

How to Curb Black Money

or

Black Money problem in India

Black money is political-cum-administrative problem. Its accumulation is the result of the evasion of taxes like income tax, sales tax, custom duties, death duties, etc. This hoard cannot be used for honest business; it is used for black market operations, donations to political parties, conspicuous consumption and bribery. All of these lead to more accumulation of black money. According to unofficial estimate black money is nearly rupees seven thousand crores at present. As early as 1964, Mr. Gulzari Lal Nanda with the help of the economists prepared a note in which the unaccounted money was estimated to be Rs. 3400 crores. It is a very conservative estimate when we say that it has become double; Prof. Kabra of IIPA estimated tax evasion up to the tune of Rs. 54000 crores in 1978-79. Its huge amount has crippled our economy by shooting up the prices thereby creating unprecedented financial problems to the consumers. It has adversely affected the fairness in elections. This is creating a parallel economy which may weaken the foundations of our economy.

Evasion of taxes and duties becomes possible owing to corruption and inefficiency and so their elimination must get top priority by the tax collection authorities. Inefficiency is perhaps also due to wastage of time and effort on matters which are not really important from the revenue point of view. This results in less than adequate staff for important things.

In the US the formation of directorate of Inspection, separate from the assessment service but part of the Treasury, has proved effective. A similar Directorate with an elite character can prove useful in India. In the US the directorate is manned by officers of the IRS but they do not go back to assessment work and earn their promotions in the directorate itself. As separate directorate in India will be rather small, there should be a combined directorate for Income-Tax, Central Excise and Customs. It should be manned by officers of these departments. To give it an elite character it should be structured in such a manner that its officers get higher special pays and quicker promotions than in their parent departments. Such a directorate can be established without much extra cost by transferring to it all the posts of the present Directorates of Inspection in Income-Tax, Central Excise and Customs, which can then be abolished, and the posts meant for Revenue Audit in the office of the Comptroller and Auditor General.

The main functions of the Directorate should be audit. Detection of the evasion of taxes and duties and getting recoveries made, and detection of cases of corruption which should, however, be reported to the appropriate authorities for further action. To enable officers of this directorate to function without fear they should not be sent back to their parent department unless found unfit.

Intelligence continues to be the Achilles' heel of the Revenue Department. A combined directorate of intelligence and investigation for income-tax, customs, excise and foreign exchange formed and structured in the same manner as the Inspection Directorate will lead to the pooling of intelligence with various directorates and so improve it considerably. Officers of the directorate should, however, go back to their departments after the expiry of their deputation.

While both directorates should be headed by an officer of the rank of an Additional Secretary, they should, for purposes of effective co-ordination, be placed under an officer of the rank of Secretary and designated as Director-General, Revenue Enforcement. As he will be more a field than a secretariat officer, he should belong to one of the Revenue Services and as Secretary to Government, he should be directly under the Finance Minister.

Integrity and efficiency should get much needed boost by grant of bonus to officers up to the rank of Assistant Commissioners or Deputy Collectors in whose charge the actual realization (Not assessments) of taxes and duties increase by 10 percent to 15 percent over those of the previous year.

A small departmental committee should examine control orders closely and scrap as many of them as possible. Cement or sugar control orders, according to one estimate, generate Rs. 1,000 crores of black money. The departmental committee for examining these control orders should include a CBI officer with experience of investigation of cases. It should be possible for the committee to give its recommendations within six months.

We should now examine the twin, and the more crucial, problem of party finances and how the nexus between black money and political donations can be severed. The general belief that the main source of donations to political parties is black money is correct because most of it comes from business houses and companies and donations from companies are banned under the law.

One suggestion is financing of election campaigns by the Government. This rather simplistic solution overlooks these important factors. First, most candidates will supplement government grants by money which they can raise privately. Secondly, no government can provide money for day to day activities of political parties, running of party secretariats, party conferences, public meetings,

etc. which cost a great deal these days. Lastly, sums are now being spent for causing defections and even keeping one's adherents pleased. A big demand for black money for these purposes will continue even if election campaigns were financed by the government.

It must be recognized that running of parties and election campaigns require a lot of money. Politics, therefore, can never build its temple on moral heights. The aim should be to reduce immorality to the minimum by eliminating the hold of black money.

The first step must be to make political donations by companies legal and their inclusions in their balance-sheet compulsory. Secondly, such contributions should be made more broad based and the flow of white money to them increased by giving income-tax rebates on contributions as by individuals. Thirdly, campaign expenses should be reduced by such assistance as government can give easily, e.g., giving more time on the radio and TV network to all recognised political parties for about a month before the elections. Fourthly, the legal limit on election expenses and the method of their computation should be made realistic and consequently the law governing them enforceable. The drafting difficulties in this regard are exaggerated but considering the fact that all money used for defections is black money and its magnitude is only a little less than what is used in election campaigns, such drafting difficulties must be overcome. For effective enforcement of laws relating to election expenses and defections there should be a suitable investigating machinery under the Election Commission. As frivolous complaints in this regard can be anticipated the Commission should be saved from being swamped by them by being designated as the final authority for deciding which complaints should be investigated in view of the evidence recorded in the complaint itself.

Essay No. 2

Black Money – Evils and Remedies

Money is the medium of transaction in the civilized societies. It is today present in two forms – apparent and hidden. In its first form it is illegal and is not open for taxation. In the second form it is illegal and is not exposed for taxation.

The black money is the result of the activities of dishonest persons. It is the offspring of cunningness and underhand policy. Hence it is underhand earnings. It is an unaccounted money. It is an evaded money. Hence it is called black money.

Black money as a matter of fact came into being during the Second World War. During war – time government-imposed control on certain commodities. It gave

good opportunities to people to make big profits. Since then it has been increasing from year to year. Now at present according to the government sources, the figures of black money have gone up to 22000 crores in our country.

It is the essential duty of the government to take necessary steps to check the growth of the black money. Such steps are necessary in the interest of the whole society. First of all, public conscience should be sufficiently aroused against anti-social elements. The anti-social elements are hoarders, black-marketers, tax-evaders, smugglers, speculators and other people who take pleasure in such anti-social activities.

Next tax evasion should be checked by plugging loop-holes in the tax system. The tax administration should be made fit to encourage increase in the taxes. The tax rates should be made helpful to some extent in solving this problem. For this purpose, the tax rates should be lowered. The tax rates should be lowered. The tax rates should be such as may encourage the tax payers to pay taxes gladly. At present the attitude of tax-department is negative towards tax payers. In future it should be positive. In brief, the tax payers should not resist against authorities.

Further, our economy should be corrected. Concentration of wealth has resulted on account of two factors- (1) tax avoidance or evasion, (2) the way in which our economy has been operating. In spite of two decades of planning, concentration of wealth in the hands of few persons has encouraged more black money, black marketing, smuggling etc. now our Prime Minister's Twenty-point programme will help a lot to check black money.

Voluntary disclosure scheme has helped a lot. However, the co-operation of the public specially of businessmen is much required.