

Compliance in an Ethical Society: Trust Based or Enforced?



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Rich Vs Poor nations

- ◆ Distinction between civilizations is not a fall out of age, natural resources or demographics

What matters is ATTITUDE...



When we analyse the conduct of the people from the rich and developed countries, it is observed that MOST abide by the following principles of life

- **Ethics, as basic principles**
- **Integrity**
- **Responsibility**
- **The respect for Laws and Regulations**
- **The respect for majority of citizens by right**
- **The love for work**
- **The effort to save and invest**
- **The will to be productive**
- **Punctuality**

**WE ARE WANTING IN ALL OF THE ABOVE
WE LACK ATTITUDE.....**

The Indian national flag is shown in the top-left corner, featuring the saffron, white, and green horizontal stripes, and the Ashoka Chakra in the center of the white stripe.

**WE ARE IN THIS STATE BECAUSE
WE WANT TO TAKE ADVANTAGE OVER
EVERYTHING AND EVERYONE**

**WE ARE IN THIS STATE BECAUSE
WE SEE SOMETHING DONE WRONG
AND SAY - "LET IT BE"**

CHALTA HAI

**WE SHOULD HAVE A SPIRITED MEMORY AND
ATTITUDE...**

**ONLY THEN WILL WE BE ABLE TO CHANGE OUR
PRESENT STATE**

We are still under a colonial Seize

We inherited a partitioned India as a slave's legacy with corruption packaged free – with shackles in the mind for next 60 years



Need to get rid of the Prisoner Mentality & the Mental Block



We are still following laws framed Centuries ago – Laws which are impractical and need an urgent relook

**SOME UNIQUE CASES OF BAD LAWS,
IMPRACTICAL LAWS, UNCOMPLIABLE LAWS
– LEADING TO EXTORTIONARY
CORRUPTION....**

**UNBRIDLED EXTORTIONARY CORRUPTION
ULTIMATELY LEADS TO AND ENCOURAGES
COLLUSIVE CORRUPTION**

Vague and impractical laws make all of us culprits

- **In developed countries you are given a border within which you need to operate. Violation amounts when you cross the border**
- **In India you are asked to walk on a straight line. No one can walk on a straight line, making all guilty in one way or the other**
- **This gives the enforcement agencies a free hand to pick whom so ever he wishes**
- **Giving enormous scope for the enforcement agencies to exercise their power**
- **Resulting into thriving of extortionary corruption**

Entanglement in Land Registration for Industrial Use

- Any land sale by a farmer for industry (even if for full value & free needs to be taken from Deputy District Collector (DDC) for converting Agriculture land to Non Agriculture Land
- Ideally it should take 7 days, but generally in our country it takes 6-7 months if you follow the corrupt system
- The approval from DDC once received is valid for 6 months only
- After the DDC approval is received NOC is required from various departments, viz:
 - Gram Panchayat
 - Taluka Panchayat
 - Mamlatdar
 - State Electricity Board
 - State Water Infrastructure
 - District Industrial Commissioner
 - Office of DILR/SLR
 - State Pollution Control Board

Labour Law – some impracticality

- Industries in Gujarat and Maharashtra employ a large pool of migrant workers from Eastern India
- These workers have a tendency of working for 9-10 months in a year and take extended leave for around 3 months to be with family in native village
- They generally leave without family at the place of work and want to do maximum earning in those months
- But the factory act does not allow industries to employ more than 48 hours in a week and not more than 50 hours of overtime in a quarter
- Thus legally speaking, continuous process industries who have a perennial worker shortage cannot have workers work for extra hours and also workers willing to earn more cannot put in extra hours and enjoy extended leave

Real Estate

The REAL Story is **BLACK** within

- **Black Money in Real Estate can vanish overnight**
 - Exemption of Capital Gains Tax
 - Reduction in stamp duty to 1%

No Incentive for Black Money involvement

Overall gains by removing Black Money from Real Estate deals is much more than the notional loss due to zero capital gains tax & lower stamp duty

Don't compel people to be corrupt, rather encourage them to be participatory

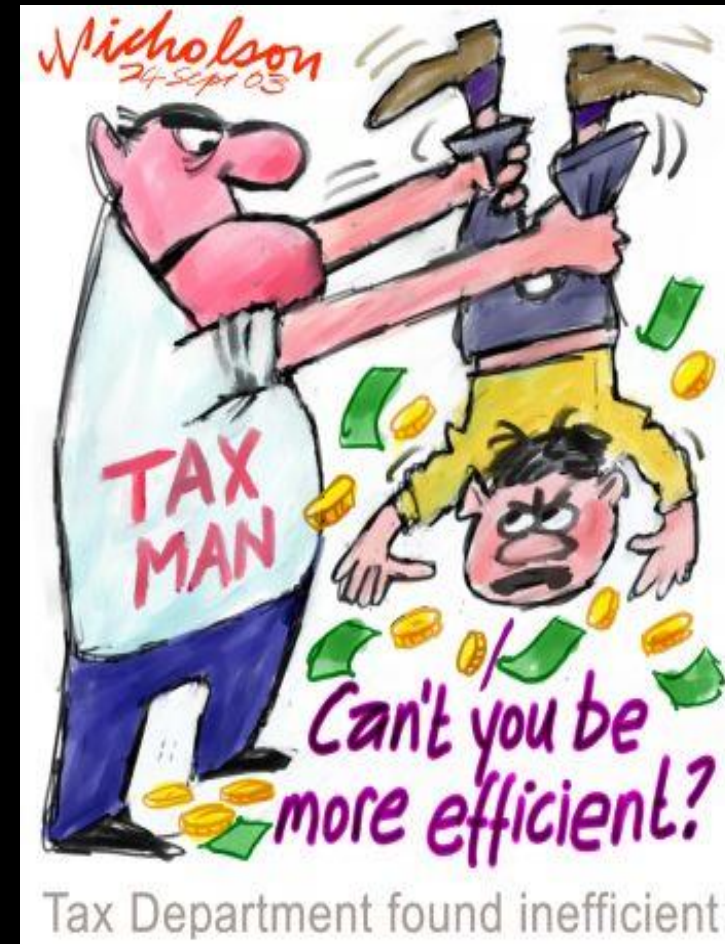


The problem may be that Corrupt politicians & Officers may find it hard to park their black money elsewhere

KITNE KHOON MAAF, SAMBA...??

- Highest tax paying Bollywood actress gets hounded by taxmen at 7 am in the morning
- Presence of an actor is The 'masala' story enjoyed by all

No one questioned why the taxmen went there at that time?



Is Paying High taxes a crime in this country as the Tax Dept's slogan **CATCH the BIG FISH** seems to suggest

The Effect of Enforced Compliance

“Rule of law has been replaced by rule of men”

We do not see convictions

-- guilt is proved by raids

-- media feasts on ‘breaking news’

-- the person is put in jail and released in a few days without any trial

There is no compensation- but the loss of reputation is irreparable



Mr Harish N Salve

Senior Advocate

Supreme Court

National Conference on

Integrity- 18th January, 2011

Fear of Raids much greater than Raids itself

The Raid Raj

During the pre-independence era, the police used to raid households at odd hours in search of freedom fighters and harass them at the slightest pretext

**In India today, we have the same story repeated ...
only the backdrop has changed**

Enforcement agencies bulldoze their way in organizations and households, harass the common man taking recourse to some impractical laws and walk out with their pockets full....

Even after 60 years of independence, we are shackled by these redundant laws and we have no way to fight our way out of it ...

The Raid Culture: An International Perspective

- There are no tax raids in developed nations like Australia, US or UK
- Taxpayers are not treated like terrorists/drug peddlers.
- Govt's assumption on voluntary payment of right amount of taxes is appreciable and result oriented
- Hence, the tax compliance level is much higher as compared to us
- **Successful because of the fact that there is certainty of strict punishment for the defaulters unlike a freeway for those with pockets full of black money.**

Non-compliable provisions in most revenue legislations.....

- Lead to all being defaulters - differing only in scale
- Big evaders can afford to buy the system out
- While genuine ones are unable to match the payout of tax evaders to keep the officials happy
- Leading to even the genuine ones turning into evaders in the longer term



It is also a result of....

Preconceived Mindsets like –

“Everybody evades tax”

Which even forces the honest to be corrupt

- **Which discourages the honest to pay higher tax.....**
- **Leading to more leakage.....**
- **Multiple division of entity...etc....**



And Justice for All... ???

“India has become a nation of ‘gestures’, the fundamental problems are not dealt with, only a few gestural actions are taken to cover up a deeper rot”.

“The nation is happy to live in lie, deceit and dishonesty and we have all chosen to become hypocrites”.



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CERTAINTY OF PUNISHMENT AS AGAINST SEVERITY OF PUNISHMENT

- The Guilty should not be allowed to roam scot free
- Certainty of Punishment would deter others from repeating the mischief
- “Certainty of Punishment” is not espoused by our judicial system. Focus is rather on “Severity of Punishment”
- More severe the punishment, higher the payout of bribe



We need to come out of the.....

**Age old mentality of the
Oppressed and the Oppressor....**

**Where the enforcement agencies are viewed as
the oppressor**

And the common man as oppressed

**The British have left but
have left the legacy of Class behind**



'kasauti investigation ki'

Timely closure of all investigations

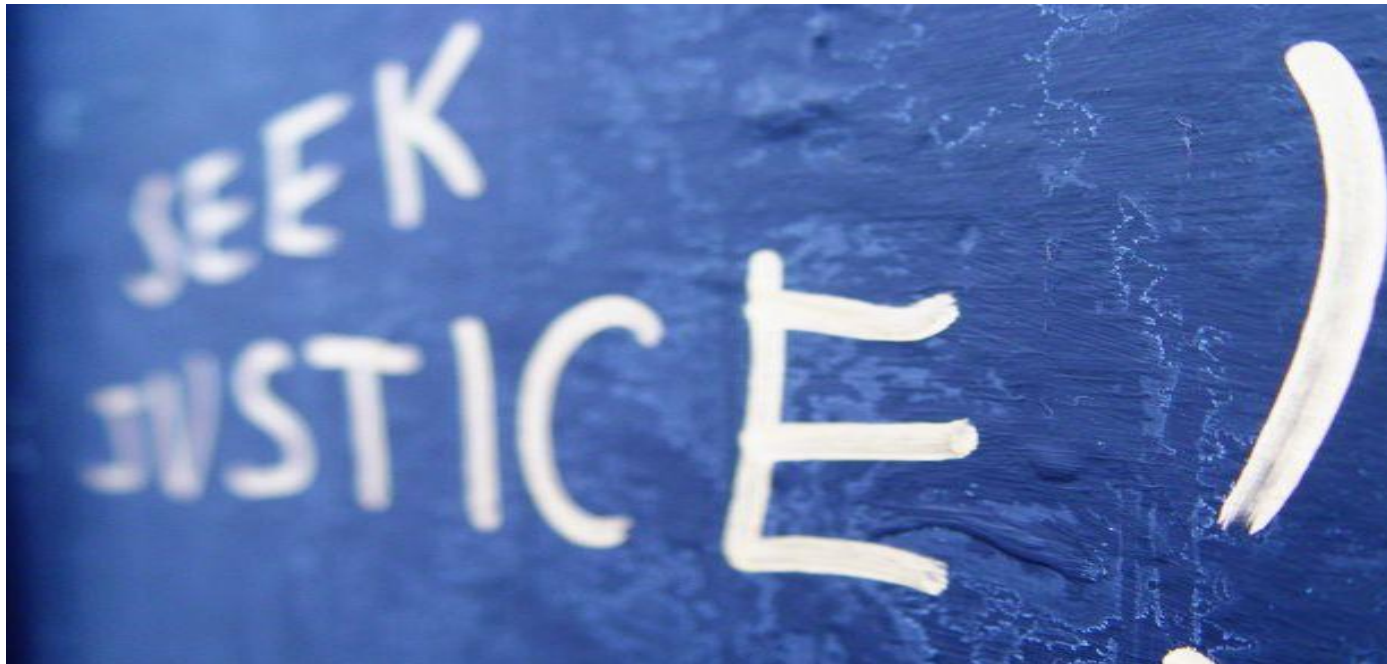
Investigations in India tend to continue like soap operas... a never ending saga of twists and turns without a definite end in sight..

Files are opened or pending based on who is in power



The Men in Power.....

**Have easy access to these enforcement agencies
And bend the law with impunity**



While the common man grapples for Justice

Injustice Breeds Corruption

- Creates alienation and hatred
- Erodes faith in the system
- Forces otherwise honest people to be corrupt

Corruption is:

- **Anti National**
- **Anti Poor**
- **Anti Development**



The Enforcement Agencies...

- Need to be Empowered
- Independence in operation
- Trained & Paid Well
- So that they may act accordingly to enjoy the faith of the local populace
- Need to enthuse more trust in us, the common men, and become more approachable
- Police reforms – Key to bring back the faith in the men in uniform who give their lives to save us



**The 2nd Freedom Struggle
has already started**

**Freedom From Corruption
and Harassment**

