

Income Declaration Scheme: Here's why the big fish have got away

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Income Declaration Scheme 2016 (IDS) was a one-time opportunity to all persons, who had not declared income correctly in earlier years, to come forward and declare such undisclosed income. The scheme closed on September 30, after remaining open since June 1. Finance Minister Arun Jaitley on October 1 announced that according to tabulated data, a total of 64,274 citizens have declared income tax under the Income Declaration Scheme and the amount that they have disclosed is Rs 65,250 crore. Naturally, the government claims this to be a big achievement, more so since the response in the first three months was tepid.

Arun Kumar, a retired professor of economics, in his column today in *The Indian Express* says that Income tax officers, reportedly, pressurised people under their charge to make declarations in the last three weeks which implies they coerced the small fries, or the big fellows declared a miniscule amount. Also, many of the black income earners do not pay any tax. So they do not come under any income tax circle and, therefore, would not have been under any pressure.

He further says that the last disclosure scheme was announced in 1997 — the Voluntary Disclosure of Income Scheme. Under it Rs 33,000 crore was declared and tax of about Rs 10,000 crore was collected. The 2016 scheme is also a “voluntary” programme, even though it is not called that. “The 1997 scheme was called an amnesty scheme because of the low tax that had to be paid. But this time, it is not referred to as an amnesty because a higher rate of tax is being charged. The government had also given an undertaking to the Supreme Court in 1997 that it would not initiate any more amnesty schemes. The reason being that an amnesty scheme is unfair to the honest tax payers while those evading taxation get a concession for declaring their past income.” But the IDS is also an amnesty scheme because the penalty charged under it is less than what was being charged for tax evasion before the scheme was launched.

Later in the article, he says that the decision of the government of not revealing any of the data collected through the scheme to any agency; not even the CAG is very strange. He writes, “CAG is a statutory body with powers to audit the accounts of the government. It is the CAG that pointed to the various infirmities in the 1997 scheme. Giving data to the CAG does not violate any confidentiality.”

He further argues that IDS has garnered much less than it should have. He says, “If “round tripping” can be done at five per cent to 10 per cent of the amount of the funds, why pay 45 per cent under the IDS? Further, if the government, promises not to resort to vigorous pursuit of businessmen — under “ease of doing business” — they may be under no pressure to come clean. A person who has hoarded black wealth can only be caught in a raid; such a person will not declare black wealth voluntarily unless there is a cost to not declaring.” He further adds that if income tax department applies pressure, black money can be unearthed. The government seems to be trapped between unearthing black money and not applying pressure on businesses.

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