

CHAPTER FIVE

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5.1 CONCLUSIONS:

Unaccounted money and its unearthing through tax-laws is a vast subject confronting the state administration and fiscal experts alike, throughout the world. In fact, a closer look at the economies everywhere, including the economies of the developed countries like the USA, UK and Japan, would reveal that majority of them have been facing financial crises. Economic crises can be corrected through various means of resource-mobilization; effective tax collection being one such means.

In the Indian context, it is observed that the aggregate tax realizations are on the rise but the major thrust of the taxation is on indirect taxes, consequently resulting into imposing more tax burden on the poorer sections of the society. The World Bank Report (1992) reveals that in India, the contribution of the tax revenue to the national exchequer was once as high as 21.30% in the year 1972 but has slid down to 15.4% by the year 1990. Contrary to this, the total current revenue, as a percentage of the Gross National Product (GNP) has jumped from 10.20% in the year 1972 to 14.8% in the year 1980; meaning, in other words, an increase in the

aggregate current revenue as a percentage of GNP but a decline in the tax revenue. There may be a number of contributing factors for initiating and sustaining such a trend operative at various levels and at varying magnitude, but the obvious, the known and the proven factor is the alarming tendency towards tax evasion.

Several measures have been attempted for minimizing tax evasion through the initiation of tax reforms at various levels. There have been frequent amendments to the existing enactments. Ironically though, nothing significant seems to have been achieved because tax evasion, instead of having been reined in, has now become a menace and a seemingly incurable disease eating away into the vitals of the national economy. Nonetheless, the suggestions offered hereunder may help in alleviating the misery to some extent.

5.2 SUGGESTIONS:

5.2.1 The basic cause of the generation of unaccounted incomes has an economic colouring. It is proved beyond doubt that the government-regulated licenses and permits for economic activities, beyond doubt, tend to tempt the bureaucracy into exploiting the economic situation and earn unaccounted incomes. Pragmatic delicensing would, therefore, mean an economic approach to the situation and would act better than the presently much favoured solution of initiating statutory

amendments on amendments.

5.2.2 Comparatively higher tax rates prevalent in the country's tax system tend to encourage tax evasion and discourage the spirit of mutual cooperation between the taxpayer and the tax collector. The reduction of tax rates holds the potential of offering an alternative solution to the problem of tax evasion.

5.2.3 An innovative, effective and cooperative tax administration is a need of the hour. A taxpayer pays taxes to buy the civilization and, therefore, bureaucratic humiliation dampens his initiative. Therefore, the administrative machinery should be thoroughly overhauled.

5.2.4 All types of discriminations and discretions allowed in the statutes should be eliminated or atleast be minimized in order to provide simple legal framework that the taxpayer can understand. The present tax laws are complex and complicated and always beyond the comprehension of the common taxpayer. The simplicity of the tax laws would create an environment, where the taxpayer would feel that it is his duty to contribute to the national progress through the payment of taxes.

5.2.5 Various disclosure and amnesty schemes launched by the Government have failed in weeding out the unaccounted money. Furthermore, such schemes dishearten the honest taxpayer;

hence, these should be abandoned.

5.2.6 Another area of income generation that has escaped taxation is agricultural income. With increasing commercialization and technological innovation in the agricultural operations, it is no more the lame duck of the Indian economy. On the contrary, with the passage of time, agricultural sector is being increasingly exploited as a front for protecting unaccounted money. In addition, when the national economy is standing at a crucial juncture in its history, it is high time that certain innovative measures are initiated for turning the agricultural sector productive in terms of generation of tax revenue. Almost every Tax Reform Committee and Commission has stressed the need for such measures, but the political will to initiate the necessary Constitutional changes is lacking.

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