How to deal with Black money?

Our economy grows at more than 7% per annum even during a slowdown, only 1.53% of the population files returns and pays tax; this figure includes corporate entities as well.

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In the past, governments have sought to tackle it by, The Income-tax Act which is replete with provisions relating to powers of search and seizure, surveys, stringent penalties and prosecutions.

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So how can the government make people turn in unaccounted income?

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- **The government needs to widen the tax base.**
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- Another method to get people to comply is by increasing penalty for income tax evasion and introducing the provision of arrest in certain cases (for non-filers) for ensuring compliance.
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- A combination of both methods can yield positive balanced results.
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Measures to be taken:

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The present tax payer base in the country is minuscule and expansion of this base is critical for several reasons.

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- **Government to focus on non-filers** to enhance tax base and uncover black money in the economy.
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- The IT department should identify instances of under-reporting of immovable

property, track advance tax payments by top taxpayers, Tax Deducted at Source (TDS) payments by top deductors and monitor payments by entities covered under minimum alternate tax provisions.
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- The proposed dual Goods and Services Tax (GST) is expected to expand the tax base and harmonise the tax systems presently levied at both central and state levels.
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- The introduction of presumptive based taxation should also be looked at to capture more number of small businesses and professionals within the tax net and to avoid revenue leakages.
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- The government should promote compliance by **simplifying laws and procedure,** provide better taxpayer services, reduce litigation, and curtail discretion of bureaucrats.
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- There needs to be behavourial change in the public.
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- Building institutional capability is important.
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