

People should not fear Tax Administrators

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PRIME Minister Shri Narendra Modi recently addressed Tax Administrators at Rajasva Gyan Sangam, jointly organized by the two Revenue departments, the Central Board of Direct Taxes (CBDT) and Central Board of Excise & Customs (CBEC). In his speech, the Prime Minister was on the theme "You people should behave like mentors to people rather than invaders. Don't presume that everyone is a tax evader". People should not fear tax administrators, and tax officials were asked to bridge the "trust deficit". The Prime Minister even made a clarion call to "remove fear of harassment among tax payers".

Is this the reality? Do Indians really fear the tax administrators? While India has a total population of over 127 crores, there are only 5.43 crore taxpayers! According to data released by the Government, just 1% Indians pay Income Tax. So who has spread this canard that people fear tax administrators? Only the salaried class pay their taxes correctly, that too because it is deducted "at source". In 2012-13 as much as Rupees 2.10 lakh crores was garnered through TDS, as against the total Income Tax collection of Rupees 6.36 lakh crores.

Prime Minister exaggerated and glorified Tax Administrators as "invaders", but look at the stark reality. Black wealth secreted by Indians was estimated to be between \$152-181 billion, excluding investments in physical assets like real estate, gold and art. The flow has been so smooth and easygoing that neither of the Revenue departments has put up any stiff resistance. Far from being "invaders" it will be better to characterize them as "spectators".

The government itself admits that there is no official estimation of the amount of black money that has been sent to foreign countries, meaning that neither the tax departments, nor any other enforcement agency has any idea as to what is happening! Why call them "invaders" when they have not been able to do the job of even a "spectator"? That job has been outsourced to various Tax Consultancy firms, which keep us periodically entertained with mind boggling figures ranging from \$152-181 billion to \$50 trillion! Not to be outdone, one CBI Director came up with a figure of \$500 billion. Baba Ramdev, jumped into the fray by predicting that he had stumbled upon the figure of 1 and 1.5 trillion U.S. Dollars! The Government of India in its White Paper presented to Parliament has disclosed that the estimate is around \$ 2.1 billion. Despite hot millions and billions flowing out, the tax administrators have been blissfully ignorant, but yet they are accused of being "invaders". A former Prime Minister came to the rescue of the tax administrators by questioning the methodology of reckoning the tax evasion figures. But, Baba Ramdev played spoilsport by daring the government to prove that his black money estimates were wrong! Inspired by such astronomical figures, the BJP led National Democratic Alliance released a booklet "Indian Black Money Abroad in Secret Banks and Tax Havens". However this detective thriller failed to make any impact on the minds of the general population or on the tax administrators.

While exports continue to dwindle, export of illicit money appears to be a flourishing trade. India was ranked the fifth largest exporter of illicit money during 2002-2011, with a total of \$343.04 billion, and in 2011 it was placed third when \$ 84.93 billion was sent abroad,

according to a 2013 report titled "Illicit Financial Flows from Developing Countries, 2002-2011"

Our friendly Tax Administrators have inadvertently conceived and facilitated globalization on an unprecedented scale. The concept of Foreign Direct Investment was pioneered by Indians, spawning a flourishing Offshore Accounts banking industry. Countries like Switzerland, Luxembourg, Cayman Islands, Isle of Man, Jersey, Ireland, Mauritius, Bermuda, Monaco, Bahamas, Vanuatu, Samoa, Belize, Nauru, Marshall Islands, and many more are surviving mostly on Indian illicit wealth that went out because of our ever friendly Tax Administrators. Still they are demonized and people advised not to fear them! What a travesty of truth? One Finance Minister and his son were so floored by the friendly Tax Administrators that they decided to open shop in almost every tax haven around the globe. Today, the son presides over a global Hawala – Money Laundering business, where the Sun never sets! Unaccounted, untaxed, illicit money is sent "round tripping", through different jurisdictions, as tax men and enforcement agencies watch helplessly, and read in newspapers about the freely circulating currency chests. The father-son duo must have been inspired by Al Capone's words "They cannot collect legal taxes from illegal money"!

Friendly Tax Administrators have been compelled by Finance Ministers to unroll the red carpet for tax evaders. For the continued economic prosperity of tax evaders a Voluntary Disclosure of Income Scheme (VDIS) was initiated in 1997, which the CAG correctly condemned as abusive and a fraud on the genuine taxpayers of the country.

Full fledged Settlement Commissions were formed in every city to facilitate tax evaders. The institution was manned by friendly, retired Tax Administrators, so that the ease of evading and revealing could be smooth and hassle free.

Apart from the above, special Amnesty Schemes are announced periodically, to alleviate the difficulties caused to tax evaders. The tax departments and the Tax Administrators can be correctly accused of being pusillanimous and obsequious, instead of being invaders. The naked reality is that nobody cares for the taxman; taxes are being evaded with brazen impunity, and contempt. A possible solution could be privatization of tax collections, as suggested by Professor Christopher Hood. In neighboring Bangladesh, Customs administration is partly privatized. It is high time that the government thinks in terms of partial privatization, not only to remove fears about the taxman but also to make collection of taxes, a people's movement, rather than merciless extraction by the government, from a miniscule section of the population.

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