

# NEW TAX REGIME IN INDIA – WHAT IT CAN BE?

CA ARUN K. VARSHNEY

*Considering the ever increasing graft problem and poor governance in Government departments it has become imperative that some drastic changes be brought in taxation system so that taxes paid by Indian public may not be easy pray on one hand and remain available for public welfare and maintenance work all the time. This article throw light on what these changes can be and how they can be implemented ?*

## CHAPTER -I

The whole of India including its government wish that taxation system should be as simple as possible. But with development and placing emphasis on particular sectors we find that it has become more and more complex. Ironically still more than 70% of Indian population is not in a position to pay various direct taxes. So when tax is to be collected from only about 30% population ,the taxes will be many , rates will remain high and tax assessment and collection laws will be complex. Furthermore we find that even those about 30% do pay only half or may be less of the taxes due from them leading to graft problem and poor governance of Government departments. The conclusion is that there is a dire need to touch the basic tenets of taxation .

The tax system should be such so as to induce people to pay taxes according to their capacity on one hand and it may not be taken as burden on the other. This is possible only when –

- the Government is able to assess the correct capacity of public ; and
- taxes collected from a particular area are first used in the interest of public residing or working in that area under a transparent system.

Both the above essential ingredients can be achieved if a **CIVIC CENTRE** (hereinafter called a CC or CCs) is established in a manageable area of a state and thus throughout the country with the functions which redress problems of public and also support MLAs to render needed services in their area.

In order to achieve their twin function these CCs need to be multi-dimensional & powerful in terms of funds as well as in decision making. What can be their dimensions & how they will be powerful and further how they will be different from present Municipality wards or panchayats you will find through the following :-

### **Immediate one time functions of Civic centres on formulation-**

#### **1. Construction and/or Rehabilitation etc. –**

In states - Govt. has many buildings, which will become available for CCs and so can be directly handed over to them under a plan/policy. A CC itself will have to undertake construction/renovation or rehabilitation of the following **using funds of present treasury-**

#### **In metros and tier –I cities**

- of Parkings, toilets/urinals, Wedding/function centres, vocational training centres ,Old age/ destitutes/orphanage/ trauma or the like .
- rehabilitation of local jhuggi/rough house dwellers, who have permanent residence in the area, in the accommodation provided in the form of Govt. flats including those acquired from the members of the public having surplus residences.

#### **In villages/small towns –**

- Firstly arranging for sewerage and electricity ,
- Then construction of one Bed Room houses for all Jhuggi Dwellers free of cost,
- Then construction of community centres and vocational training centers where residents( chosen lot wise) of haphazardly built houses can be shifted temporarily,
- Then constructing houses for them by demolishing their multiform structures and allotting them uniformly-built ones. This will systematize the geography of the village the roads will be straight.

- Lastly it will have to concentrate on construction / rehabilitation etc. of schools, dispensaries, hospitals , parkings or like as per the need of the area.

### **ADVANTAGE**

This will change the face of the country that should look good to live anywhere and be seen by the world community as a destination of the HAVES and not the HAVE-NOTS.

### **2. Taking a census of the area**

**and then providing a chance to unsettled migrants to shift to their home towns** by providing means of earning and living at their native/Home/chosen/sparsely-populated places. This is possible because all the villages /towns will be developing and the **people will like to return to their home town/area chosen by them as is happening now in Bihar.** This step will also help in controlling the greed hidden in the tenancy concept which at present is a tax free source of earning for many, responsible for illegal constructions and many other social evils, like idleness of the property-owners(rent being their source of income).

**After a duly organized census, the CC will have a list of all the residents/occupants of the area** along with the detailed Bio- data of each house/business/land owner of the area and their assets prescribed for taxation. This will also provide the data about downtrodden or needy locals.

### **ADVANTAGE**

**The masses and their activities will be controllable** and policies for upliftment of the poor then will be really meaningful and successful.

**Recurring and concurrent functions-** Out of fund collected by CC under New Tax regime.

### **1.Rehabilitation of needy locals –**

All **idle persons/hawkers/ pavement shopkeepers/dwellers** be identified in order to train/guide them according to their aptitude.

Even masons,labourers, cobblers, presswallahs, bouquet makers, flower shops, stitching shops, pan shop owners need training, guidance in road manners and an appropriate place to work . The surplus vacant shops in shopping centers and commercial complexes can be recouped/acquired and allotted to them under a plan.

The young **pavement squatters** can easily be accommodated as “Road supervisors” of the area. Similarly those who are weak in studies can be shifted to vocational training centers.

### **ADVANTAGE**

The trained illiterates will be useful for many constructive works and also help as a step to check the crime.

### **2. Maintenance –**

- of all Roads/pavements half yearly,
- of all dustbins (should be secured and in plenty),
- Cleaning of Urinals and toilets daily
- of all parks and horticulture on roads;
- of all shopping centres
- of all Govt. establishments.

- of all sewerage and drainage systems in
- coordination with water Deptt.
- of all electrical poles and Red Light signals in coordination with Electricity Boards & Traffic deptts.

### **ADVANTAGE**

The people of the area will get regular and prompt service and immediate response to their maintenance complaints.

### **3.Supervision –**

- of contracts awarded (RWAs or residents can be involved for this) to check quality during execution itself,
- of Roads and parks to check encroachments in the very initial stages ,
- of public behaviour to control road habits(persistent violators can be reported to the police),
- of availability of police and legal services in the area,
- of all schools , coaching centres and colleges in the area
- of functioning of dispensaries/hospitals of the area,and
- wherever needed like –whether free meal being supplied is of good quality.

### **ADVANTAGES**

- The quality of work executed by contractors will be up to the mark.
- The encroachments will vanish.
- The public will inculcate a sort of self-discipline and act decently on already clean and decorated surroundings.
- When amenities in the schools and educational aids are funded by the CC, they will maintain discipline and control over stocks will be exercisable. The availability and behaviour of teachers will also be under check.

- When funding of consumables/medicines required in dispensaries/hospitals etc. is done by the CC, the manipulations in their stock and quality would be avoided. The availability and the behaviour of the Medical and para-medical staff will also be under check

#### **4.Census –**

- of all the new owners /occupants of the area i.e., regular updation of the original census of population and properties,e.g. details of vehicle purchases can be had from RTOs, that of Land purchases- from the Office of the Registrars, and above all can also be gathered by personal visits with counter check by CAG office;
- Or alternatively, all new openings/acquisitions in the area can be routed through registration/licensing with CCs with strict punishment for non-licensing/registration.

#### **ADVANTAGE**

The regular census will help in taxation of all eligible persons and properties under new tax regime.

**5. Liaison –** with all the centrally controlled departments rendering their services in the respective states for giving time bound services to inmates of the area like-

- sending data of residents for UID nos.,
- verifying data of applicants of passport,  
Election I- card , driving licence and other  
Such instruments ,
- providing list of requirements/surplus to Food  
Department for import/export of foodgrains or

- pulses/ Atta etc. ,
- verifying land registration applications,
  - verifying particulars of applicants wherever needed.

The rules can be framed for liaison with Police, law Ministry, SEBI, CAG ,ICAI,ICSI ,AICTEC, Medical/Ayurvedic/Unani councils and the like. Land development authorities can assist in developing lands in the area against a charge. Similarly hoardings and data stations/towers, satellite receivers can be regulated.

Liaison with other CCs will also be important for instilling coordination among CCs for any common work affecting two or more CCs. The CCBs may have an apex body in a state that may be designated as the State Civic Centre Board(SCCB) for the purpose.

### **ADVANTAGE**

This function of CCs **will reduce the burden of the Govt.** hitherto massively involved in verifying details filed and thus facilitate **the much talked about one – window service** which only a professional set up normally found in the private sector can provide.

### **6. Tax collection –**

This function is the **essence** of all the aforesaid revamping exercise for improving the civic service system. Non- availability of funds in time is the basic bottleneck of the present system. The collection rules can be laid down so that funds may remain available with CCs for all their functions throughout the year.

The collection can be done on the basis of a ‘New Tax Regime’(may be called ‘NTR’) , the basic ingredients ( bases & rates) of which ,based on the principles of one point taxation will be spelt out later.

Regular census will help in keeping check on evaders. The new tax regime replacing presently burdensome (both for Govt. & public ) EXCISE, CUSTOM,

VAT, SERVICE TAX, INCOME TAX AND PROPERTY TAX provides a glimpse of what a new tax system can be.

Present STT(on share transactions) and CTT(on commodity transactions ) and the like may continue as these transactions involve foreign investors also.

In case small dwellings & entrepreneurs and aided or Government institution in an area , due exemptions can be given.

### **ADVANTAGE**

The tax **collections will be much much higher** as compared to that in present self assessment and then search, survey system as you may find through examples in the Chapter on 'New Tax Regime'. **When the use of taxes is under the vigilant eye of the tax-payer, he will feel pride in paying the taxes** and also can force for accountability and transparency that will check corruption ultimately. The **office bearers of the CCs being local (a policy measure)** will always be under moral check of their neighbors etc. This system will **also act as a deterrent to unwarranted investments** e.g keeping more than one flat/plot will be burdensome.

### **7. Tax Disbursements –**

This function assumes significance on two counts- First the needs of central ministries and state offices of Home Ministry OR CMOs will have to be met out of collections from CCs and secondly the shortfalls in any area CC will have to be met through intra –cc transfer of funds(through CMO) to meet out its development requirements. Therefore disbursements rules will have to be framed in such a manner that **surplus at one CC and with Finance/Home Ministry should always be available for another cash-strapped State or CC.**

An Example showing collection of taxes in a state and then their distribution/custody among civic centres, Chief Minister's Office (CMO) and Central Finance Ministry through the CMO is given in Chapter on 'New Tax Regime' . It exhibits that **all states will get proportionately equal funds( based on no. of their civic centres) , all civic centres will get equal funds and thus the whole India will develop simultaneously.**



## CONCLUSION

From above question may arise whether the above can not be done through present civic services system ? or what can be the New Tax Regime ? The answer you will find in the next chapters .

### CHAPTER- II

The answer to question why the functions enlisted for proposed civic centres throughout the country can not be assigned to present civic bodies , you may find here.

#### OUTPUT OF PRESENT CIVIC SERVICES SYSTEM

The system of governance through six layers (for metros & towns) and three layers at district level (for villages) and now some tightening through RTI Act and proposed LOKPAL, Citizen's Charter Act or like , has no doubt yielded or may yield good results in the form of putting the Indian economy on growth track , making villages accessible and livable and developing towns and metro cities. The competitive airlines, fast trains, ever evolving transport & logistic services and highly advanced communication and computing gadgets are commendable. The computerization of various processes of Govt. departments are really laudable.

**But** whereas the whole development has taken a very long time (sixty three years) on one hand, it has not been able to address the following basic issues on the other:-

- The roads in various states and small towns are in bad shape and travelling or transporting through them is a horrible task.
- The cities and even metros remain unclean – garbage dumps,

poor drainage & sewerage, dust pileups and scattered sachets plastic bags/cigarette –bidi butts and Pan peaks , parking problems are a common site.

- Electricity supply is not regular and even nominal at many places of the country due to lack of power plants and poor maintenance of existing plants. The ever essential dams or the like are unwarrantedly resisted, perhaps due to the wish of some to keep poor undeveloped.
- The increasing poverty and hunger level and rich-poor gap clearly shows that Govt. departments are not able to take care of around 70% population of the country which is poor and around 30% are bearing the burden of those 70% or ironically the 30% are enjoying the slavery of 70%.
- In cities and metros all the newspapers are full of reports on inaction and inefficiency of govt. deptts. and increasing crime graph . People complain that they draw attention of the concerned officers/MLAs/CM but nothing is happening for the last three to five yeas. In short some areas develop but many remain undeveloped for a very long time.
- It has become very difficult to think of getting the things move in the Govt. departments/ work done without the help of agent/link and/or bribe. Therefore even mass level efforts of Government to reduce public interaction in tax departments like VAT, income tax, Excise, Custom & service tax through computerisation are proving a failure due to huge number of returns, mass level errors and erroneous working of Govt. officials.

- The encroachments of public space by poor and lower middle class and illegal constructions by educated ones and rich are rampant .
- The education standards at many Govt. schools are not up to mark. In villages and small towns, though schools may be there

but teaching is almost inexistent. Due to lack of education the awareness level of public is very low in general.

The happenings at CWG games, the politics in sports federations , the scams in various govt. projects/approvals & sanctions , the death of poor on falling down of illegally constructed building at Lalita Park are recent examples of inefficiency of our country's system of governance.

The poor image of our country in the eyes of all developed countries is a clear evidence of failure of our system in addressing the issues relating to quality of work and money spent on them.

The slum behind WHO office in Delhi , people say, is a deliberate attempt at keeping the status of the country as developing for snatching the aid from world level funds. What a pity?

In view of the above said negative outputs of our system, the common man has developed a question mark : does this system really have a right to ask for taxes?( In developed colonies people also have to maintain and carry out many Govt. duties on their own – also many activities can be carried out without paying taxes ). And

**thus a vicious cycle follows leading to poor services from Govt. Departments and neglect of all villages and small towns:**

### THE VICIOUS CIRCLE

Lower tax collections – higher need of funds – increasing the taxes – higher burden on public – resorting to all tax evasion devices – lower tax collections.

### REASONS FOR NEGATIVE OUTPUTS OF THE SYSTEM OR SHABBY GOVT. FUNCTIONING

These again can be many for various fields. They may differ in nature from field to field, but following reasons can be broadly underlined :

#### I. Centralised Govt. Functioning & lack of close supervision

The six layer/three layer system of administration in various Govt. services makes it undesirably centralized in the sense that for each remedial or corrective measure/welfare policies, the action needs approvals from bottom to top on the one hand and offices providing civic services (enlisted at the start) are located at far off places in cities & towns and at districts in the villages on the other. As a result the Govt. departments become out of reach for the poor and difficult to access for the middle class( i.e. for 85% of the population) .

Most of the people remain unaware of procedures and intricacies of a Govt. department and thus are befooled by many viz. a simple objection by a clerk results into wastage of precious time and energy of many. This leads to creation

of middlemen between Govt. and public which brings all sorts of evils attached to such middlemanship.

This centralization of public service agencies is also responsible for lack of close supervision of work being carried out by a contractor or of the duties assigned to various Govt. employees.

## II. Centralised pooling of taxes/funds

The taxes are collected at various Govt. offices and go to a central pool via treasury receipts/challans – state taxes to state treasury & central taxes to central treasury. A large sum is spent by the Govt. for evolving, managing and regulating such a tax recovery system.

The funds collected are allocated to different expenditure heads according to the budget. The budget is prepared after assessing demands of various sectors represented by various agencies / departments/ committees of the Govt. . The demands are based on salaries & overhead expenses of employees in a sector like CAG office or requirements of an area assessed by the MLA etc..

The funds actually collected are then disbursed as per the budget and any escalation in expenditure Or shortfall in collections is recouped from central funds or higher state taxes in case of a state or by imposing higher central taxes or by reducing subsidies etc. or from accumulated or parked funds in case of the Centre.

Due to above system the following pitfalls emerge :-

- **The payer does not know** where the taxes deposited/ paid go and who is answerable for expenditure out of that and thus the public generally feel that their taxes are not being spent on them when they find poor services from Govt. departments;
- All the taxes are first collected in treasury and then disbursed to various sections leading to **the problem of erroneous availability of funds** with a section at a particular point of time.
- The system also **generates the legacy of approval of files** at various

stages which contributes to delay in action and corruption and at many times essential works remain unattended for a long period;

- There is no particular check on whether all sections of the public liable to pay taxes are paying their dues. Many people who start work (salaried or business) do not think of paying income Tax, excise etc. up to a very long time even if their income crossed many boundaries. Similarly established people evade direct taxes by all sorts of means. As a result, **the indirect taxes remain high and the whole burden is borne by the middle and poor classes** leading to the widening of the rich- poor divide.
- Tax recovery control being centralized ,i.e., not very near to the assesseees, leads to the system of voluntary filing of tax returns under self assessment scheme. The scheme is being misused by both sides to the maximum leading to **the creation of a strong parallel economy**, a black curse hindering our country's path of development.
- The shortage of funds in the hands of the Govt., **in turn, handicaps it in providing social security services to the public** at large. It is a pity that general public has to arrange for it by themselves. Those who can not make both ends meet are normally responsible for crimes and poor road habits like spitting, chewing tobacco, throwing litter anywhere, hawking on pavements etc. The literate people finding no check on these menaces also have adopted these bad habits.

Also the tax collections which are already short due to evasions and avoidance are further squeezed by scams and the govt. always runs short of funds for various maintenance services.

### III. Leniency and absence of deterrent punishment to the real culprits.

The reason of this type can be summarized in two words for our country i.e Loose Democracy. Democracy in itself is the essence of country's governance system these days but when it is applied with partiality and acceptance of

immoral and/or indisciplined behaviour of people , it plays havoc as is happening in the country today.

The people obeying rules laid down by the Chinese Government and the resultant progress of their country is the example in this direction. The freedom with appropriate and prompt punishments for violations of rules is the only way of making public progressive and obedient.

Why is our rules enforcement machinery lenient ? The only reason that Govt. officers and politicians would like to extend for this malady is that most of the country people are poor and live under pressures then how police , judiciary or other officers can be harsh on them ? But the hidden reason which politicians know but do not extend and which Govt. officers refrain from providing is that frequent and all pervasive punishments will erode their vote bank and thus it will be difficult for them to form a govt. And this vote Bank protection policy compels leaders not to take harsh steps against non implementation of or non-compliance of good policy measures or against various indisciplines on roads. Our age-old constitution also needs a change in this respect.

The pity is that the vote bank of our country mostly comprises of the people from BPL and lower middle class sections of public and these people generally are not aware of their rights. They just cast vote without knowing what they should get in return. Those who are aware of their rights or rich ones get their work done by one means or the other and thereby are not interested in casting vote or in giving due care to govt. rules and regulations. They take full advantage of the leniency on the part of the Govt. rules enforcement machinery and do not care for what is good for poor.

Another pitiable condition is that when a poor literate or aware person raises voice against the system or a real culprit ,the whole law enforcement machinery becomes very harsh to him or her . This develops fear among illiterates on one hand and leads to the absence of punishment of the real culprit on the other. The helplessness of the poor drives them towards crime so as to fulfill their hidden desire of becoming rich at the earliest.

This very reason also works as a supplement to lack of supervision on the part of the Govt. officers and thus the contractors feel free to do any type of bungling to amass wealth.

#### IV. Posting of officers at far off places/states and no policy of giving preference to local contractors, auditors, doctors, lawyers, architects , valuers and other such service providers

In the name of democracy and due to centralized functioning of Government the Govt. posts are made transferable and this practice which is often misused, has given rise to many ills, as we all are aware.

An officer posted at a far-off destination or transferred from his home town state/district, accepts such a situation with a heavy mind on the one hand and feels alienated on the other. He/ she generally prays or waits eagerly for return to the home town or state or district.

This alienation hampers the process of developing love to locals and their locality and thus undermines the interest required for the development of the area and its people where they are posted. The same happens with the public as they are not able to establish a fruitful link with him or her. This alienation also is a root cause of corruption/scams by officers/leaders or for their luring away by unscrupulous contractors.

The same dilemma and distrustful situation arises before a contractor, auditor, doctor etc. when they get assignments away from their state. They just do their duty or carry out the work without thinking an ounce about locals and their locality. The locals also do not generally extend cooperation to them in welfare measures, if any, taken up by them as just another assignment and not as their duty. It is mainly because of their half hearted approach without any time frame. Various genuine NGOs are also successful only in a limited area due to this reason only.

This reason again leads and contributes to lenient supervision by Govt. officers or indulging in corruption.



## THE CONCLUSION

**THUS** the ills of present system and its inability to tackle the basic problems of our country show that it can not be made accountable to general public as it is. The civic centres near to public and collecting taxes according to capacity remains the only way to make the Govt. machinery accountable.

**But again question arises why are reforms necessary?** Can the reasons for poor working of Govt. Departments be not removed to make them efficient? Will the initiatives being taken by various Chief Ministers like Public Service Guarantee Act,2010 in Madhya Pradesh Or Nitish Kumar's Right to service Bill,2010 or all round development of Delhi or Narendra Modi's strict administration & vigilant drive or centre's citizens charter Bill be sufficient to help the illiterates and to make Govt. babus accountable and answerable? The answer to these questions you will find a poor 'No' in the next chapter.

### CHAPTER - III

## WHY NEW TAX REGIME ?

The present taxation system is becoming a great stumbling block in bringing the Government to needy public and in maintaining the amenities created and in developing the India throughout uniformly. A huge parallel economy and mass level immigration within the country can not be a good sign for making Indian public happy in general. Any strict step or creation of an independent regulatory body is seen as a blow to free or so called smooth functioning of present beaureaucracy and leadership. As stated earlier 'loose democracy' is the liking of many in power. In such scenario any improvement in present civic services system without

changing the taxation system appear to be a myth and more so due to following:-

- The instances mentioned in news & reactions column of the website [www.actionforchange.co.in](http://www.actionforchange.co.in) clearly reflect that many problems of public arise due to missing of ‘one to one’ touch of Government departments with the public.
- When awareness level of general public is low and Govt. officers do not visit from place to place for explaining the rights granted to people, do not extend help to needy in utilizing the rights, leave them on the mercy of mediators (generally relatives of Govt. babus) and also when transparency of Govt. departments is poor, how initiatives taken by CMs can help the poor and illiterate?
- When the Supreme law enforcing agencies- SC & HC and policy makers at Parliament/state assemblies waste precious time on petty issues, the attention of Govt. officers remains diverted, e.g., the issue of CVC Sh. P.J. Thomas - due to which initiative of CVC on formulation of anti-corruption strategy (of Sept.2010) and other such measures must have gone to cool bags?
- Also during Election period (approx. one year after & two years before) the real governance becomes weak and the policies become more election-oriented than being growth-based. In such a situation, formulation of schemes and Acts takes a longer time on the one hand and their implementation becomes a tough issue on the other. Also dilution takes place due to vested interests.
- The Govt. machinery has become so much rusted that it seems to be reluctant in removing the reasons mentioned in previous chapter for its inefficient working. Moreover the politicians/Big business houses also don't find it worthwhile to cooperate in the task of requisite overhauling.

- Lastly due to central pooling of taxes/funds, the schemes or Acts made for welfare of poor have not been able to redress the problems of general public.

Therefore the reforms in the shape of **revamping of Govt. system is the only solution** for upliftment of an area and of poor residing there and this can be achieved only by participation of Public representatives in Govt. departments or vice-versa i.e 'public-pvt. Partnership' in maintenance of an area , redress of area- specific grievances or in the provision of area- specific requirements.

Before we present and understand the model of new tax regime it will be relevant to highlight the advantages of it to the Government, to tax payer class and to non-tax payer class to show its urgent necessity.

#### ADVANTAGES OF NEW TAX REGIME(NTR) TO GOVERNMENT

##### **AT MACRO LEVEL**

##### **In Development of people of India in true sense**

In the words of Prof. M.G.K.Menon , in the quest for achieving the status of super power , India has been galloping and competing fiercely but forgetting in between the welfare of its people and preservice of human values for which once it was proud of. It is his desire that India may not become a super power but it should be a happy India. These touchy words of a renowned policy maker reflect that the Governments have failed in raising the economical as well as mental standards of people. The education has become only technical and compassion is almost missing among people. The Government , therefore , when will come near to its people through civic centres surely it might be able to raise the standard of area and its people under a civic centre and thus achieving the dream of our fathers of/fighters for constitution ,of securing EQUALITY of status and of opportunity and to promote FRATERNITY assuring dignity among citizens of India.(see preamble to the Constitution of India).

##### **In development of nation all over**

The establishment of powerful and truly answerable civic centres throughout India might ensure all pervasive development and will divert /reduce centre /state Government's concentration on developed metros & towns. The civic centres of undeveloped areas will be able to provide industry & people there with the help or aid from centre or other civic centres. For example - The civic centre having more of agricultural area can find out the ways to improve agriculture , to improve condition of farmers , to bring in service sector or industrial enterprises from nearby centre which is having excess of them and like. The people of one civic centre or state will like to shift if they will be getting similar or better structure without incurring any extra cost or a reasonable extra. This will also help in checking the encroachments in heavily populated areas.

### **In Managing the taxes properly**

India is a huge country in terms of population and may surpass china soon. In such a scenario when Civic centres will be collecting taxes based on capacity of public and on a one point transparent taxation system , the burden of Government as to collecting & managing taxes will surely come down. The funds in the hand of centre will be manageable and it will be in a better position to regulate the funds of civic centres. The new tax regime will eradicate the following taxing problems of present taxes:-

- The Finance Budget remaining in deficits ,Government has to raise taxes frequently;
- A huge machinery of personnel & computing machines is involved in collecting taxes and processing the self assessment tax returns, TDS, refunds and recoveries which otherwise can be used for maintaining infrastructures, roads & pavements and in developing human values among people;
- A large many financial matters remain pending in litigation;
- The tax evasion practices have developed a parallel economy and surpluses are not invested in Government avenues and Government remain short of funds for maintenance and welfare work;
- A large number of person eligible or having capacity to pay taxes do not intend to pay on one pretext or other – exemptions available are misused.

- The farmers, salaried class and rent earners are not able to channelize their earnings properly. Under new tax regime their income being totally exempt a lot of relief will come to them as well as to Government;
- The bill/cheque economy is limited only to essentials presently. Under new tax regime people will love to raise bills & issue cheques and their maximum fund will pass through banking channels; and
- The businessman public remain tense in handling unbilled transactions , compliance formalities of various taxes and in handling the consequences of errors committed in filing or of not filing various tax returns ;

### **In providing Safety & security to people of India**

The people when getting proper services from civic centres , one window service for their registration & licensing requirements , a care for their less privileged children and prompt redressal of their grievances through a user friendly ‘ May I help you’ counter of civic centre they will like to cooperate not only in paying higher taxes of new tax regime but in any effort of the civic centre . The surplus funds, thus, available with the centre will be used to provide homes to homeless, shops to shopless , training to illiterates , education ,health & hygiene to public in every corner of India and help to people in the time of their distress on case to case basis ( not generally through quota/reservation etc.). Such a set up will surely check crimes for money and atmosphere through out India will be safe.

### **In providing quality structures /facilities in time**

The formation of civic centres by merging municipality, revenue and PWD functions will eliminate coordination and approval problems and close supervision of contracts and services will enhance quality of civic work everywhere.

### **AT MICRO LEVEL**

- The habit of people to keep multiple Bank accounts and excessive properties in different names will come to an end.
- Banks and Financial Institutions will be able to channelize their energy to constructive transactions . Presently they have to bear a heavy toll of parallel economy.
- Tax being direct only, prices will truly be regulated by market forces.

- There will not be any need for caste based or category based reservation . Civic centres will take care of downtrodden/needful of their area. Presently leaders announce and also get implemented the policies for these people but benefit does not reach to all such people.
  
- All the businessmen and service providers will inculcate accounting discipline and people will like to show their assets freely in their Balance sheets as professional will be there to help the unorganized ones also.
  
- Many people wish to keep their affairs straight and truthful but due to prevailing system have to resort to or surrender to unfairness unwillingly while abusing the system. **Under new tax regime , the system itself will support their truth and thereby it and the leaders will also gain true respect of people.**

### **Benefits of NEW TAX REGIME and NEW GOVERNANCE SYSTEM TO GENERAL PUBLIC**

The earliest implementation of NTR is a need of time and is essential as its vehicle viz. concept of local civic centre will entail immense benefits to society as follows:-

#### **FOR TAX PAYER CLASS**

- The new tax regime as explained in the next chapter will fulfill their long cherished wish of many tax payers for a single point taxation system. Multipoint taxation has led to engulfing them in many kinds of tensions .So-called concept of black will vanish. In return of prompt services, adorable atmosphere and social security they must like to pay higher taxes but in fact only about 4 to 5 % of their hard earned income(history reveal that about 90% taxes till 60s , 60% till 70s and 50% till date have led to mass tax evasion).
  
- The availability of one-window services nearby will prevent befooling by the middlemen.
  
- The regular maintenance of roads, corners, parks will surely provide them a neat home like atmosphere outside. They will not have to press their nose or stop breathing while leaving the house /office .
  
- The system will provide them a trained/disciplined workforce with whom one can develop friendly relations. Less migration will surely help in easing of pressure on infrastructure around.

- The middle class have to feel most the pinch of higher taxation and resulting inflation forcing them to resort to all means to increase their income . The reforms will enable the govt. to concentrate on availability, price and quality of goods / services.
- The employment of only locals by civic centre will ensure employment to their even less fortunate children.
- The one window service will help in saving their precious time & energy, which they can devote on their work.
- The salaries , income and payments being tax free will eliminate pressure on the govt. machinery., business organizations /Industry relating to tax deductions & deposits .
- For the upper middle class, owning luxury gadgets, plots etc. may prove little taxing. but services of civic centre, if implemented in true form under PP model, will satisfy their wish that they like to pay more taxes , if they get good service from the govt. in return.

FOR NON TAX PAYERS ( The top most sufferer of the present system )

- The regular census by the CC due to limited area under control will enable it to provide a helping touch to the needy of the area. The opportunist will not be able to dilute the advantage of any welfare scheme announced(or the scheme benefits will reach directly to the deserving).
- The CC will have enough surplus to be spent on- uplifting of the poor, the good and updated education of their children, the jobs for their less privileged children.
- All the villages and small towns being developed, they will get a roof to live and training to live reasonable standard of living with pride.
- The service agency under PP model near to them can generate enough donations / funds from wealthy and charity inclined persons/institutions (NGOs) for their welfare.
- The biggest benefit to them & us will be that they will be free from exploitation & slavery of the crooked due to eradication of ignorance and thus preventing their conversion into criminals.
- The govt. schools & dispensaries will become much more attractive so as to avoid or long for private set ups.
- The systematic housing & allied amenities and their regular maintenance will surely improve standard of living of lower middle class.

In conclusion , the New Tax regime need political will to be implemented and considering its advantages to all segments including Government it need voice from all sections of society.

What is the new tax regime ? This you will find in next chapter- IV on Excel sheet attached ?

And how it can be implemented or how civic centres can be formed with in the ambits of our Constitution and without disturbing present assembly/state or centre elections ? This you will find in next final chapter .

## CHAPTER - V

### Formation of Civic Centres And Enactment of 'The Civic services Act'

**The Govt. – pvt. participation can be done by establishing a civic centre( hereinafter called 'CC') in each or say four wards of a big city , in small towns – by covering adjoining villages and in villages - if they are far away from developed towns by forming a centre over four Panchayats - headed by a Board comprising Govt. and pvt. nominees in equal numbers ( hereinafter called civic centre Board or in short 'CCB').**

**In order to manning and equipping these boards with powers and duties and to make them really useful for all villages, towns, cities and metros through out India , following constitutional amendments and/or policies will be required :-**

#### Constitutional amendments needed

Revamping needs fundamental changes in the political structure and in functions of various ministries , of which the following can be brought only by amending the constitution of India :-

- Functions of Municipalities and Panchayats be modified to include all functions of state public works departments ( PWD) and collection of taxes on behalf of centre;



(Refer clause 243 of the Constitution)

- The chapter and clauses on Union taxation be amended to provide for taxes to be collected by civic centres to be established by CMOs or Municipalities;(Clause 264 to 291)
- All Chief minister offices ( CMO) OR Municipality of a state to be having a civic centre department - headed by the Chief Ministers.

The function of this department will be –

- Formation of civic centers in the state by converting existing municipalities and panchayats;
- To monitor & regulate the functions and activities of civic centers of the state;
- To decide about matters commonly affecting the state and to pass on the decisions taken to concerned CC(s) for implementation.
- To formulate policy on matters affecting various areas referred to by CCs for decision.

( Part VI –Clause 152 to 167 & other connected clauses of constitution)

### **ADVANTAGES :**

The CCs being near to public will be able to provide one to one touch to the individuals and thus the downtrodden and poor of the area will be identified by them to be taken care of. They will also be able to supervise the contracts awarded and to infuse public- discipline. The encroachments will be a history.

- All elected MLAs/councilors/Panchayat members be made part of the civic centre Board of their area as representatives of the public. IAS/IPS/IRS officers nominated by Home Ministry will be the other part of the Board. Thus there will not be any impact on present assembly elections. The public representatives will do better when getting expertise of qualified persons.
- The civic centre be given powers to collect a uniform tax from inhabitants/owners living in their area based on their residence/shops/godowns/factories or other establishments. As a result the revenue collection source of Ministry of finance will change from public to CC . A percentage of collections at CC will go to the Finance ministry. A new tax code be formulated for –
  - Abolishing all the current taxes and introducing a single point taxation system based on census by CC of their area.
  - Collection of taxes by a CC from its area ;
  - Disbursement by finance ministry to other departments of Home Ministry and to other ministries and/or to offices of national importance established in their state ( which, in turn, can also be looked after by CC under which they lie) ;and
  - Intra CC transfer of funds

## ADVANTAGES

This amendment will neutralize the ill effects of centralized pooling of taxes and funds. Also a person owning property in different areas will have to shell tax on all. A portion, say 50% , of taxes collected will always be available with CC for meeting

the demands/requirements of the area and thus its services will be prompt. Further, when people of an area are aware of where their taxes are going, they can press for transparency which in turn will lead to accountability on the part of CC personnel .

### **Policy measures needed**

#### **To accommodate staff of revenue collection departments-**

- All permanent staff of revenue collection departments of a state as well as of the centre that becomes surplus as an outcome of changes in revenue collection set up shall be deputed to civic centers of the area where he/she resides or to nearby civic centre as per need.

#### **To merge surplus technical and administrative staff of all the local bodies in the staff of civic centers**

- All the permanent and contractual staff of municipalities and other local bodies be sorted area wise ( based on permanent residence) and be accommodated in the CCs of their area

#### **To check inter-state transfers and to minimize intra-state transfers**

- A policy to appoint only locals from among the list of residents available with CC in order to make appointments user-friendly and to put a moral check by neighbors.

**To document a Civic Services Act specifying the functions of civic centres as are given chapter-I.**

*With hope that you will appreciate the efforts and will spread the new tax model among masses by preparing a summary or downloading it from the site [www.actionforchange.co.in](http://www.actionforchange.co.in).*

JAI HIND