

## IS IT OVERKILL?



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### FROM THE DESK OF CHAIRMAN

In India, over the years since independence, corruption and black money generation has been so deep rooted that importance of any effort to curb the menace can never be over emphasized. The efforts to curb black money and leakages in tax revenues were made by means of various legal and other measures and the laws have been made to curb the menace. Generation of black money has various social, economic, even national security implications. In last 5-7 years, the government has been aggressive in taking various steps and also enacting / amending various laws in this respect. The same may be necessary but as every medicine has its side effects, the new and amended laws have its side effects too, mainly in form of complex web of compliances, uncertainties in compliances and undesirable litigations which may follow.

If we talk of revenue laws, amendments introduced, especially in income tax law, will help government to identify and curb revenue leakages, however, the taxpayers are required to comply with various procedures which definitely adds to their burden.

Certain provisions introduced are really harsh on business community and go against the motto of "ease of doing business", e.g. TDS / TCS on Purchase / sale of goods etc above Rs. 50 lakhs. These provisions are pretty burdensome and seem to be unnecessary. Further, TDS on amounts paid by banks etc in cash (cash withdrawals) above Rs. 1 crore in a year (or Rs. 20 lakhs in case of non-filers) are also unwarranted. The fact is cash withdrawals are not incomes of persons receiving cash. Further, post-GST era, it is practically not possible for business community to have unaccounted cash transactions and go scot-free. Recent introduction of provisions related to TDS on benefit or perquisites in respect of business or profession has further added to complications of tax paying community. Tax introduced on partnership firms at the time of reconstitution of firms on assets received by partners is one more instance of amendment seeking to plug revenue leakage but in doing so has created so much complexity and even probability of double taxation. These are only few instances and there are various other amendments to bring more revenues or plug the leakages but are very harsh on taxpayers, many times unnecessary and mostly bringing with them potential future litigations and so on.

It is said that revenue collection by government shall be like honey-bee extracting honey from flowers, it shall be painless to the tax payer. Whereas in reality, the complex web of laws makes it very difficult for any businessman to run business with required ease, especially persons in SME sector feel the heat much harder way. Even small compliance mistake will end up creating large tax demands, long stretched litigations and penalties which will have further financial burden.

On the other hand, the government keeps on boasting about quick payments of tax refunds claimed by taxpayers. However, the whole need to claim refunds by taxpayers comes mainly out of wrongfully collected taxes in advance by way of TDS/TCS etc. This whole exercise has its own cost on the exchequer and taxpayer community, has the effect of depriving taxpayers of their financial liquidity, and use of taxpayer money by the government at no cost i.e. loss to taxpayers.

Another measure used by the government to curb the menace is making most procedures technology driven. This really is effective in many ways and helpful to taxpayers if implemented effectively. Yet the experience is that various faceless procedural aspects are in mess today. The enthusiasm of the government to take advantage of technology for betterment of people at large is understandable but somehow it is not giving desirable results, not at least to the taxpayers. The talk of simple tax laws shall not be just lip service but there has to be a proactive approach towards attaining that goal by understanding problems of taxpayers and resolving the same. The burden on the judiciary can only be reduced by simple tax laws and simple procedures. If the government really wants to introduce ease of doing business, reduce burden on judiciary, improve voluntary tax collections etc., the only way forward is believing in taxpayers and simplifying tax laws for real. Making laws based on handful wrong doing people is not sign of mature tax regime.

So naturally question comes to mind that why the government, so proud of our ancient culture, when it comes to tax levying and collection, completely ignore the writings of Chanakya who advocated about taxation that it should be easy to calculate, convenient to pay, inexpensive to administer and equitable in its burden? Whether such complex tax laws are really needed, or is it just overkill by Government?

*Thank you all..... Always in Gratitude*

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