

# Tax Terrorism: The Terror Within

There must be a system where the government honours the large tax-payers to encourage voluntary tax compliance



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Though we are quite familiar with the phrase 'terrorism tax' wherein tax collected from the people is used to fight terrorist activities, yet the term 'tax terrorism' seems to have hit the headlines recently. It was first traced in the comments of our Prime Minister, Sri Narendra Modi, at an industry interaction wherein he stated the need to end it. This phrase has gained wide spread acceptability and support in the past few months.

Tax reforms, as most of us accept, is the need of the hour. But before one embarks on this tedious journey of correcting the 'bad' laws, it would be wiser to first deal with tax terrorism. For a layman, this term implies a situation where the taxman uses his powers to extract more tax than is due from an honest tax-payer. This may be either in the form of unjust and inequitable tax laws or by enforcing the tax law on the general public in a harsh manner,

## Tax reforms is the need of the hour. But before correcting the 'bad laws', one should tackle tax terrorism

which generally happens when the taxman views every transaction with suspect.

Over the past few years, the Income Tax department has come under severe criticism from all quarters for its aggressive attitude in not only enforcing the law, but also in formulating ridiculous strategies like 'catch the big fish'. There have also been several cases that have been handled in a very unprecedented and unprofessional manner.

If we do an impartial study of the tax laws, we find that the government has

not done any terrorism by introducing new laws aimed at curbing tax avoidance. The laws that have been introduced are in accordance with international anti-corruption and anti-avoidance measures. Barring aside a few policy initiatives, none of the recent changes can be termed as anything near to tax terrorism.

However, when we observe the ways and means of enforcement of these laws, tax terrorism looms large. Take the following example. A few years back, the then highest tax paying Bollywood actress gets hounded by taxmen at 7 am in the morning. The 'masala' story making rounds in the newspapers and Page 3 circles was the

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presence of a Bollywood actor in her house at that odd hour. Nobody, however, questioned why the tax officials went to her place at 7 am in the morning? The exponential increase in disputes related to the transfer pricing regulations is another apt example of tax terrorism. It has generally been felt by the taxman that whoever is covered by these regulations must have employed some evasatory or tax avoidance techniques in business, hence, this humungous increase in the number of cases.

Tax terrorism lies not in policy formulation but in the enforcement. The concept of enforcement has been overlooked till date and should not be neglected any further. Reforms have become imminent in the enforcement process in a manner so that the taxman appreciates the commercial principles behind business and search and seizure doesn't become a general rule.

## Honouring the large tax-payers will infuse a sense of encouragement among the people; they will feel that the government is people-friendly

In fact, there should be a system where the government should encourage voluntary tax compliance in terms of honouring the large tax-payers. This will infuse a sense of encouragement among the people; they will feel that the government is people-friendly rather than people-evasive.

The government must initiate actions which make it clear that the Indian taxman is equipped with the necessary knowledge of when to use the law and not a 'tax terrorist' who indiscriminately uses the tax laws to cause discontent.