax concentration while the places that nurtured productive citizens decline.

The Citizen's Choice Tax (CCT) solves this through a simple mechanism: a SWIFT-code-like registry of eligible recipients (wards, government schools, government hospitals, public institutions, registered NGOs), and a tax-filing option allowing citizens to direct 5% of their tax liability to any combination of these recipients.

Complementing traditional fiscal allocation mechanisms managed through parliamentary and executive processes, this framework adds a citizen-participation dimension — placing direct allocation authority for 5% of personal income tax in citizens' hands. Unlike Japan's Furusato Nōzei (Hometown Tax) — the closest existing precedent that mobilized ¥1.2 trillion (approximately ₹68,000 crores) in fiscal year 2024 [1] (examined in detail in Section 4) — this framework emphasizes ongoing mutual respect between citizens and communities, not just historical connection.

Based on FY 2024-25 personal income tax collection of ₹12.90 lakh crores [2] and 7.28 crore tax returns filed for AY 2024-25 [3], realistic projections (accounting for highly concentrated tax distribution where ~9 lakh high-earners contribute the bulk of personal income tax) suggest the framework could redirect ₹500-2,500 crores in the launch years (mirroring Japan's modest first-year start of ¥8.1 billion), growing to ₹4,000-12,000 crores in early growth, and reaching ₹25,000-40,000 crores at mature steady state over roughly a decade. Additional flows from the 35.42 million-strong global Indian diaspora [4] through a parallel NRI mechanism could contribute ₹850-12,500 crores annually depending on adoption phase. The framework also creates powerful behavioral incentives: communities that respect and invest in their members earn continued funding; communities that discriminate or neglect lose it.

This document presents the complete framework: its philosophical foundations, international precedent, implementation architecture, expected outcomes, NRI integration mechanism, risk mitigation strategies, and pathways to adoption.

1. The Problem: Asymmetric Returns on Community Investment

1.1 The Migration Paradox

Every successful citizen is a product of a long chain of community investment. A child born in a village receives healthcare from the local Primary Health Center, education from government schools, formative experiences from the local community, and cultural shaping from extended family and neighbors. By the time this child becomes a tax-paying adult, an enormous community investment has been made in producing them. India has approximately 45.6 crore (456 million) internal migrants as per the 2011 Census, representing 38% of the total population — one of the largest internal migration flows globally [5]. The Migration in India 2020-21 survey by Ministry of Statistics found 29% of Indians are migrants, nearly 400 million people [6].

Yet when this citizen migrates to a city — as hundreds of millions do — the tax they pay is collected centrally and then devolved to states by the Finance Commission's formula. The producing state does receive a share of the central pool, but that share is determined by criteria such as population, area, and income distance — it is entirely blind to whether the state actually produced the taxpayer, and it stops at the state treasury. Nothing in the system reaches the specific community or institution — the government school, the primary health centre, the panchayat — that actually shaped this citizen. The foundational investment those institutions made is fiscally invisible.

This is not a shortcoming of migrants, nor of the tax system — which was designed for different objectives and serves them well. It is simply a missing channel: while provisions such as Section 80G do allow citizens to express gratitude through tax-deductible donations to notified institutions, that mechanism is fundamentally different in design and reach from what is proposed here (a distinction examined in detail in Section 2.5). What is absent is a structural channel through which gratitude, connection, or moral obligation toward one's shaping communities — including government schools, hospitals, and panchayats — can be expressed economically as a routine part of paying one's taxes. The result: while the producing state receives a general devolved share, communities that produce productive citizens see no return tied to that role and no flow reaching their specific institutions, even as the prosperity their citizens generate accumulates elsewhere.

1.2 The Rural-Urban Divide is Self-Reinforcing

Higher population density in cities generates higher tax collection per square kilometer. This funds better infrastructure, which attracts more migration, which generates more tax, which funds more infrastructure. The cycle continues until rural areas reach a critical decline point — schools shut, hospitals lose doctors, young people see no future, and the cycle accelerates.

The Government of India has made substantial and sustained commitments to rural development. The Ministry of Rural Development administers programmes exceeding ₹1.8 lakh crores annually — including the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA, the world's largest employment guarantee), PM Awas Yojana-Gramin (rural housing), and PM Gram Sadak Yojana (rural roads). Flagship missions like Jal Jeevan Mission have brought tap water connections to over 15 crore rural households. These programmes have measurably improved rural infrastructure and livelihoods. What the Citizen's Choice Tax adds is a complementary dimension that formula-based national programmes are not designed to provide: a direct, emotional, institution-specific channel between a community's successful alumni and the specific school, hospital, or panchayat that shaped them. National programmes allocate by formula and category; CCT allocates by personal connection and gratitude. The two approaches strengthen each other — national programmes build the broad foundation, while citizen-directed flows provide granular, institution-level reinforcement guided by those who know these institutions personally.

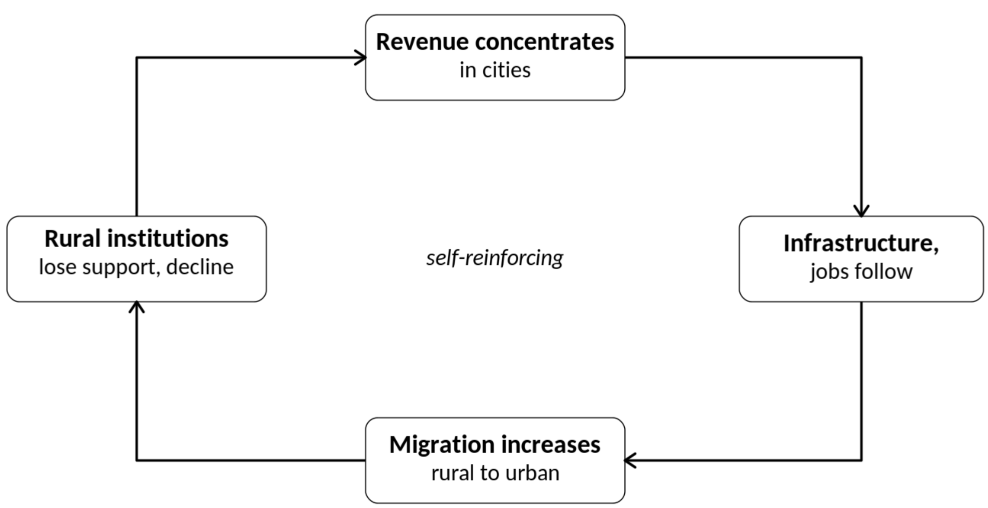

Figure 1 — The self-reinforcing rural-urban divide the reform is designed to interrupt.

1.3 The Universal Application: Not Just Rural

Critically, this problem is not exclusive to rural-urban dynamics. Within cities, neighborhoods that produce successful citizens see those citizens move to wealthier areas or other cities. A child raised in Malakpet, Hyderabad who becomes successful in Bangalore or Silicon Valley contributes nothing back to Malakpet's own institutions — the school or clinic that shaped them — even though their taxes flow into the general system. The same pattern repeats at every scale: village to town, town to city, city to metro, metro to global.

This framework therefore applies universally — to villages, urban wards, neighborhoods, government schools, government hospitals, and any community institution that shapes citizens, regardless of geography.

1.4 Strengthening the Citizen-Institution Connection

Public institutions — government schools, hospitals, libraries — embody one of India's greatest strengths: they serve every citizen regardless of ability to pay. Their teachers, doctors, and staff often serve with dedication despite modest resources. What these institutions currently lack is not commitment but a channel: beneficiaries who deeply value an institution's role in their lives have no economic means of expressing that appreciation back to the institution itself.

Private institutions benefit from continuous beneficiary feedback through customer choice. Public institutions deserve an equivalent positive feedback mechanism — without privatization, which would exclude the poor and concentrate wealth. The Citizen's Choice Tax provides exactly this: appreciation-based funding flows within public institutions, achieved through citizen choice, preserving universal access while rewarding institutions that serve their communities well.

1.5 A Precedent for Shared Claims on Tax Revenue

India’s 2017 GST reform established that when goods produced in one state are consumed in another, both states share in the tax revenue. It is cited here for one narrow purpose only: it demonstrates that India already accepts that more than one jurisdiction may hold a legitimate claim to the same tax. Nothing further is drawn from it.

Yet this same principle has not been applied to human capital — arguably the most valuable form of capital any economy produces. Consider the asymmetry:

- Goods produced in Tamil Nadu, consumed in Bihar: both states share the revenue under GST
- Engineers produced in Bihar, working in Bangalore: their personal income tax is collected centrally, and Bihar does receive a share through Finance Commission devolution — but that share is a general, formula-based allocation, not tied in any way to its role in producing these citizens, and it never reaches the specific schools and communities that shaped them. The

producing community has no direct channel to be recognised for its foundational investment in human capital

- Doctors trained in Andhra Pradesh PHCs and government medical colleges, practicing in Hyderabad or Mumbai or abroad: the producing state receives only a general devolved share, while the specific institutions that trained them — the PHCs and colleges — receive no portion tied to that role

This paper does not argue that income tax should be restructured to work as GST does, nor that the two are analogous in their operation. Income tax is collected centrally and devolved to states by the Finance Commission's formula, and that arrangement is not in question here. The formula does what it was designed to do. What it cannot do, structurally, is create a chosen link between a citizen and the specific institution that shaped them — and no reform of the formula could, since a formula cannot know what a citizen remembers. The Citizen's Choice Tax proposes a 5% citizen-directed allocation to supply that single missing channel, leaving collection and devolution entirely intact.

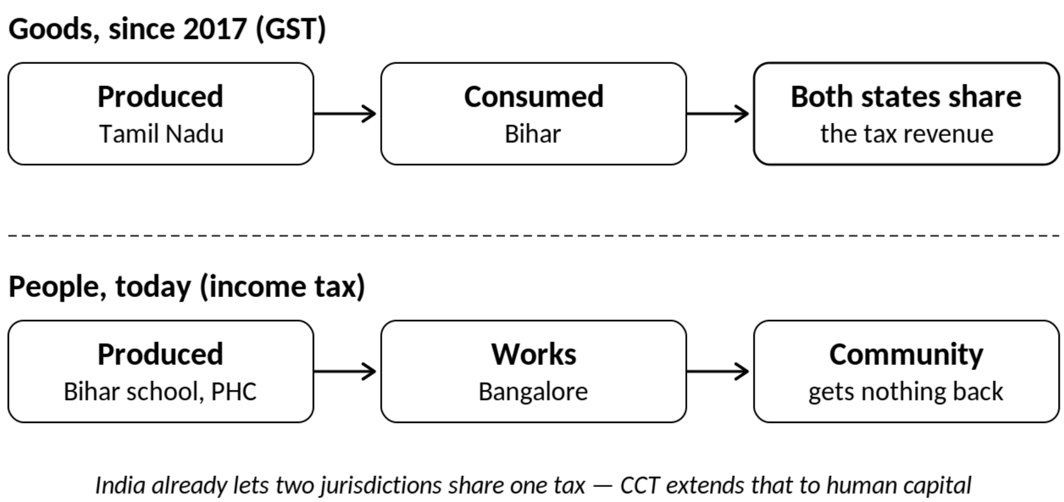

Figure 2 — GST shares tax on goods across states; CCT extends the shared-claim principle to human capital.

1.6 Why Not Simply Trace a Citizen's Origin and Route Revenue to the Producing State?

A natural objection follows directly from the asymmetry described above. If the difficulty is that the formula which devolves revenue to states is blind to origin, and that nothing reaches the specific institutions which shaped a citizen, why not address it mechanically — have the tax authorities trace each taxpayer's origin (birthplace, or the state where they were schooled) and route a fixed share of their income tax back to that producing state? Such an origin-traceability mechanism is conceivable, and it would partially address the inter-state imbalance. But it would forfeit almost everything that gives the Citizen’s Choice Tax its value, because it would replace a human act of connection with an administrative transfer.

The limitations of pure origin-tracing illuminate, by contrast, the distinct advantages of the citizen-directed approach:

- No person is shaped by a single point of origin. A citizen may be born in one village, schooled in a town, treated at a Primary Health Centre in a third place, and given their first opportunity by a city neighbourhood in a fourth. A birthplace field on a tax record captures one coordinate of a life; it cannot represent the actual web of institutions that shaped a person. The Citizen’s Choice Tax lets the citizen honour that whole web — the wider social reality of how human beings are actually formed — rather than a single administrative datum.
- Tracing routes revenue to a state treasury — another large, undifferentiated pool subject to the very allocation problems this paper describes — whereas the Citizen’s Choice Tax routes it to the specific institution the citizen knows needs it: the particular school, the particular PHC, the particular panchayat. It is the difference between depositing money into a state’s general account and placing it directly into the hands of the institution that did the shaping.
- An automatic transfer is invisible to the citizen and therefore creates no relationship. It happens in the back office, like any devolution formula, and asks nothing of the taxpayer. The act of choosing is precisely what activates connection: it requires the citizen to pause, reflect on who shaped them, and direct support accordingly. That annual moment of reflection is itself socially valuable, and no formula can manufacture it.
- Automatic origin-allocation removes accountability. If revenue flows to a citizen’s origin state regardless of how its institutions perform, those institutions have no reason to improve, and a community that neglects or discriminates against its members faces no consequence. Under the Citizen’s Choice Tax, the citizen may redirect their allocation the following year, so institutions and communities must keep earning the connection — the mutual-respect principle developed in Chapter 3.
- Tracing requires the state to define and verify “origin” for every citizen — an administratively heavy, privacy-invasive, and endlessly contestable exercise (is origin one’s birthplace, one’s longest childhood residence, or where one was schooled?). The Citizen’s Choice Tax sidesteps all of this: the citizen simply declares, with no verification required, in a manner that respects individual autonomy and dignity.
- Origin is fixed and backward-looking, while connection is living and forward-looking. A traceability mechanism can only reward where a citizen came from; it cannot include

communities that shaped them later in life, nor those they simply wish to support, nor can it create any incentive for a community to invest in its present children. Citizen choice allows gratitude to flow wherever it is genuinely felt, and lets communities earn future flows through how they treat the children in their care today.

In short, an origin-traceability mechanism would treat the citizen as a data point to be routed; the Citizen's Choice Tax treats the citizen as a person with a history, a memory, and a voice. The first produces a state-to-state ledger entry; the second weaves a denser, voluntary fabric of connection between citizens and the many communities and institutions that made them — which is the deeper social purpose this framework serves.

2. The Proposal: Citizen's Choice Tax

2.1 Core Mechanism

Every income taxpayer in India is allowed to direct 5% of their income tax liability to public institutions or communities of their choice. The remaining 95% continues to flow normally through existing channels (local government, state government, central government allocations).

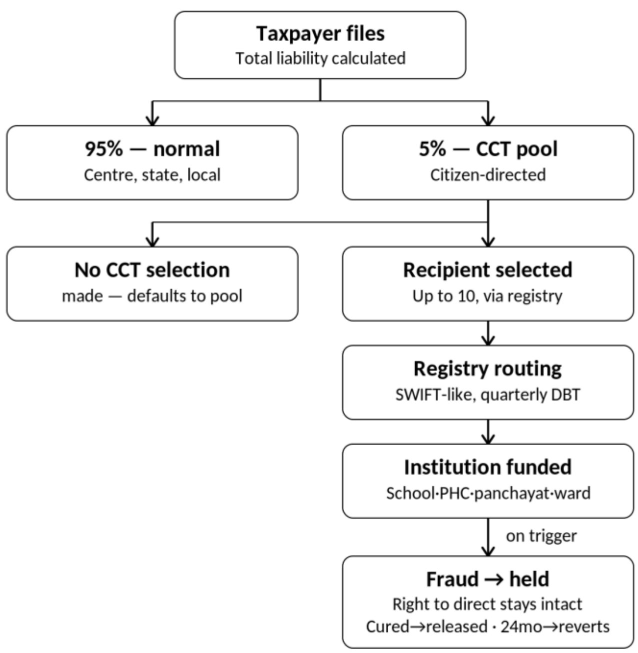

Figure 3 — How the Citizen's Choice Tax flows at the point of filing.

Key features:

- Voluntary at recipient designation level — the 5% allocation itself is structural, but the choice of recipient is entirely the taxpayer's

- No verification required — the taxpayer's declaration of which communities or institutions shaped them is accepted at face value
- Fully discretionary distribution — the 5% can be split across multiple recipients in any proportion the taxpayer chooses
- Annually changeable — taxpayer can modify allocations each year during tax filing
- If taxpayer makes no selection — the 5% defaults to the standard tax pool (no penalty for non-participation)
- Applies to ALL Indian income tax payers — including NRIs who file Indian tax returns on Indian-sourced income, who participate in this main mechanism identically to resident taxpayers (a separate voluntary channel, described in Chapter 6, serves diaspora members without Indian tax liability)

2.2 Eligible Recipients

To prevent misuse while maximizing flexibility, eligible recipients fall into clearly defined categories, each with a unique identifier (similar to SWIFT codes in banking):

- Village panchayats and urban ward committees (local governance bodies)
- Government schools (primary, secondary, higher secondary)
- Government colleges and universities
- Government hospitals, Primary Health Centers, and Community Health Centers
- Public libraries, museums, and cultural institutions
- Registered NGOs and charitable trusts (under Section 12A/80G)
- State tourism boards (for places that influenced the taxpayer)
- Specific government programs (mid-day meal schemes, scholarship funds, etc.)

2.3 The Recipient Registry

A national registry of eligible recipients is created, similar in concept to bank SWIFT codes. Each recipient is assigned a unique alphanumeric code. The registry is publicly accessible and searchable.

Each registered recipient must:

- Have a designated bank account for receiving directed funds
- Publish annual reports on how directed funds were utilized
- Maintain transparency on year-over-year funding received

- Comply with audit requirements (proportional to fund size received)

2.4 The Tax Filing Interface

During annual tax filing, the taxpayer encounters a new section:

> *"You may direct up to 5% of your tax liability to any community, institution, or organization that has shaped you, that you wish to support, or that has earned your respect. This is entirely your choice. Add up to 10 recipients and allocate percentages."*

The interface displays:

- Search box for finding recipients by name, location, or code
- Allocation percentages with running total (must sum to ≤ 5%)
- Previous year's allocations (for easy continuation or modification)
- Recipient transparency dashboards (one-click view of how each recipient used funds previously)

2.5 How CCT Differs from Section 80G

A natural question arises: India already provides Section 80G of the Income Tax Act, which enables tax deductions for donations to notified charitable institutions. Why is a new mechanism needed? The answer lies in five fundamental differences between the Citizen’s Choice Tax and Section 80G — differences that explain why 80G, despite existing for decades, has not addressed the structural problem this proposal targets.

Difference 1: Deduction vs Direct Allocation

This is the most important distinction. Under Section 80G, a taxpayer must give EXTRA money from post-tax income and then receives a deduction on a portion of it. A donation of ₹1,000 to a 100% deductible 80G institution at the 30% tax bracket actually costs the donor ₹700 out of pocket (they save ₹300 in tax that would have been otherwise paid). Net cost to taxpayer: ₹700.

Under CCT, the 5% comes from tax already owed — not from after-tax income. The taxpayer pays the same total tax; only the destination of 5% changes. Net additional cost to taxpayer: ZERO. This single difference has enormous behavioral implications. Discretionary donations even with tax incentives have historically reached only a small fraction of taxpayers; redirecting taxes already owed faces fundamentally lower behavioral resistance. This is precisely why Japan’s Furusato Nōzei (examined in detail in Section 4) mobilized ¥1.2 trillion (₹68,000 crores) in FY 2024, and why the Georgia (USA) HEART program (detailed in Section 4.5) achieves approximately 80% utilization of its $100 million annual cap — both use the same “redirect, don’t donate extra” principle that CCT proposes for India.

Difference 2: Eligible Recipients

Section 80G is restricted to notified charitable institutions — primarily NGOs with 80G certification, plus certain specified funds. Government schools, government hospitals, Primary Health Centres, and village panchayats are not eligible recipients under 80G in the normal sense; they are government entities, not 80G-certified charities. A villager wishing to support the very government school that educated them cannot do so meaningfully through 80G.

CCT explicitly enables flows to government institutions where they are most needed — government schools, government hospitals, PHCs, village panchayats, and urban wards — alongside the existing 80G universe of registered NGOs. This is a categorical expansion of eligible recipients to include precisely the institutions that shape most citizens.

Difference 3: Continuous Accountability

Under Section 80G, donation is a one-way transaction. If the recipient institution misuses funds, the donor has no automatic feedback mechanism for subsequent contributions. Under CCT, the taxpayer reallocates annually through the routine tax filing process. If a village panchayat misuses funds one year, the taxpayer redirects to their school the next year. If the school deteriorates, the taxpayer redirects to the PHC. This structural feature creates continuous accountability — communities and institutions must keep earning their citizens’ trust each year to keep receiving allocations.

Difference 4: Systematic Reform vs Individual Charity

Section 80G frames community contribution as private charity — exceptional behavior requiring individual initiative. The vast majority of taxpayers never engage with 80G in any meaningful way. CCT frames community contribution as structural fiscal policy — the default mechanism is available to every taxpayer through normal tax filing, with the 5% allocation being a small portion of taxes they are already paying. This shifts community investment from “exception” to “rule.”

Difference 5: The Empirical Test

Section 80G has existed for decades. Yet rural government schools continue declining, PHCs remain inadequately equipped, and village panchayats lack discretionary development funds. If 80G were sufficient to address these issues, the rural institutional decline that motivates this proposal would not persist as it does. 80G is a valuable supplementary mechanism for those willing to actively donate above and beyond their taxes — and it should continue. But empirical evidence over decades demonstrates that 80G has not and cannot function as a structural fiscal mechanism that systematically reverses rural institutional decline.

Complementary, Not Competing

Section 80G and CCT are best understood as complementary, not competing, mechanisms. Section 80G continues serving donors who wish to give above and beyond their tax obligations. CCT enables every taxpayer to direct a portion of taxes they are already paying to chosen public institutions and communities. Together, both mechanisms create a fuller ecosystem for citizen participation in funding public institutions. CCT does not replace 80G; it extends the principle that 80G established — citizen-directed allocation — to a much broader base of participants and recipients.

2.6 Why 5%? Rationale and Future Expansion Pathway

A natural question arises: why specifically 5%? Could the proportion be higher — even taxpayer-selectable within a wider range? The 5% starting level reflects deliberate design considerations, and should be understood as an initial level subject to evidence-based expansion, not a permanent ceiling.

Fiscal harmony. At 5% of approximately ₹12.9 lakh crore personal income tax, the maximum theoretical redirection is ₹64,500 crores — meaningful for recipient institutions yet readily absorbed within existing fiscal architecture, preserving full stability of Finance Commission devolution, Centrally Sponsored Schemes, and central revenue planning. The framework is designed to work in complete harmony with these established mechanisms.

Parliamentary primacy. The 5% level ensures that parliamentary and executive authority over fiscal allocation remains fully predominant — 95% of revenue continues through established democratic processes. This positions CCT as a citizen-participation enhancement to representative democracy, not a substitute for it.

International precedent. Japan's Furusato Nōzei is effectively capped near 20% of residence tax through credit limits, and grew gradually from a modest ¥8.1 billion in its first year (FY2008) to ¥1.27 trillion by FY2024 — a measured, evidence-driven expansion over 16 years. Georgia's HEART program operates under a strict $100 million aggregate annual cap. Both successful precedents began with prudent limits and expanded after demonstrating effectiveness.

Learning before expanding. Starting at 5% allows the registry to be tested at scale, accountability mechanisms refined, and allocation patterns studied before higher proportions are considered — prudent policy design that positions the framework for sustainable long-term growth.

Future Expansion Pathway

As the mechanism proves itself, a staged expansion can follow — Phase 1 (Years 1-3): 5% allocation with registry build-out and pilot evaluations; Phase 2 (Years 4-6): review by the Finance Commission and, upon demonstrated success, consideration of expansion to 7-10%; Phase 3 (Years 7+): further expansion toward 10-15% based on accumulated evidence, with potential taxpayer-selectable ranges if differential limits prove appropriate. Higher levels of citizen empowerment remain firmly on the table — earned through demonstrated success rather than assumed from the start, mirroring the evidence-driven growth paths of Japan and Georgia.

3. Philosophical Foundations

3.1 Who Makes a Citizen

No one is self-made, and no one is made by a single institution. A child is delivered at a primary health centre, walks a road the panchayat laid, drinks water the ward supplies, learns mathematics from a government school teacher, and takes from the community around all of it a sense of what is owed to whom. The school is the most legible of these, because it keeps a register and its beneficiaries have a name. Nothing keeps a register of the people a health centre kept alive, or the panchayat whose road carried them to work — which is the first sign of the gap this chapter describes.

What these institutions pass on is not only capability but conduct. A community that treats its weakest members decently teaches every child watching what decency costs and what it is worth. The values a successful citizen carries into adult life were not acquired in one classroom; they were absorbed from the whole of the place that raised them. Whatever debt is owed, then, is owed to that whole, and not to a school alone. Yet the whole receives no acknowledgment tied to its part in producing a citizen. Its contribution is invisible in the fiscal system. What follows is an account of how that contribution might be made visible, and why the visibility matters more than the money.

3.2 The Missing Ask

It is commonly assumed that so little private wealth reaches these institutions because the will to give is absent. The evidence points the other way. Money moves constantly from those who left to the places they left — remittances to family, gifts at weddings, hospital bills met in a crisis, an envelope handed over when a relative telephones in distress. That flow is large, reliable, and immediate, and it begins the moment someone asks. What it never reaches is an institution, because an institution cannot ask. It does not telephone a relative when its roof leaks.

The consequence is an asymmetry so ordinary that no one names it. When a health centre cannot treat an accident, the family finds the money for a private hospital — at the worst moment and the worst price. That same money was available the year before, and the year before that, when it would have bought the equipment that made the private hospital unnecessary. The channel for rescue works perfectly. The channel for prevention does not exist. This is the whole of the problem, and it is worth being exact about what would solve it. The disbursement rails already exist; a recipient registry is ordinary plumbing. What has never existed anywhere in the system is a single moment, arriving once a year and reaching every taxpayer in the country, at which the citizen is asked to name the institution that made them. That prompt is the reform. The State is not being asked to spend. It is being asked to ask.

3.3 What Happens to the Institution No One Chooses

The natural worry is that an institution whose citizens have scattered, or whose citizens stayed poor, will now be starved of funds. It will not, and this is the pivot on which the entire design turns. Government funding of public institutions is unconditional and untouched by this proposal. A school, a health centre, or a panchayat receives what the State provides, on the criteria the State applies, whether or not a single citizen directs anything to it. Where nothing is directed, the sum returns to the general pool from which that institution is funded exactly as it is today.

An institution that no one chooses therefore loses nothing it possessed. The counterfactual is not deprivation but the status quo, and this is what separates the proposal from every scheme that makes public provision contingent on private virtue. Nothing at the floor is ever at stake; what is added sits above it, discretionary and chosen. No community is exposed to risk by taking part, and none is punished for being forgotten. That assurance is what makes it safe to say what the directed layer actually does.

3.4 Why Money and Values Must Stand Together

A mechanism resting on ethical appeal alone would not stand. Communities have always been told they ought to be honoured by those they raised, and the telling has changed very little, because conduct in the aggregate follows incentives, and incentives in a modern economy are denominated in money. Recognition without money produces a plaque. But a mechanism resting on money alone would not stand either: the rupees directed to an institution track the earnings of the people it produced, and earnings track how prosperous the surrounding district was a generation ago. Read the money by itself and every judgment drawn from it flatters the places that were already fortunate.

For this reason two quantities are reported together, always, and never one without the other:

- the sum directed, which gives an institution a budget, its governing body a reason to attend, and its administrators something to account for — this is what gives the signal weight;
- the count of citizens who directed, which records whether the institution was remembered, and which does not rise with what its former pupils came to earn. A school in a poor mandal whose children became teachers and clerks may show a higher count than a school whose few alumni became surgeons.

Set side by side, the two interpret one another. A high count with a modest sum describes an institution that produced many decent lives — and the pairing is what makes that reading honourable rather than a mark of failure. A low count with a large sum describes an institution that produced a few who prospered, or one that most of its children have forgotten. Neither number alone would tell you which. This is also the reply to the fear that the mechanism must favour the wealthy: it favours them in rupees but not in standing, both are published, and a community competes on the count, which it cannot buy, while benefiting from the sum, which it can spend.

3.5 What the Directed Layer Rewards

Because the choice is renewed every year, it rewards conduct rather than history. The older idea of returning to one's roots rests on unconditional obligation — one gives back regardless of how the origin community behaves. This rests on something more durable: gratitude reciprocated by respect. A community that discriminates against its members, harasses migrant families, lets the dignity of its public institutions decay, or simply ignores the people it produced, will find their allocations going elsewhere. A community that honours them keeps their support. The connection settles where it is honoured, and that is a discipline no inspection can impose, because it reaches conduct no inspector can see — though it reaches it slowly, and a community that fails its children may not read the verdict, in a published number, until the failure is decades old.

The same logic runs forward, to the children a community is raising now. Every child is a potential future taxpayer who will one day choose where a share of their tax goes, which gives even a self-interested community a direct stake in raising all of them well:

- a girl's education becomes a priority, because she too will pay taxes and remember who taught her;
- a poor child's education becomes a priority, because modest middle-class taxpayers are, in the aggregate, the largest source of directed funds;
- a child from a marginalised community becomes a priority, because discrimination now carries a future economic cost;
- a child with a disability is cared for better, because every life carries the same standing in the count.

One case deserves singling out. A child who rises out of a hard childhood is not a statistical accident; such people appear in every generation and every village, and they have always directed their capacity toward the family that raised them, because family is the one connection that survives distance. Family connection is easy. Community connection is hard, and until now has had no channel at all. The mechanism does not manufacture these citizens. It reaches the ones who already exist, wherever the State has not yet looked, and gives their gratitude somewhere to land. The older wisdom that every child is a community's responsibility, which modern individualism wore away, is here revived through plain economic logic: what a community receives tomorrow depends on how it treats its children today. This is the same principle behind Beti Bachao Beti Padhao, the scholarships and fee waivers for disadvantaged students, PM POSHAN feeding over 11 crore children daily, and Samagra Shiksha; the framework adds to them a feedback loop at the community level, so that a place which raises its children well sees the investment return through the choices those children later make.

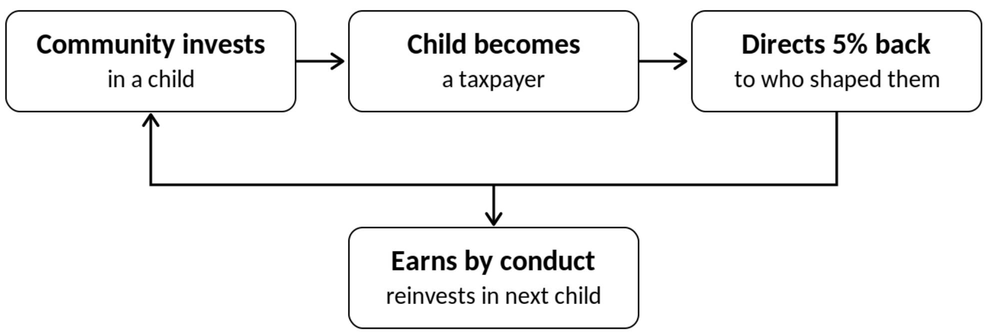

Figure 4 — The renewable choice as a loop: raise children well today, earn their support tomorrow.

3.6 A Measurement That Has Never Existed

Those choices, aggregated, produce something India has never had: a measure of what an institution actually produced. Schools and health centres are assessed today by enrolment, staffing, examination results, patient footfall — inputs, and things adjacent to inputs. Nothing measures what an institution is for, which is what became of the people who passed through it a generation later. The directed flow supplies exactly that, compiled by the people the institution produced, requiring no survey, and impossible to cram for. Its only determinant is whether the institution taught well and treated people decently, in a decade now gone.

From this two things follow, and the second matters more to the State than the first. The first is that an institution acquires, for the first time, a public account of whether it was remembered — not a line on a notice board but a figure, and a figure that funds its own improvement. Institutions will compete for it, and the only way to win is the way the State has always wanted them to behave. The second is diagnostic.

An institution to which little flows has disclosed something no inspection would reveal: that the chain between a community's investment and its children's success has broken somewhere. A low figure is not a punishment and not a failure of the scheme. It is a location, marked by the people who lived there, and the right response to a location is to send help to it — not to withhold, which the mechanism never does, but to seed.

One caution governs any such use. The sum directed is confounded by the prosperity of the district a generation earlier, so a State acting on that figure alone would seed the wrong villages. This is precisely why the count is always reported beside it, and why both must be read against the district's economic baseline rather than in the absolute. Read that way, the paired figures are the most precise instrument available for finding the communities that most need the State's attention — which is the opposite of the regressive mechanism the proposal is sometimes assumed to be. Devolution finds need by central assessment; this finds it by individual memory. The two miss in opposite directions, and that is the case for running both.

3.7 A Parallel Track to Governance

Representative democracy operates in five-year cycles; between elections a citizen has little say in how tax revenue is spent. This adds an annual moment in which 5% of the revenue is directed by the people who paid it — a parallel track alongside the appropriations of Parliament and the disbursements of the executive, answering a different question on a different principle, and leaving the other 95% firmly with the elected government. The 5% is deliberately modest, sized to demonstrate the mechanism rather than to test the exchequer. Its diversity is part of the point: a central plan, however well made, proceeds from one set of judgments in one place, whereas millions of independent choices reach institutions no plan identified, in a distribution no committee would have drawn. Where the two disagree, the State learns something it did not know.

This also resolves an old dilemma without choosing either of its horns. Privatisation brings discipline but excludes the poor; pure public provision includes everyone but answers to no one. Here the institutions stay public and unconditionally funded, and face market-like discipline only in the discretionary layer above the floor. A school that teaches well draws directed funds from those it taught; a health centre that treats people with dignity draws them from those it healed; a panchayat that keeps its roads and water draws them from those who grew up walking and drinking. Performance shapes funding without a single bureaucratic score, without privatisation, and without putting anything the poor depend on at risk.

3.8 Completing an Unfinished Constitutional Design

None of this is foreign to Indian constitutional thought. It is already written into the Constitution, and left incompletely realised. Article 40 of the Directive Principles directs the State to organise village panchayats and endow them with the powers they need to function as units of self-government. That aspiration was given enforceable form in 1992: the 73rd Amendment inserted Part IX (Articles 243 to 243-O), declaring panchayats institutions of self-government, and came into force on 24 April 1993, now observed as National Panchayati Raj Day; the 74th Amendment inserted Part IX-A (Articles 243-P to 243-ZG), extending the same standing to urban local bodies, with Article 243-W empowering municipalities and Article 243-S providing for ward committees. Together they moved India from a two-tier federal structure to a three-tier one, carrying the machinery of democracy down to the village and the neighbourhood.

The design is settled; the fiscal practice has not caught up to it. Local governance remains constrained by inadequate devolution of powers and funds. Devolution under the Finance Commission's formula reaches the state treasury, and State Finance Commissions constituted under Articles 243-I and 243-Y then review the finances of panchayats and municipalities — but at no point does any allocation arise from the choice of the citizen a particular institution shaped. The Citizen's Choice Tax carries the principle of subsidiarity into the fiscal domain. It asks Parliament not to endorse a sentiment but to complete a design the Constitution already contains: where the 73rd and 74th Amendments gave local institutions democratic standing, this gives citizens a direct fiscal means of sustaining them, and the recipient categories set out in Section 2.2 are precisely the institutions those amendments recognised.

One clarification forecloses a misreading. The framework makes no claim that rural life is superior to urban, and does not romanticise the village; Indian political thought contains a serious and unresolved debate on that question, and this proposal takes no side in it. The principle invoked is narrower and, it is submitted, uncontested — that self-governance is strengthened when authority and resources reach the level closest to those governed. It holds with equal force for a village panchayat in East Godavari and a municipal ward in Hyderabad, and the framework is deliberately indifferent as to which a citizen chooses.

4. International Precedent: Japan's Furusato Nōzei

4.1 The Japanese Model

Japan introduced the Furusato Nōzei (Hometown Tax) system in 2008 under then-Minister Yoshihide Suga. The program allows Japanese taxpayers to redirect a portion of their residence tax to any municipality of their choice, receiving a tax credit in return. The system was specifically designed to address the imbalance whereby people educated in rural municipalities migrated to cities for work, but their tax contributions stayed in urban areas [1].

Results have been remarkable [1]:

- In fiscal year 2024, donations exceeded ¥1.2 trillion (approximately $8 billion USD)
- Over 1,785 local governments are registered in the system
- In FY2021, approximately 7.4 million citizens participated
- Rural municipalities have seen significant revenue increases, reversing decades of fiscal decline

The system has produced concrete development outcomes: Monbetsu City in Hokkaido collected ¥15.3 billion in 2021 donations. Multiple municipalities have funded schools, healthcare facilities, and cultural preservation through these directed funds.

4.2 What Japan Got Right

- Established that direct taxpayer-to-municipality flow is administratively feasible
- Created a portal system (Furusato Choice and other platforms) for easy participation
- Demonstrated that millions of citizens will participate if given the option
- Proved the system can move substantial resources to underfunded areas
- Validated the principle that taxpayers want voice in fiscal allocation

4.3 What Can Be Improved (CCT's Innovations Over Furusato Nōzei)

Despite Furusato Nōzei's success, several limitations have emerged that the Citizen's Choice Tax framework addresses:

Limitation 1: The Gift-Competition Distortion

Furusato Nōzei allows recipient municipalities to send "return gifts" worth up to 30% of donations. This evolved into intense competition where municipalities offer premium products (wagyu beef, fresh seafood, sake) to attract donations. The system began rewarding luxury gifts rather than genuine community connection. Many donors choose municipalities they have no connection to, simply for the best gift.

CCT Innovation: No return gifts. The framework relies on intrinsic gratitude and ongoing connection, not material incentives. This prevents the distortion of true community investment into a shopping mechanism.

Limitation 2: Urban Revenue Loss Without Connection Requirement

Tokyo's 23 wards lost over ¥54 billion in revenue in fiscal 2021 to Furusato Nōzei [1]. Because donors can choose any municipality regardless of connection, even successful urban governments are hemorrhaging revenue without obvious justice — donors might be choosing a municipality they have no relationship with, simply for its gifts.

CCT Innovation: The framing emphasizes "communities that shaped you" — while not strictly enforced through verification, the cultural norm guides choices toward genuine connection. The interface, public discourse, and registry organization all reinforce shaping connections.

Limitation 3: Static Donation, Not Living Relationship

Furusato Nōzei treats donations as transactions. Once a donor selects a municipality and receives gifts, the relationship effectively ends until next year's filing.

CCT Innovation: Annual flexibility is emphasized as a feature for ongoing relationship management. Communities must continuously earn their share through respectful behavior toward both past migrants and current residents. The system is designed as living relationship, not transaction.

Limitation 4: Limited Forward-Investment Logic

Furusato Nōzei's logic is essentially restorative — past migrants giving back to past communities. It doesn't strongly incentivize communities to invest in current children as future returns.

CCT Innovation: Explicit messaging frames the system as inter-generational investment. Communities are educated that today's children are tomorrow's tax-directing adults. This creates forward-looking incentives for child welfare, education, and inclusive treatment.

Limitation 5: No NRI/Diaspora Integration

Furusato Nōzei is purely domestic. Japan's diaspora, though smaller than India's, has no mechanism to participate.

CCT Innovation: Built-in NRI mechanism (detailed in Section 6) allows the massive global Indian diaspora to participate, channeling international wealth back to communities that shaped its members.

4.4 The Comparative Framework

Dimension	Japan Furusato Nōzei	India Citizen's Choice Tax
Launched	2008	Proposed
Connection Required	No (any municipality)	Cultural norm of shaping connection
Return Gifts	Yes (up to 30%)	None
Tax Portion	Variable based on income	Fixed 5% of income tax
Annual Changeability	Yes	Yes (explicitly emphasized)
Mutual Respect Principle	Not formalized	Central principle
Forward Investment Logic	Weak	Explicit framing
Diaspora Integration	None	Built-in NRI mechanism
Eligible Recipients	Municipalities only	Schools, hospitals, NGOs, wards, etc.

4.5 A US Precedent: Georgia’s HEART Rural Hospital Tax Credit Program

Beyond Japan, the United States provides another working precedent for citizen-directed tax allocation to specific community institutions. The state of Georgia operates the HEART (Helping Enhance Access to Rural Treatment) program, established by the Georgia General Assembly in 2017 specifically to address the financial decline of rural hospitals.

How Georgia HEART Works

Under O.C.G.A. § 48-7-29.20, Georgia taxpayers can receive a 100% dollar-for-dollar Georgia state income tax credit for contributions made to qualified rural hospital organizations (QRHOs) of their choice. Key features:

- 100% state income tax credit (not just deduction) for contributions to qualified rural hospitals
- Annual aggregate cap of $100 million in available tax credits (increased from $75 million per HB 1339 signed April 19, 2024)
- Taxpayer selects specific hospital recipient - the donor decides which rural hospital receives their tax contribution
- Simple application process (approximately 3 minutes online via georgiaheart.org)

- Pre-approval mechanism: Georgia Department of Revenue pre-approves contributions before funds are disbursed
- Originally set to sunset in 2024; renewed through December 31, 2029 due to bipartisan support

Demonstrated Adoption and Impact

By January 2026, approximately $80 million of the $100 million 2025 annual cap had been pre-approved, demonstrating strong and sustained citizen uptake. As one participating hospital network states: “All Georgia citizens have the ability, through HEART, to decide how their tax dollars are spent.” This is the explicit articulation of the same principle underlying the Citizen’s Choice Tax: citizens should have direct voice in allocating a portion of their tax revenue to specific community institutions they wish to support.

Why Georgia HEART Strengthens the CCT Case

Georgia HEART provides several specific lessons relevant to the Citizen’s Choice Tax proposal for India:

- Democratic federalism feasibility: A US state in a federal democracy similar in structure to India has successfully operated this mechanism for nearly a decade. The principle is not exclusive to centralized governance systems.
- State-level pilot viability: This is a state-level program, demonstrating that Indian states (Andhra Pradesh, Telangana, Karnataka, Tamil Nadu) could pilot a state-level version of CCT without waiting for central government action.
- Rapid citizen uptake: 80% of the $100M annual cap utilized within the year demonstrates strong citizen willingness to participate when the mechanism is simple.
- Bipartisan support: The program was renewed and expanded with bipartisan support, suggesting this concept transcends typical political divisions when framed correctly.
- Sectoral focus is viable: Georgia HEART focuses exclusively on rural hospitals, demonstrating that pilots can begin with a specific sector (e.g., government schools or PHCs in India) before expanding scope.
- Simple administration: Pre-approval and 180-day contribution window provides a workable administrative model that prevents abuse while ensuring participation is accessible.

Two Complementary Precedents

Japan’s Furusato Nōzei and Georgia’s HEART program are complementary rather than redundant precedents. Japan demonstrates scale and longevity for broad-based citizen-directed allocation (¥1.2 trillion mobilized across 1,785 municipalities). Georgia demonstrates that a US-state version is viable in a federal democratic system and that sector-specific implementation works. Together, these two precedents establish that the Citizen’s Choice Tax framework is neither speculative nor radical — it represents the synthesis of approaches that are already working in two of the world’s most developed economies. India would not be experimenting; India would be adapting proven models to its own unique context, with the potential to improve on both through the universal-application and mutual-respect principles that distinguish the CCT.

5. Expected Outcomes

5.1 Financial Projections — A Conservative Assessment

A framing note is necessary before any figure is presented. The revenue generated by this mechanism is a secondary output of it, not its purpose, and the case made in Chapter 3 does not rest on the projections below. At the level of the exchequer these sums are modest; at the level of a single primary health centre they are decisive. Both statements are true, and the proposal rests on the second. A reader who regards the estimates that follow as optimistic has not thereby damaged the argument, and is invited to test that claim against Section 8.8.

Based on verified FY 2024-25 direct tax data published by the Central Board of Direct Taxes (CBDT) [2]:

- Personal Income Tax collection FY 2024-25: ₹12,90,144 crores (gross)
- Total direct tax collection FY 2024-25: ₹25,86,947 crores
- Number of Income Tax Returns filed for AY 2024-25: 7.28 crores (record high) [3]
- Personal Income Tax grew 17.47% year-over-year [2]

Important Context for Realistic Projections:

A rigorous projection must account for the highly concentrated nature of India's personal income tax. Of approximately 8 crore tax return filers, the vast majority pay zero or minimal tax under current slabs (income up to ₹12 lakhs is effectively tax-free in FY 2025-26). The portion of tax collected from individuals earning less than ₹10 lakhs has declined to just 6.22% of total personal income tax. Approximately 9.4 lakh filers reporting income above ₹50 lakhs contribute the bulk of personal income tax revenue. The mathematical ceiling of 5% redirection (₹64,500 crores at 100% participation) significantly overstates realistic expectations.

Additional realism factors that lower projections:

- Many high-earning taxpayers are urban-born and may have weaker "shaping community" attachment than rural-origin migrants
- Behavioral inertia: even motivated taxpayers may not actively engage with the allocation system, defaulting to standard pool
- Early-years adoption curves typically show participation rates of 20-40%, not 50-75%

- Japan's Furusato Nōzei reached current scale only after 15+ years of operation: its first year (FY2008) raised only ¥8.1 billion (approximately ₹460 crores) — less than 1% of its eventual FY2024 scale of ¥1.27 trillion. Citizen-directed systems start small and compound steadily

Honest Projection Scenarios:

Scenario	**Participation Assumption**	**Estimated Annual Flow**
Pilot/Launch (Years 1-2)	Under 10% participation (Japan-analog launch phase)	₹500 - 2,500 crores annually
Early Growth (Years 3-5)	10-25% participation	₹4,000 - 12,000 crores annually
Mature Steady State (Years 8-10+)	40-60% participation	₹25,000 - 40,000 crores annually
Theoretical Maximum	100% participation, full 5% allocation	₹64,500 crores (mathematical ceiling)

These estimates deliberately err toward conservatism — Japan's experience teaches that citizen-directed systems start small and compound steadily, and the policy case rests on the mechanism's direction, not its initial magnitude. Even modest early flows would be meaningful for individual recipient institutions, and at mature scale the framework could approach the magnitude of significant national programmes.

For comparison: India's 16th Finance Commission recommended local body grants of ₹4.4 lakh crores rural + ₹3.6 lakh crores urban over 5 years (combined ₹1.6 lakh crores annually average). CCT at mature scale would add approximately 15-25% on top of these flows toward local institutions — through a complementary, citizen-directed allocation channel.

Distribution potential: India has approximately 31,053 Primary Health Centres, 6,064 Community Health Centres, 767 District Hospitals [7], over 1.5 million government schools, and approximately 600,000 villages [5]. Even modest CCT flows distributed across this network would represent meaningful per-institution investment.

5.2 Rural and Underserved Area Revitalization

The primary expected outcome is reversal of rural decline through direct citizen-to-village fiscal flows. Specifically:

- Government schools in rural areas receive direct funding from successful alumni, enabling infrastructure upgrades, teacher training, and resource investment

- Primary Health Centers receive funding from patients who valued their care, enabling equipment upgrades and staff retention
- Village panchayats gain discretionary funds for local priorities identified by the community itself, complementing official development programmes
- Cultural institutions, libraries, and heritage sites preserve themselves through gratitude flows from those they enriched

5.3 Within-City Neighborhood Revival

Beyond rural-urban dynamics, the framework revitalizes neglected urban neighborhoods. Areas like Malakpet (Hyderabad), Dharavi (Mumbai), Govindpuri (Delhi), and thousands of others have produced successful citizens who now live elsewhere. Their tax allocations would flow back to these areas, enabling:

- Improved local infrastructure complementing existing urban development programmes
- Better government schools serving children who currently lack quality options
- Healthcare facilities upgraded by former patients
- Community pride and identity preservation

5.4 Public Institution Quality Improvement

Government schools and hospitals will face direct accountability to former beneficiaries. Quality will improve through:

- Reputation management: institutions track which alumni/patients direct funds and engage them
- Performance signaling: year-over-year funding patterns reveal what works
- Alumni network development: institutions build active engagement programs
- Service quality competition: hospitals compete to treat patients with dignity, knowing future tax direction depends on it

5.5 Social Reform Through Economic Incentive

Subtle but profound social reforms will emerge:

- Caste discrimination decreases: communities that discriminate lose future tax flows from discriminated members
- Gender equality improves: communities educating and respecting girls equally benefit from female tax-directing alumni

- Inclusion of marginalized groups becomes economic advantage: every well-treated person is a future tax direction source
- Elder care improves: aging parents of migrants are treated well, since their treatment affects migrant's tax direction choices
- Tax morale improves: international research consistently shows tax compliance rises when citizens feel a voice in how taxes are used. The annual CCT allocation moment gives every taxpayer a visible, personal stake in the tax system — plausibly improving voluntary compliance and supporting the Government's sustained drive toward formalization of the economy through GST, digital payments, and faceless assessment

5.6 Cultural and Identity Preservation

Many migrants — especially second-generation NRIs — lose connection with their roots within one or two generations. The annual tax-filing ritual of choosing where one's 5% goes becomes a structured moment of cultural reconnection. Identity, gratitude, and belonging are reinforced economically and emotionally.

A Real-World Case Study: Village Nangavaram, Andhra Pradesh

The preceding chapters established the framework, mechanism, philosophical foundations, international precedents, and expected outcomes of the Citizen's Choice Tax. This proposal, however, did not emerge from academic theory. It emerged from lived experience. The story of the author's home village — Nangavaram, Uppalaguptam Mandal, Andhra Pradesh — illustrates every dimension of the problem this paper addresses, and demonstrates concretely what the framework above would mean if implemented. What follows is not an isolated personal account; it is the human reality behind thousands of similar villages and millions of similar life stories across India.

The School That Has Shaped Generations

The author studied at Sri Sirangu Ranganayakamma Zilla Parishad (SSR ZP) High School, Bhimanapalli, completing high school in 1987. This institution is approaching its 75-year anniversary in 2027, indicating it was established around 1952. The author's father, Sri Saladi Dorayya Naidu (born approximately 1940), was himself a student at this school in the late 1950s — making him likely among the school's earliest cohorts of students. He subsequently built a career as a mathematics teacher across several schools in East Godavari district, including 18 years of service at the same SSR ZP High School Bhimanapalli, retiring in 1998.

All five of his children — four sons and one daughter — also studied at SSR ZP High School across various batches. This represents a sustained three-generation family connection to one government school spanning approximately seventy years.

In the decades when this school served the surrounding villages, there were no nearby private alternatives. This government school was where every child from the region received education. What did the school actually provide that made the difference? Free, quality education at a time when most families — predominantly small farming households — could not have afforded any alternative. Dedicated teachers who treated teaching as a calling, instilling strong foundations in mathematics and the sciences. Discipline, aspiration, and a peer community of farmer families' children who pushed each other upward — classmates competing not over possessions but over marks. Teachers had proper wooden chairs and tables. Classrooms were functional. Across multiple generations of students — spanning the author's father's era, the author's own batch in the 1980s, and subsequent batches — students from this single school went on to become:

- Scientists at DRDO (Defence Research and Development Organisation) and CCMB (Centre for Cellular and Molecular Biology)
- Senior personnel at strategic public sector enterprises (including the author's eldest brother Sri Satyanarayana Saladi, who retired from Bharat Dynamics Limited, Hyderabad in 2024)
- Engineers settled in Hyderabad, Ahmedabad, the United States, and across India
- A professor at a U.S. university
- Successful civil engineers and builders in Hyderabad
- Manufacturing entrepreneurs (including the author's second brother, who built his own quartz gritmill business supplying India's glass industry)
- Professionals who chose to remain near the native region, contributing to local community
- Teachers and educators, most of whom went on to serve schools within the local region
- Bank officers and employees, including some who settled as far afield as Madhya Pradesh
- Many other professionals contributing across India and internationally

In a sustained track record across more than seven decades, this rural government school has produced scientists, engineers, academics, entrepreneurs, and professionals whose collective contributions to India's economy, defense, manufacturing, and global standing run into hundreds of crores in tax revenue alone — almost none of which has flowed back to the school itself. The school's upcoming 75-year anniversary in 2027 presents a particularly poignant occasion to reflect on this asymmetry: the very institution that nurtured all of this productive citizenship now sees its infrastructure still underdeveloped — including a shortage of proper furniture for its teaching staff — far below what decades of such productive citizenship could have helped build.

The Same School, Four Decades Later

On a recent visit to SSR ZP High School, the author found a deeply troubling reality:

- Classrooms are short of proper tables for teaching staff
- Inadequate furniture for teaching staff (the facilities have not kept pace with the wooden chairs and tables of the 1980s)
- School admissions are continuously declining
- Teacher posts are being progressively reduced
- Most local families now send children to distant private institutions

The author has personally donated approximately ₹8 lakhs worth of contributions to the school — including teak tables, cushion chairs, a laptop, laser printer, stage podium, 80 sports kits, cricket kits, cricket dress, volleyballs, and other essentials — and supports volunteers tutoring underperforming students in the school hostel (the hostel, together with a renovated school building, was added only in the late 2010s with government funds; through the school's earlier decades there was no hostel at all). This donation carries deep generational significance: the author's father, Sri Saladi Dorayya Naidu, was himself a student at this school in the late 1950s and later served as a mathematics teacher at the same SSR ZP High School for 18 years (part of a longer teaching career across multiple schools in East Godavari district). The son returning four decades later to support the very institution his father served, was educated in, and dedicated years of his teaching career to, embodies precisely the principle this proposal seeks to systematize. But this is the work of one individual family — a band-aid on a structural wound. Under the Citizen's Choice Tax framework, the hundreds of successful alumni this school produced across multiple generations could collectively direct a portion of their annual taxes back to their alma mater, transforming it from a declining institution into a thriving one — without any individual having to write large personal checks.

This contribution was documented across four major Telugu newspapers on 14 February 2026 — Andhra Prabha (East Godavari edition), Sakshi (Amalapuram edition), Eenadu, and Andhra Jyothi — providing extensive public verification of the author's lived commitment to the principles articulated in this proposal. Multiple publications specifically highlighted the multi-generational family connection: father teaching mathematics at the school for 18 years, son returning four decades later to support the same institution.

The Healthcare Crisis

The author's village PHC (Primary Health Centre) remains in essentially the same condition it was decades ago — no state-of-the-art equipment, no facility upgrades, no improvement in capacity. The consequences are severe and immediate.

Recently, a villager's father met with an accident. The local PHC was unable to provide adequate care. The family rushed him to a private hospital, where bills accumulated rapidly. Aarogyasri (Andhra Pradesh's healthcare scheme) covered some charges, but with extended recovery time, costs spiraled. When bills became unbearable, the family called the author for help. He contributed ₹2.5 lakhs toward the father's hospital expenses.

Consider this scenario through the lens of the proposed framework: if even a fraction of taxes paid by migrants from this region — engineers, doctors, professors, NRIs — had been flowing annually to the local PHC over the past two decades, that PHC would today have modern equipment, trained staff, and capacity to handle accidents and emergencies. The villager's father would have received quality care locally. The family would not have faced financial ruin. The migrant would not have needed to make a one-time ₹2.5 lakh emergency contribution after the crisis — instead, his small annual tax allocation would have prevented the crisis entirely. This is the difference between reactive individual charity and systematic community investment.

Beyond Schools and Hospitals: Basic Village Infrastructure

The author is currently seeking plans to address two additional critical gaps in his home village:

- Proper cremation facilities (currently inadequate)
- Drainage infrastructure (currently non-existent)

These are basic dignity-of-life infrastructure that every community deserves. Their absence in 2026, in a village that produced multiple scientists, engineers, and global professionals, illustrates the opportunity rather than assigning blame: enormous goodwill and prosperity exist among this village's successful sons and daughters, waiting only for a structured channel to flow back. There are countless such examples across India — people get disconnected and settle in other places, and all such people need encouragement and a mechanism to reconnect with their roots. Individual planning by one person cannot accomplish what systematic flows from all who originated in such communities could achieve together.

The Pattern Beyond One Village

While roads have improved, buildings have come up, and headline infrastructure metrics show progress, the deep institutional fabric — schools, hospitals, basic dignity infrastructure — has stagnated or declined. The author's observation, repeated across thousands of villages, is that migrant-influenced development could bring dramatically better progress, because migrants constantly compare facilities across the places they live and inevitably want to bring those standards to where they came from.

Decades of working abroad gave the author a point of comparison he could not unsee when he returned to his village. That contrast raised a question rather than settled one — and the answer he found came not from impressions of developed-world standards, but from a documented precedent. Japan’s Furusato Nōzei is a deliberate, citizen-directed mechanism that channels support to home communities, and it has mobilised ¥1.2 trillion across 1,785 municipalities while measurably slowing rural decline. That precedent, not any general observation about wealthier countries, is what motivates this proposal.

The Hidden Flows Already Happening

A critical insight often missed in policy discussions: significant fiscal flows from migrants to their origin communities are already happening — just outside any structured framework. The author estimates that over his 24 years in the United States, he has personally remitted over ₹2 crore (approximately $240,000) to family members, relatives, friends, and ad-hoc community needs in his village and surrounding region. This is in addition to the school donations and emergency hospital contributions mentioned earlier.

None of this ₹2+ crore reached the village panchayat's development fund. None reached the local school's institutional account. None reached the PHC's equipment budget. It all flowed person-to-person — supporting individual emergencies, family expenses, friend's medical bills, relative's wedding costs, ad-hoc educational support. Helpful at the individual level, but invisible to community-level planning and institutional development.

Multiplied across millions of similarly-positioned diaspora members, this represents an enormous existing flow of capital and goodwill that is currently fragmented, episodic, and reactive — never strategic, sustained, or institutional. Conservative estimates suggest that if even 10% of high-engagement Indian-American professionals follow patterns similar to the author's, the latent annual flow potential exceeds ₹10,000 crores — money that diaspora members are already willing to send, that currently goes to individuals, that could partially be channeled to institutions through proper mechanisms.

The Citizen's Choice Tax framework does not ask migrants to start new giving behaviors. It asks them to convert a portion of what they are already doing into structured institutional channels. This is a fundamentally easier behavioral change than creating new generosity.

Migrants are uniquely positioned to drive this comparison-based improvement. A villager who has never seen world-class hospital equipment cannot demand it. A migrant who has experienced quality healthcare in Hyderabad, Bangalore, Helsinki, or Seoul knows what is possible and can advocate for it — if a mechanism exists to channel their advocacy into resources.

This is precisely what the Citizen's Choice Tax framework would enable. It would convert the goodwill, lived knowledge, and existing financial flows of millions of migrants like the author — each with their own Nangavaram, their own SSR ZP High School, their own neglected PHC, their own exposure to global standards, and their own decades of unstructured personal giving — into systematic, sustained, transformative investment in the communities that produced them.

> *"What I do as an individual — ₹8 lakhs for furniture, ₹2.5 lakhs for medical bills, future commitments for cremation and drainage — represents reactive, ad-hoc, exhausting work. It addresses crises but cannot prevent them. Multiply my situation by the millions of migrants from rural India who feel the same impulse but have no structured channel: that is the untapped potential the Citizen's Choice Tax would release."*

These projections are estimates, offered as such, and they are the least certain claims in this paper. Section 8.8 sorts every claim the framework makes into those that follow from the design, those evidenced by Japan and Georgia, and those that remain projected. The figures above belong to the third category. What belongs to the first — that funds reach named institutions, that allocation is annual and reversible, that no additional cost falls on the taxpayer, and that every filer receives the prompt — does not depend on any number in this chapter.

6. NRI Integration: The Diaspora Dimension

6.1 The Untapped Opportunity

India's diaspora is one of the largest and most successful in the world [4]:

- Approximately 35.42 million people of Indian origin live outside India as of January 2024, comprising 15.85 million NRIs and 19.57 million PIOs/OCIs
- India's diaspora is the world's largest by total count
- Major communities: United States (5.41 million), United Arab Emirates (3.57 million), and significant populations in UK, Canada, Australia, Singapore, and dozens of other countries
- Indian-Americans have among the highest median household income of any U.S. ethnic group
- Annual remittances to India reached a record $135.46 billion in FY 2024-25 (14% increase year-over-year), making India the world's top remittance recipient [8]

Yet despite these massive flows, there is no structured mechanism through which diaspora members can systematically support the specific villages, schools, and communities that shaped them. Remittances flow to families, not to shaping institutions. Charity flows to large NGOs, not to the local PHC that delivered the donor's birth.

6.2 The NRI Tax Routing Challenge

Most NRIs pay income tax to their country of residence (USA, UK, etc.), not to India. The traditional Citizen's Choice Tax mechanism — diverting 5% of Indian income tax — does not directly apply to them. Yet philosophically and practically, they are exactly the constituency that most wants to give back.

Two parallel mechanisms are proposed to enable NRI participation:

6.3 Mechanism A: The NRI Direct Contribution Channel

A separate but parallel channel is created for NRIs to directly contribute to registered Citizen's Choice Tax recipients. Key features:

- NRIs can contribute any amount (no 5% limit, as it's voluntary rather than tax-redirection)
- Same recipient registry — NRIs choose from the same list of villages, schools, hospitals, NGOs
- FCRA compliance: the registry is structured to be FCRA-compliant under India's Foreign Contribution Regulation Act, enabling foreign contributions legally
- Host country tax treatment: contributions to Indian recipients are generally not directly deductible in donor's host country (e.g., US donors cannot claim deduction on US tax returns for donations to Indian 80G entities, since IRS recognizes only US 501(c)(3) charities). The framework addresses this through partner organizations: major CCT recipient categories will establish parallel 'Friends of' entities registered as 501(c)(3) in USA, registered charities in UK, and equivalent structures in other countries, enabling proper donor-country tax deductions
- Indian 80G benefit: under Section 80G of the Indian Income Tax Act, donations to registered Indian charitable entities qualify for tax deduction (50% or 100% depending on category). NRIs who file Indian tax returns due to Indian-sourced income can claim 80G benefits directly
- Annual statements: NRIs receive consolidated annual statements showing all their CCT contributions for tax filing in their host country

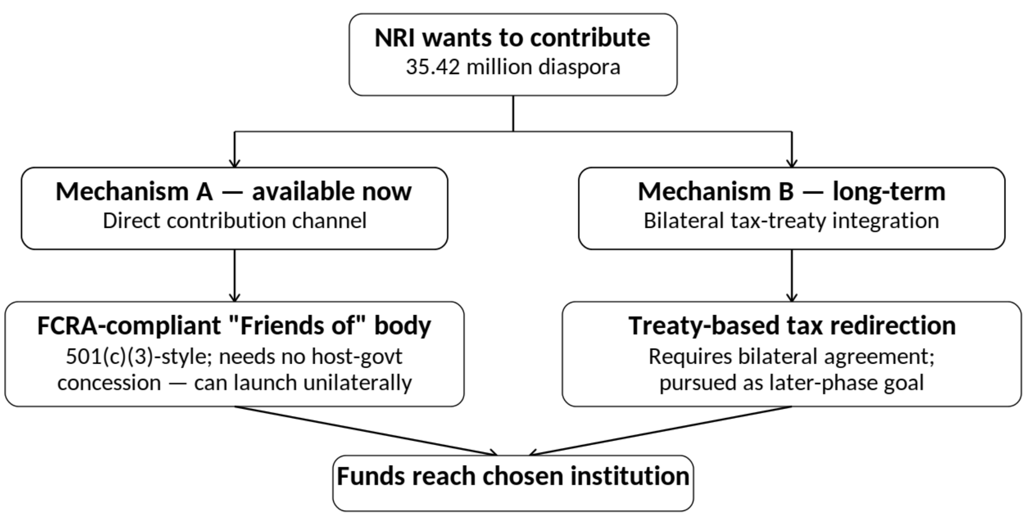

Figure 5 — Two parallel NRI channels: an immediate FCRA-compliant route and a long-term treaty route.

6.4 Mechanism B: Bilateral Tax Treaty Integration (Long-term)

For longer-term implementation, India can negotiate with key diaspora-host countries (USA, UK, Canada, Australia, UAE, Singapore) to enable direct fiscal flows from diaspora taxpayers to Indian Citizen's Choice Tax recipients. Two possible structures:

- Structure 1 - Recognized Charity Status: Bilateral agreements recognizing certain CCT recipient categories (e.g., government schools, government hospitals, registered village panchayats) as eligible charitable entities in host country tax codes, enabling direct deduction
- Structure 2 - Hometown Tax Credit: A novel bilateral arrangement where diaspora citizens can direct a portion of their host-country tax to verified Indian shaping communities, treated as charitable contribution for tax purposes in host country, with coordinated reporting between Indian and host-country tax authorities

It must be candidly acknowledged that host countries have limited incentive to divert their own tax revenue abroad — every country naturally prefers to spend taxes collected from its residents within its own borders. This is precisely why Mechanism B is positioned as a long-term aspiration only, and why Mechanism A (the "Friends of" charitable-entity channel) is the primary and fully sufficient pathway for diaspora participation: it requires no host-government concession whatsoever, working entirely within existing host-country charity law (501(c)(3) in the USA, registered charity status in the UK, and equivalents elsewhere). The U.S.-India tax treaty does contain charitable contribution provisions that could someday be extended, but the framework's diaspora projections rest entirely on Mechanism A.

6.5 Indian Citizens Earning Abroad (NRI Tax Filers)

A subset of NRIs — Indian citizens who file Indian tax returns due to Indian-sourced income, returning NRIs, or those maintaining NRI status with Indian filing obligations — can directly participate in the main CCT mechanism using their Indian tax filings. For this group, no special mechanism is needed.

6.6 Expected NRI Flows — A Conservative Assessment

NRI flow projections require similar realism as domestic projections. Not all of the 35.42 million Indian diaspora [4] are wealthy or high-tax-paying; significant portions include lower-income workers in Gulf countries, students, and recent migrants. Engagement rates with structured philanthropic channels are historically modest.

Reference benchmark: India Giving Day, a coordinated US-based diaspora philanthropy event, raised ₹76 crores ($8.86 million) in a single day in 2025, up from ₹47 crores in 2024 [9]. This represents intensive, well-organized one-day fundraising. Sustained annual flows through a new mechanism would build more gradually.

Realistic NRI Flow Scenarios:

Scenario	Engagement Assumption	Estimated Annual Flow
Pilot/Launch (Years 1-2)	1-3% of diaspora engages, avg $100-250	$50-180 million (₹400-1,500 cr)
Early Growth (Years 3-5)	5-9% engagement, avg $150-350	$300-700 million (₹2,500-6,000 cr)
Mature (Years 8-10+)	10-15% engagement, avg $250-450	$0.8-1.3 billion (₹7,000-11,000 cr)

Combined Realistic Annual Flows (Domestic CCT + NRI Channel):

- Pilot/Launch and Early Growth: ₹900 - 13,500 crores combined, building gradually
- Growth Phase (Years 5-8): ₹15,000 - 28,000 crores combined
- Mature Steady State: ₹32,000 - 51,000 crores combined

These conservative figures represent meaningful new fiscal resources, particularly when distributed across the most-needed institutions chosen by their actual beneficiaries. The qualitative impact — direct citizen accountability for public institution performance — may exceed the quantitative impact in long-term significance.

6.7 The Emotional Power of NRI Participation

For diaspora members, the framework offers something deeply meaningful: a legitimate, structured way to honor the communities that produced them. Many NRIs experience guilt about "leaving" — this framework converts that guilt into structured contribution. Many experience fading connection across generations — annual participation maintains and strengthens that connection.

The author of this paper exemplifies this constituency: born in India, now a U.S. citizen, with deep emotional connection to the villages, schools, and communities that shaped his early life. The framework would enable systematic expression of this connection — and millions of others similarly situated.

7. Implementation Architecture

7.1 The Recipient Registry

The foundational infrastructure is a national digital registry of eligible recipients. This registry:

- Is managed by a designated authority (proposed: Ministry of Finance, in coordination with NITI Aayog)
- Assigns unique alphanumeric codes to each recipient (similar to SWIFT codes)
- Maintains verified bank account information for each recipient
- Hosts standardized transparency reports from each recipient
- Provides public search and discovery interfaces
- Integrates with existing systems (PAN, Aadhaar, GSTN, NGO Darpan)

7.2 Recipient Registration Process

- Government entities (panchayats, schools, hospitals): Auto-registered based on existing administrative databases. Each panchayat, government school, and government hospital automatically receives a code.
- Registered NGOs: Apply through NGO Darpan integration. Existing 80G/12A status enables CCT participation.
- Cultural and tourism entities: Apply through state cultural departments and tourism boards.
- Verification: Each recipient verified through existing government databases. No new bureaucracy created — existing systems extended.

7.3 Tax Filing Integration

The Income Tax Department's filing portal (currently incometax.gov.in) adds a new section for Citizen's Choice Tax. During filing:

- Taxpayer's total tax liability is calculated normally
- 5% of this liability is highlighted as eligible for CCT direction
- Taxpayer searches and selects recipients (up to 10 per year)
- Allocation percentages are assigned (must sum to ≤ 5%)
- Any unallocated portion flows to default tax pool

- Submission generates two parallel flows: 95% (plus any unallocated CCT) through normal channels, 5% (or less) directly to chosen recipients

Implementation note: this requires incorporation of the CCT section into ITR forms through CBDT notification — a routine process, as ITR forms are updated and notified every assessment year. The change is administrative rather than structural, comparable in scope to past additions such as new disclosure schedules.

7.4 Fund Disbursement

Funds are disbursed from a central CCT account to recipient accounts:

- Disbursement frequency: Quarterly (to enable cash flow management)
- Disbursement mechanism: Direct bank transfer via SWIFT-code-like routing
- Verification: Each disbursement linked to specific taxpayer-recipient allocations for audit trail
- Reporting: Recipients required to publish an annual utilization report (see Section 7.5)

Crucially, India already possesses world-class infrastructure for precisely this kind of targeted fund transfer. The Direct Benefit Transfer (DBT) system has cumulatively transferred over ₹34 lakh crores directly to beneficiaries through the JAM trinity (Jan Dhan accounts, Aadhaar, Mobile), and the Public Financial Management System (PFMS) already tracks government fund flows to institutions nationwide. CCT disbursement would ride on these proven rails — extending DBT-style transfers from individual beneficiaries to registered institutions, with India Post Payments Bank and the extensive rural banking network providing last-mile access in remote areas. No new disbursement technology needs to be invented; the Government of India has already built the pipes.

7.5 Transparency Infrastructure

Public transparency is core to system integrity:

- Each recipient publishes annual reports showing funds received and utilized
- Aggregate data (no individual taxpayer identification) published showing flow patterns
- Year-over-year trends visible for each recipient
- Whistleblower mechanism for reporting misuse
- Periodic audits proportional to fund size

7.6 Fraud, Suspension of Disbursement, and Reversion

No allocation system survives contact with misuse unless it states in advance what happens when misuse is found. The Citizen's Choice Tax answers this question with a single principle: a credible finding of fraud suspends the release of funds, never the citizen's right to direct them.

The distinction matters. Removing an institution from the registry would punish its alumni for the conduct of an administrator, and would destroy the very channel through which the institution might be repaired. Under the framework, a school under investigation remains listed, remains selectable, and continues to accrue allocations. What stops is disbursement. The accrued balance sits, unreleased, in the institution's ring-fenced account until the matter is resolved.

This yields a property worth stating explicitly, because it is the structural safeguard on which the rest of the mechanism rests: the citizen's signal and the state's audit are independent channels. Citizens vote by allocating. The state gates by releasing. Neither overrides the other. A community cannot be silenced by an auditor, and an auditor cannot be overruled by popularity.

Suspension is nevertheless a coercive power, and a power exercised over public money owed to a named institution. Left undefined, it invites the obvious objection: that an official displeased with a panchayat need only open an inquiry to strangle its funding indefinitely. The framework therefore fixes three things in advance — the trigger, the authority, and the clock.

7.6.1 Trigger

Suspension is not available on suspicion. It requires one of the following, each an objective and externally verifiable event:

- An audit finding of misappropriation by the Comptroller and Auditor General, a state Accountant General, or the auditor appointed under Section 7.5's proportionality rule
- Registration of a First Information Report against the institution or its office-bearers for an offence involving the CCT account
- Failure to publish the annual utilization report required under Section 7.5, persisting ninety days beyond the statutory due date
- Withdrawal or lapse of the underlying registration on which eligibility rests — NGO Darpan, 80G, 12A, or FCRA, as applicable

A whistleblower complaint under Section 7.5 does not by itself suspend disbursement. It obliges the administering authority to examine the complaint within sixty days and to record, in writing, either the initiation of an audit or the reasons for declining to do so. The reasons are published in aggregate.

7.6.2 Authority

Suspension is ordered by a designated officer of the Central Board of Direct Taxes, not below the rank of Commissioner, on a written order stating which trigger has been met and citing the document establishing it. The order is served on the institution and published in the public registry alongside the institution's listing, so that citizens directing allocations to it can see, at the point of filing, that its funds are held rather than released.

The institution may appeal to an independent CCT Appellate Authority — sitting outside the revenue administration, and constituted along the lines of existing appellate tribunals in tax and information law — within sixty days. The appeal is heard within one hundred and eighty days. The suspension is lifted by the same officer on evidence that the trigger has been cured, by the Appellate Authority on a finding that the order was unwarranted, or automatically on the expiry of the clock described below.

Legal title to the withheld balance does not pass to the administering authority. The funds are held in the institution's own ring-fenced CCT account, in trust, with the administering authority holding only the power to release. This is deliberate: an authority that cannot spend the money it withholds has far less reason to withhold it.

7.6.3 The Clock

Disbursement may be suspended for a maximum of twenty-four months. Within that period one of three things must happen.

If the trigger is cured — the report filed, the registration restored, the finding answered, the prosecution closed without charge — the suspension lifts and the entire accrued balance is released in the next disbursement cycle. Nothing is forfeited by delay.

If the matter is adjudicated and misappropriation is established, the accrued balance reverts to the general tax pool. Recovery from the individuals responsible proceeds under existing criminal and service law, to which this framework adds nothing and from which it takes nothing away. The institution's listing is reinstated once the responsible office-bearers no longer hold office, on the principle that the institution is not the individual.

If, at twenty-four months, the matter remains unresolved, the accrued balance reverts to the general tax pool by operation of the rule itself, without any further order. Every citizen who directed an allocation to that institution is notified, and the reversion is recorded in the public registry. The clock does not restart on the same trigger. This closes what would otherwise be the mechanism’s most obvious failure mode — an orphaned pot of public money, growing year on year, belonging to an institution that cannot receive it and to a treasury that cannot claim it, while an inquiry sits unfinished in a drawer.

Reversion is a fiscal disposition, not a verdict. It resolves the question of where the money sits; it does not determine guilt, and it does not close the criminal matter. Nor does it prevent citizens from directing fresh allocations to the same institution in the following year, should they choose to. The citizen’s signal, again, is not the state’s to switch off.

7.7 NRI Channel Architecture

The NRI direct contribution channel uses parallel infrastructure:

- FCRA-compliant central receiving account
- NRI portal for contribution selection (web and mobile app)
- Multi-currency support (USD, GBP, EUR, AED, SGD, etc.)
- Automatic conversion to INR at transparent rates
- Tax receipt generation for host country tax filing
- Annual consolidated statement for NRI's records

7.8 Phased Rollout

- Phase 1 (Year 1): Pilot in 3-4 states, recipient categories limited to government schools and PHCs only
- Phase 2 (Year 2): Expand to all states, add government hospitals, colleges, and village panchayats
- Phase 3 (Year 3): Add NGOs, cultural institutions, urban wards, tourism boards
- Phase 4 (Year 4): Launch NRI direct contribution channel
- Phase 5 (Year 5+): Negotiate bilateral tax treaty integration with major diaspora-host countries

Figure 6 — Phased rollout: each phase is reviewable before the next; the hardest step comes last.

8. Risk Mitigation

8.1 Risk: Gaming and Fraud

Concern: Taxpayers might direct funds to fake recipients or recipients they personally control.

Mitigation: Recipients must be registered entities (government bodies or 80G/12A NGOs). Government institutions are auto-verified through administrative databases. For NGOs, careful identification is essential to system integrity: eligibility requires triple verification — active NGO Darpan registration, valid 80G/12A status, and FCRA compliance where applicable — with periodic re-verification and prompt removal of non-compliant entities. NGO participation is deliberately deferred to Phase 3 of the rollout, after government institutions are established and vetting processes matured. Audit trails enable investigation of suspicious patterns. Where a credible finding of fraud emerges, the response is suspension of disbursement rather than delisting, under the trigger, authority, and time limits specified in Section 7.6.

8.2 Risk: Concentration of Flow Toward Well-Connected Institutions

Concern: Institutions whose former beneficiaries came to earn more — whether elite schools or the public institutions of districts that were prosperous a generation ago — will attract larger sums, while institutions in poorer areas attract less. The mechanism may therefore reward the already fortunate.

This objection contains two distinct claims, which require separate answers.

On elite capture, the arithmetic answers directly. Individual allocations from the alumni of a handful of elite institutions may be large, but sheer numbers favour public institutions. Approximately 70% of Indians are educated in government schools, and the middle-class citizens they produced number in the tens of millions. Total flows to public institutions will substantially exceed flows to prestigious ones. The framing of the mechanism reinforces this: a citizen is asked to name the institutions that shaped them, which for most people means a village school and a health centre rather than a postgraduate institution attended in adulthood.

On the second claim — that poorer places will receive less — the answer is not a mitigation, because the premise misdescribes what the mechanism does.

No institution is funded by this mechanism. Institutions are funded by the State, unconditionally, on criteria the State applies, and undirected allocations return to the general pool from which that funding is drawn (Section 3.3). An institution to which nothing is directed receives precisely what it would have received had this framework never existed. Nothing is taken from it. There is no floor to fall below.

What such an institution does receive is something it has never had: a public record of the fact. And here the concern inverts entirely. Low directed flow is the most valuable output the system produces for the State. It identifies, with a precision no survey achieves and no inspection can obtain, the communities in which the chain between institutional investment and citizen success has broken — generated by the very people who lived there. It is not a verdict on the institution. It is a location.

The proper response of the State to that signal is to seed: targeted investment, directed exactly where the data indicates it is required. Formula devolution allocates by need, assessed centrally. The Citizen's Choice Tax allocates by gratitude, expressed individually. These two instruments fail in opposite directions and correct one another, which is the argument for operating both. Neither is a substitute for the other, and this proposal has never asked that it be treated as one.

Two design features follow, both specified elsewhere and restated here because they bear directly on this objection. First, the sum directed and the number of citizens who directed are always published together (Section 3.4); the count does not scale with what a district's children came to earn, and an institution in a poor mandal may show a higher count than one whose few beneficiaries prospered. Second, both figures must be read against the district's economic baseline rather than in the absolute (Section 3.6). A State that acted on directed sums alone would seed the wrong villages.

8.3 Risk: Urban Tax Base Erosion

Concern: As seen in Japan, urban municipalities may lose substantial revenue when residents direct funds elsewhere.

Mitigation: At 5% maximum (versus Japan's variable but often higher percentages), the maximum potential urban revenue loss is bounded. Additionally, urban-born taxpayers will often direct funds to urban institutions — their own schools, the health centre in their ward, the neighbourhood that raised them — keeping much of the flow within urban areas, distributed more equitably. The framework is indifferent as between a village panchayat and a municipal ward.

8.4 Risk: Administrative Complexity

Concern: Creating a recipient registry and integrating it with tax filing may be expensive and complex.

Mitigation: The framework leverages existing infrastructure: the PAN system, NGO Darpan, government school and hospital databases, and the Income Tax Department's filing portal. Marginal new infrastructure is limited to the registry interface and disbursement routing, which ride on rails the State already operates. The intervention itself — an annual prompt at the point of filing — requires no new machinery at all (Section 3.2).

8.5 Risk: Political Resistance

Concern: Lawmakers may have concerns about modifying allocation mechanisms for 5% of personal income tax revenue.

Mitigation: The framework explicitly retains parliamentary and executive authority over 95% of revenue. Only 5% is allocated through citizen choice, and it is allocated to schools, health centres, panchayats, and wards — which is to say, to the same constituencies elected representatives serve. The mechanism operates as a parallel track to governance rather than a rival to it (Section 3.7).

The proposal is best framed as the completion of an existing constitutional design. The 73rd and 74th Amendments gave local institutions democratic standing; fiscal practice has not fully followed (Section 3.8). A legislator championing this framework is not endorsing a novelty but finishing a sentence Parliament began in 1992. Members of Parliament and of Legislative Assemblies may credibly present it as an achievement in citizen empowerment, in deepening democratic participation between elections, and in structuring diaspora engagement with the homeland.

8.6 Risk: Recipient Capacity Issues

Concern: Small village panchayats or primary health centres may lack the capacity to absorb and effectively use sudden inflows of funds.

Mitigation: Phased rollout allows gradual capacity building. Annual utilisation reports create transparency. Training programmes through NITI Aayog and state governments support recipient capacity development. Funds accumulate in the recipient's ring-fenced account where they cannot be immediately utilised, and are not forfeited by delay.

8.7 Risk: Manipulation of Annual Allocations

Concern: Communities might pressure migrants for direction, undermining the voluntary nature of the choice.

Mitigation: Allocation choices are private. Recipients see aggregate flows — the sum and the count — but not the identity of individual citizens, except where a citizen chooses to be identified. This protects the taxpayer's autonomy from community pressure while preserving the institution's right to know that it was remembered, and how widely.

8.8 Risk: Overstating What the Mechanism Achieves

Concern: The framework rests substantially on effects that are asserted rather than demonstrated — that communities will invest differently in their children, that discrimination will become economically costly, that a national moment of civic reflection carries value. These are not fiscal quantities and cannot be legislated into existence.

This concern is well founded and is acknowledged rather than mitigated. It is worth separating what follows from the design, what is evidenced abroad, and what remains projected.

Certain outcomes follow mechanically. Funds reach named institutions. Allocation is annual and reversible. No additional cost falls on the taxpayer. Every filer receives the prompt. These are properties of the design and are not in dispute.

Certain outcomes are evidenced. Adoption grows slowly and then compounds; directed flows can reach a scale that materially assists recipient institutions; rural decline can be slowed. Japan's Furusato Nōzei has demonstrated this since 2008, and Georgia's HEART programme since 2017, in a democratic federal system at state level.

Certain outcomes are projected. The revenue estimates in Chapter 5 are estimates. The effects on the treatment of children, on discrimination, and on civic connection are hypotheses — plausible, argued from incentive, and untested at national scale. This paper does not claim otherwise, and a reader who discounts them entirely is left with a mechanism that still delivers everything in the first two categories at a fiscal cost bounded by 5%.

The stronger claim — and it is a modest one — is that no comparable mechanism exists. Nothing in Indian fiscal practice, and nothing abroad beyond the two precedents cited, annually asks every taxpayer to name the institution that made them. Whatever the eventual size of the flow, the prompt itself is new, it reaches every filer, and it costs the exchequer's floor nothing.

9. Pathways to Adoption

9.1 Finance Commission Engagement

The 16th Finance Commission has already submitted its report and recommendations are in effect for the 2026-27 to 2030-31 award period [10]. The 17th Finance Commission, expected to be constituted around 2028-2029 for the award period beginning April 2031, presents the primary structural opportunity. This proposal can be positioned as early input to the 17th Finance Commission's deliberations, building academic support, policy discussion, and public discourse over the intervening years.

In the interim, the proposal can be considered as a standalone reform initiative through the Ministry of Finance, particularly the Department of Revenue and Central Board of Direct Taxes, which have authority over income tax structure modifications.

9.2 NITI Aayog Engagement

NITI Aayog's mandate includes policy innovation and cooperative federalism. The Citizen's Choice Tax aligns with multiple NITI Aayog priorities: rural development, public service delivery improvement, and citizen participation in governance. Submission through NITI Aayog's public engagement channels and direct engagement with relevant verticals is recommended.

9.3 MyGov Platform

MyGov.in is the Indian government's citizen engagement platform. Posting this proposal for public discussion can build grassroots support and demonstrate citizen interest, strengthening the case for formal adoption.

9.4 Parliamentary Standing Committee on Finance

The Parliamentary Standing Committee on Finance receives policy proposals from citizens and experts. Submission through this committee — facilitated by sympathetic MPs — places the proposal in active legislative consideration. The most direct legislative route is incorporation through the annual Finance Bill, which routinely amends the Income Tax Act each year. Alternatively, a Private Member's Bill, or a parliamentary question or special mention raised by an interested parliamentarian, can place the proposal on the legislative agenda and prompt formal examination by the Ministry of Finance and NITI Aayog.

9.5 Academic and Think Tank Engagement

Engagement with institutions like:

- Centre for Economic and Social Studies (CESS), Hyderabad
- Institute for Social and Economic Change (ISEC), Bangalore
- National Institute of Public Finance and Policy (NIPFP)
- Centre for Policy Research (CPR)
- PRS Legislative Research

These institutions can refine the proposal academically, build research foundations, and lend credibility to policy submissions.

9.6 Media and Public Discourse

Op-eds in major newspapers (English and regional languages), social media engagement, and discussion in policy podcasts and forums build public awareness. Public discourse creates political space for adoption.

9.7 Diaspora Engagement

Indian diaspora organizations (such as GOPIO, AAPI, Indiaspora) can champion the proposal internationally, particularly the NRI integration mechanism. Diaspora support adds significant political weight to domestic adoption efforts.

10. Conclusion: A Civilizational Reform

The Citizen's Choice Tax is far more than a fiscal reform. It is a framework for reimagining the relationship between citizens, communities, and institutions in 21st-century India.

It acknowledges that no person is self-made — every successful citizen is the product of community investment. It creates economic expression for gratitude that previously had no formal channel. It transforms migration from a story of loss to a story of mutual investment. It empowers communities to invest in their children with confidence in future returns. It compels public institutions to earn their funding through respectful, quality service. It builds accountability mechanisms operating annually, not once every five years.

The framework synthesizes ancient Indian wisdom about samajik rin (social debt) with modern economic logic. It learns from Japan's pioneering Furusato Nōzei while improving on its limitations. It integrates the global Indian diaspora into community development. It addresses urban-rural imbalance, within-city inequality, public institution quality, and social discrimination simultaneously — all through one elegant mechanism.

Realistic estimates, accounting for the highly concentrated nature of India's income tax base and reasonable adoption curves, suggest the framework would begin modestly — ₹900-13,500 crores combined in its building years, consistent with Japan's gradual adoption curve — scaling to ₹32,000-51,000 crores annually at mature steady state (domestic plus NRI flows combined). More importantly than the financial magnitude, the framework would change behavior across millions of communities and institutions, creating self-reinforcing virtuous cycles of investment in human potential.

The author submits this proposal not as a finished blueprint but as a foundation for serious consideration, refinement, and ultimately adoption. India has the opportunity to pioneer a fiscal innovation that the world will study and emulate — just as the world now studies Japan's Furusato Nōzei. The proposal is ambitious but practical, idealistic but grounded, comprehensive but implementable in phases.

Most fundamentally, it offers India's billion-plus citizens a small but meaningful voice in how their tax contributions shape their world — and offers India's communities, schools, hospitals, and institutions the economic acknowledgment they deserve for their foundational role in producing every successful citizen of this nation.

This framework is ultimately about how a civilization nurtures itself — completing the circle in which communities shape citizens, and citizens, in turn, strengthen the communities that shaped them. It honors what India's existing institutions and programmes have built, and adds to them a channel for the most human of motivations: gratitude. In doing so, it shapes not just fiscal flows, but humanity itself.

"The communities that shape us deserve more than memory. They deserve economic acknowledgment. The Citizen's Choice Tax makes that possible."

— Valibabu Saladi

References and Data Sources

All data and statistics in this paper are sourced from official government publications, peer-reviewed research, and credible news organizations. Specific references are numbered throughout the document and listed below:

[1] Japan Furusato Nōzei (Hometown Tax) Program - Ministry of Internal Affairs and Communications, Japan. FY2024 donations exceeded ¥1.2 trillion; 1,785 local governments registered; Tokyo 23 wards lost ¥54 billion in FY2021. Reference data and analysis available from: Japan Ministry of Internal Affairs and Communications official statistics; Nippon.com analysis; Furusato Choice platform data (https://www.furusato-tax.jp/).

[1a] Furusato Nōzei Historical Adoption Curve - Ministry of Internal Affairs and Communications, Japan; The Japan Times (August 2025); RIETI policy analysis. First-year (FY2008) donations: approximately ¥8.1 billion. FY2015: ¥165 billion (approximately 20x first year). FY2023: ¥1.12 trillion with over 10 million participating donors. FY2024: ¥1.27 trillion — record high for fifth consecutive year. The 16-year adoption curve demonstrates that citizen-directed allocation systems begin modestly and compound steadily as awareness and trust build.

[21] Direct Benefit Transfer (DBT) Mission - Government of India. Cumulative transfers exceeding ₹34 lakh crores through the JAM trinity (Jan Dhan, Aadhaar, Mobile); Public Financial Management System (PFMS) for institutional fund tracking. Source: https://dbtbharat.gov.in/ and https://pfms.nic.in/

[2] Direct Tax Collections for FY 2024-25 - Central Board of Direct Taxes (CBDT), Department of Revenue, Ministry of Finance, Government of India. Personal Income Tax: ₹12,90,144 crores; Total Direct Tax: ₹25,86,947 crores; PIT growth rate: 17.47% YoY. Data as on March 16, 2025. Source: https://incometaxindia.gov.in/Pages/Direct-Taxes-Data.aspx

[3] Income Tax Return Filing Statistics, AY 2024-25 - Press Information Bureau, Government of India, August 2024. Record 7.28 crore ITRs filed by July 31, 2024. Source: https://pib.gov.in/PressReleasePage.aspx?PRID=2040669

[4] Global Footprint of Indian Diaspora - Ministry of External Affairs, Government of India, Indian Diaspora Population Report, May 2024. Total diaspora: 35.42 million (15.85 million NRIs + 19.57 million PIOs). Major populations: USA 5.41 million, UAE 3.57 million. Source: Ministry of External Affairs, Government of India; Indian Diaspora reports (https://www.mea.gov.in/).

[5] Migration in India - Census of India 2011, Office of the Registrar General & Census Commissioner, Ministry of Home Affairs, Government of India. India had 45.6 crore (456 million) internal migrants in 2011, representing 38% of population. Source: PRS Legislative Research Migration Brief (https://prsindia.org/theprsblog/migration-in-india-and-the-impact-of-the-lockdown-on-migrants); Census of India 2011.

[6] Migration in India 2020-21 - Periodic Labour Force Survey (PLFS), National Statistical Office, Ministry of Statistics and Programme Implementation, Government of India, June 2022. All-India migration rate: 28.9%; Rural: 26.5%; Urban: 34.9%. Source: https://www.mospi.gov.in/

[7] Rural Health Statistics 2021-22 and Health Dynamics of India 2022-23 - Ministry of Health and Family Welfare, Government of India. 31,053 Primary Health Centres; 6,064 Community Health Centres; 767 District Hospitals (rural); 31,882 total PHCs (as of March 2023). Source: https://mohfw.gov.in/

[8] Remittances to India FY 2024-25 - Reserve Bank of India (RBI) and World Bank Migration and Development Brief. Record $135.46 billion in FY 2024-25, 14% YoY increase. India remains world's top remittance recipient. Source: RBI Annual Report; World Bank Migration and Development Brief.

[9] India Giving Day Philanthropy Data - India Development Foundation of Overseas Indians (IDF-OI) and India Philanthropy Reports. ₹76 crores raised in 2025 (vs ₹47 crores in 2024). Source: India Development Foundation of Overseas Indians; IBEF Diaspora Reports (https://www.ibef.org/).

[10] 16th Finance Commission Report - Submitted to Government of India November 2025, tabled in Parliament February 1, 2026. Recommendations for 2026-27 to 2030-31 award period. Local body grants: ₹4.4 lakh crores (rural) + ₹3.6 lakh crores (urban) over 5 years. Chairperson: Dr. Arvind Panagariya. Source: https://fincomindia.nic.in/; PRS Legislative Research Summary (https://prsindia.org/policy/report-summaries/report-of-the-16th-finance-commission-for-2026-31).

[11] NITI Aayog - National Institution for Transforming India. Apex public policy think tank of Government of India. Source: https://niti.gov.in/

[12] Indian Diaspora and Remittance Flows: Trends, Impacts, and Perspectives - Vivekananda International Foundation, August 2025. Comprehensive analysis of diaspora economic impact. Source: https://www.vifindia.org/article/2025/august/04/Indian-Diaspora-and-Remittance-Flows-Trends-Impacts-and-Perspectives

[13] Section 80G of Income Tax Act, 1961 - Government of India. Provisions for tax deductions on donations to registered charitable institutions. Source: Income Tax Department of India; CBDT regulations.

[14] Foreign Contribution Regulation Act (FCRA) 2010 - Ministry of Home Affairs, Government of India. Regulates acceptance and utilization of foreign contributions by Indian organizations. Source: https://fcraonline.nic.in/

[15] India - Number of internal migrants and 2011 Census migration data - Office of the Registrar General & Census Commissioner; analysis by PRS Legislative Research; World Economic Forum. Internal migrant population estimated at 139 million by Economic Survey 2017; 450 million by 2011 Census full count. Source: https://www.weforum.org/stories/2017/10/india-has-139-million-internal-migrants-we-must-not-forget-them/

[16] Goods and Services Tax (GST) in India - 101st Constitutional Amendment Act, 2016; Central Goods and Services Tax Act, 2017. India's transition involved a significant shift in fiscal allocation: while pre-GST, manufacturing states received Central Sales Tax (CST) on inter-state sales (origin-based), GST established that the SGST portion of inter-state transactions flows to the consuming state through the IGST settlement mechanism (partial destination-based). This established the constitutional principle that tax revenue can be allocated based on where economic activity culminates, not solely where it originates. A 5-year Compensation Scheme was provided to revenue-losing states during transition. Source: GST Council, Ministry of Finance, Government of India; https://gstcouncil.gov.in/

[16a] Georgia HEART Rural Hospital Tax Credit Program - Established by Georgia General Assembly in 2017 under O.C.G.A. § 48-7-29.20. Provides 100% Georgia state income tax credit for contributions to qualified rural hospital organizations. Annual aggregate cap of $100 million (increased from $75 million via HB 1339 signed by Governor Brian P. Kemp on April 19, 2024). Program extended through December 31, 2029. Source: https://www.georgiaheart.org/

[16b] 2025 Qualified Rural Hospital Organization Expense Tax Credit Cap Status Report - Georgia Department of Revenue. As of January 22, 2026, approximately $79.98 million of the $100 million 2025 cap had been pre-approved, representing approximately 80% utilization rate. Source: https://dor.georgia.gov/document/document/2025-rural-hospital-organization-expense-credit-cap-status-1-22-2026pdf

[16c] Georgia Department of Community Health - Rural Hospital Tax Credit administrative information, operations manual, and qualified hospital designations. Source: https://dch.georgia.gov/programs/rural-hospital-tax-credit

[17] Author's documented school contribution - Andhra Prabha (14 February 2026, East Godavari edition, Page 12), titled "పూర్వ విద్యార్థి దాతృత్వం" (Former Student's Philanthropy). Documents ₹8 lakhs worth of contributions to SSR ZP High School, Bhimanapalli, Uppalaguptam Mandal. Available at: https://epaper.prabhanews.com/

[18] Author's documented school contribution - Sakshi (14 February 2026, Amalapuram edition, Page 3), titled "పలు వస్తువుల వితరణ" (Distribution of Multiple Items). Confirms ₹8 lakhs contribution and lists specific items: chairs, tables, podium, sports kits, dusters, laptop. Available at: https://epaper.sakshi.com/

[19] Author's documented school contribution - Eenadu (14 February 2026). Eenadu is the largest-circulation Telugu daily newspaper, published since 1974. Coverage included photos of the donation ceremony and acknowledgment of the generational connection (author's father's prior 18-year service at the same school as mathematics teacher).

[20] Author's documented school contribution - Andhra Jyothi (14 February 2026 edition), covering the ₹8 lakhs donation ceremony at SSR ZP High School, Bhimanapalli. The coverage included photographs of the author with his father and highlighted the multi-generational family connection to the school.

Additional secondary references and analytical sources used in preparation of this paper:

- PRS Legislative Research - https://prsindia.org/
- Centre for Economic and Social Studies (CESS), Hyderabad
- National Institute of Public Finance and Policy (NIPFP)
- World Bank Migration and Development Briefs
- International Organization for Migration (IOM) International Migration Reports

About the Author

Valibabu Saladi was born and raised in Village Nangavaram, Uppalaguptam Mandal, East Godavari District, Andhra Pradesh, India. He completed his schooling at SSR ZP High School, Bhimanapalli (Class of 1987) — the same government school that, across multiple generations of students, produced scientists at DRDO and CCMB, professors at U.S. universities, engineers and entrepreneurs across India and globally, as well as teachers who served the local region and bank officers who settled in states as distant as Madhya Pradesh.

A Three-Generation Family Connection to Public Education:

The author's family connection with SSR ZP High School spans approximately seventy years and three generations. The school is approaching its 75-year anniversary in 2027. The author's father, Sri Saladi Dorayya Naidu (born approximately 1940), was himself a student at this school in the late 1950s, making him likely among the school's earliest cohorts of students. He went on to build a teaching career across multiple schools in East Godavari district, including 18 years of service as a mathematics teacher at the same SSR ZP High School Bhimanapalli, retiring in 1998. All five of his children also studied at SSR ZP High School across various batches. Their subsequent careers illustrate the productivity of this single government school within one family:

- Eldest brother Sri Satyanarayana Saladi: retired from Bharat Dynamics Limited, Hyderabad (a strategic defense public sector enterprise) in 2024
- Second brother: established a successful manufacturing business, currently operates a quartz gritmill factory supplying India's glass industry, after an earlier career in telecom cable manufacturing
- Third brother and sister: chose to remain close to their native region, contributing to local community
- Valibabu Saladi (the author): currently a Senior Director of Engineering in wireless communications (3G/4G/5G/6G), USA

This is the lived embodiment of the principle the Citizen's Choice Tax proposal seeks to systematize at scale: across three generations and one family alone, public education at a rural government school produced a defense PSU senior employee, a manufacturing entrepreneur, professionals serving local community, and a senior technology executive. Yet that same school today still has underdeveloped infrastructure — including a shortage of basic furniture for its teaching staff — far below what it could have become. Multiplied across thousands of similar schools and families, the asymmetry is staggering — and represents precisely the structural problem the Citizen's Choice Tax framework would address.

Educational Background:

- Diploma in Engineering, Col. D. S. Raju Polytechnic, Poduru, West Godavari District (prior to B.Tech)
- Bachelor of Technology (B.Tech), Jawaharlal Nehru Technological University (JNTU), Kakinada
- Master of Technology (M.Tech), Indian Institute of Technology (IIT), Kanpur

Professional Career:

- Engineer, Prasar Bharati (India’s public broadcasting corporation) — early government service in India’s national broadcasting infrastructure
- Scientist 'C', ISRO Satellite Application Centre (ISAC), Bangalore — contributing to India's space program
- L&T Infotech, Bangalore — software development and engineering leadership, including a year on deputation to Samsung Electronics in South Korea (April 2001 – March 2002)
- Sr. Director of Engineering — wireless communications (3G/4G/5G/6G), USA (current role)
- Settled in San Diego, USA for the past 24 years
- Key contributor to global mobile communications standards: 3G, 4G, 5G, and currently 6G technology development
- International work experience across South Korea, Japan, Finland, and Spain

Contact: valisbabu@gmail.com

This proposal is informed by the author's unique vantage point: educated entirely through Indian public institutions (a village government school, JNTU, IIT), and having served India’s public sector at both Prasar Bharati and ISRO. Decades of working abroad gave him a point of comparison he could not unsee when he looked back at his own village — the developmental dent left by migration, and the possibility of closing that gap if a proper mechanism existed.

Now a U.S. citizen, he represents the millions of Indian-origin global citizens — particularly those in technology, science, and professional services — who maintain deep emotional connections to their origin communities. Over the years, he has personally invested in his home institutions: donating approximately ₹8 lakhs worth of contributions to his former school in February 2026 — including teak tables, cushion chairs, a laptop, laser printer, stage podium, 80 sports kits, cricket kits, cricket dress, and volleyballs (documented across four major Telugu newspapers: Andhra Prabha, Sakshi, Eenadu, and Andhra Jyothi, 14 February 2026); supporting tutoring volunteers for underperforming hostel students; contributing ₹2.5 lakhs toward emergency hospital expenses for a fellow villager's father; and currently seeking plans to enable cremation facilities and drainage infrastructure in his village.

This proposal emerges directly from his lived experience of the gap between what individual goodwill can accomplish and what a structural mechanism could enable. After decades of watching his alma mater’s infrastructure fall short of what it could have been, his village PHC stagnate, and his community go without basic dignity infrastructure — despite producing dozens of successful tax-paying citizens — and after studying the documented precedents of Japan’s Furusato Nōzei and Georgia’s HEART program, he became convinced that India needs a structural channel for migrant gratitude to flow back to shaping communities. The Citizen's Choice Tax is his proposal for that channel.

He submits this paper not as an academic exercise but as a citizen who has personally absorbed the costs of the missing mechanism, who has technical training to think rigorously about systemic problems, and who believes millions of others — domestic migrants and global diaspora alike — share both his frustration and his hope for a better way.

Submission Information

This paper is intended for consideration by:

- NITI Aayog (primary policy think tank)
- Ministry of Finance, Department of Revenue, Government of India
- 17th Finance Commission of India (when constituted, expected 2028-29)
- Parliamentary Standing Committee on Finance
- Academic institutions and think tanks researching fiscal federalism
- Indian diaspora organizations worldwide

Note: The 16th Finance Commission report was tabled in Parliament on February 1, 2026, covering the 2026-27 to 2030-31 award period. This proposal is positioned for the 17th Finance Commission's consideration when constituted, and for immediate consideration by NITI Aayog and the Ministry of Finance as a standalone tax reform initiative.

The author welcomes engagement, refinement, and partnership with all stakeholders committed to advancing this framework toward implementation.