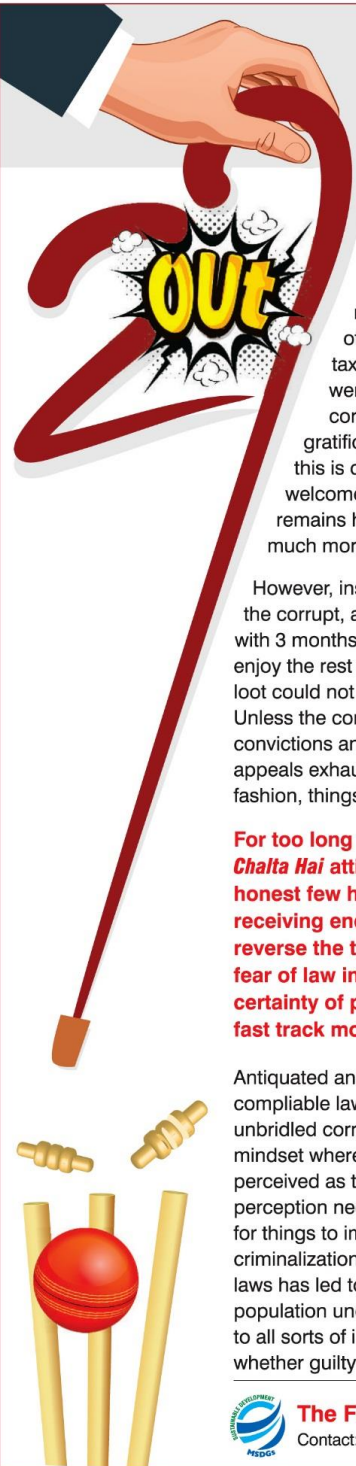


# Modi Opens 2<sup>nd</sup> Innings Hitting Corruption for a Six

## Celebrating 2<sup>nd</sup> Anniversary of GST



In a new drive for "Swachh Bharat", the government has compulsorily retired 27 senior officers of the central tax administration who were facing charges of corruption and illegal gratification. To start with, this is certainly a very welcome step and the nation remains hungry for much more.

However, instead of punishing the corrupt, a Golden Handshake with 3 months pay thrown in to enjoy the rest of their lives with the loot could not be appreciated. Unless the corrupt get actual convictions and finality with all appeals exhausted in a swift timely fashion, things cannot change.

**For too long we have had the Chalta Hai attitude and the honest few have been at the receiving end. It's time to reverse the trend and instill fear of law in the corrupt by certainty of punishment in a fast track mode.**

Antiquated and complicated non-compliable laws have fueled unbridled corruption leading to a mindset where corruption is perceived as their birthright. This perception needs to be changed for things to improve. Excessive criminalization of all commercial laws has led to the entire population under duress to submit to all sorts of illegitimate demands whether guilty or not.

**GST** in addition to usual teething trouble contains a few minor irritants which seems to have been thrown in to feed the invisible elephant of corruption.

A close inspection of the tax laws and structure in India reveals quite a few disturbing facts. There are serious ambiguities in GST on transportation, overlap in customs duty & GST on ocean freight, barges, coastal movement of cargo and valuation in volatile markets.

For example, GST on head office rendering services to plant and branches within the same company, reverse charge mechanism, GST on advance payments, GST on unpaid invoices, separate registration in each state negating ONE NATION ONE TAX totally, anomaly in multiple jurisdictions of central and state – a major tool for harassment, loss of input credit to buyer for default by supplier, etc.

**Most of these issues have negligible revenue impact but remain a major tool for harassment and corruption. In addition unlimited power to reopen past assessments and endless scrutiny until settled through corruption remain a major pain point for all businesses specially MSMEs.**

The Indian tax laws are a legacy of the socialist era that was an adversarial system tilted towards enforcement rather than compliance. India also has the history of high rate of corporate tax – even the current 30-40% tax is higher than that in competitor nations. Sadly, instead of reducing tax to incentivize private sector, policy makers have tried to bypass the system with a maze of deductions and exemptions. Fear among successive governments of not being branded as pro-business has always been at work. This is the reason for which tax terrorism flourished in India.

Sadly, one black sheep in the industry forces others to evade giving rise to the sibling effect. There is an urgent need to single out the black sheep and not paint the entire industry with the same brush.

The cumbersome filing of long and complicated tax forms is a tax payer's nightmare. Simplification would increase tax net. Small shop keeper, businessmen may want to pay tax but cannot afford time or money to fill the tax forms. For them, bribing the tax inspector remains a much easier option.

Tax Raids have no place in a civilized society, but they continue because officials enjoy the power that allows them to humiliate the rich and famous, and also allow them to make extra money.



For several centuries, Indians being slaves were brainwashed to distrust other Indians. Distrust saps national energy, kills initiative and compels manipulation. Trust and transparency promotes entrepreneurship. We must learn to trust each other.

**Arun Kumar Jagatramka**  
Chairman, Centre for Growth and Sustainable Development, FMSDGs & Group Chairman, Gujarat NRE

Raids, search and seizures only vitiate the industrial climate and leads to trust deficit on both sides. In today's digital era information can be obtained by the click of a button, hence such measures are obsolete; they are reminiscent of the feudal legacy and need to be done away with except in rarest of the rare cases.

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.

We should be in a system in which people are honest because they want to be, not because they have to be. The law-makers and government machineries must understand that trust based system provides great advantages, promotes entrepreneurship, and not by seeking revenge to stop doing business.

**Indian industry has been struggling for last few years and urgently needs hand-holding by the Government to come out of the current crisis mode and positively contribute to nation building.**

**For a corruption-free and fully compliant society, we need to get on the right track and that too on an immediate basis:**

- Decriminalise the commercial laws
- Remove minor irritants in tax laws which have negligible revenue impact but very high corruption impact and are a major source of heartburn
- Reduce litigation and the overload on judicial system by doing away with routine appeals by Govt. in all matters
- Initiate regular interaction between very senior level tax officials from Delhi & people across the country twice a year aimed at reducing the ground level corruption
- Ensure timely closure of all investigations - prescribed timelines for investigations and closure of cases
- Strict 3 year limitation for initiation and maximum one year for judgments
- If anyone is found not guilty, he/she should be notified accordingly
- Ongoing electronic surveillance and 360 degree profiling to ensure voluntary compliance
- Certainty of punishment based on such surveillance & profiling



**The Foundation for Millennium Sustainable Development Goals (MSDGs)**

Contact: Ph. 011-41767867 • Deepti (M) 9717838540 • www.foundationformsdgs.com, E-mail: connect@foundationformsdgs.com

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