

# Offenders received immunity from the VDIS bouquet

## THE GUEST COLUMN

UTTAM GUPTA

The Chief  
Economist,  
Fertiliser  
Association

to use the disclosure under the scheme as evidence in any court.

The government had proposed the tax rate of 30 per cent on income disclosed under the personal category and 35 per cent on corporate income. Considering that disclosures have been made in both categories, collection on a weighted average basis should have been somewhere in between, about 32.5 per cent.

Against this, the actual tax paid, of about Rs 10,050 crore is lower at 30 per cent. This is mainly because on jewellery and utensils, these form a significant chunk of the disclosures. It seems almost all declarants acquired jewellery prior to 1987!

The economy could possibly gain provided the tax thus, collected is spent in a productive manner. At the time of launching the scheme, the finance minister had promised to transfer 77.5 per cent of the tax collected to states, for supporting basic minimum needs programme and development of infrastructure. The balance 22.5 per cent remaining with the Centre was also proposed to be utilised in the same way.

It seems that both the Centre and the states are now eyeing the money; two-thirds of this is yet to reach the exchequer, to cover their respective Budget deficit. The Centre, is in fact, keen to use the entire Rs 10,050 crore to bring down its fiscal deficit during the current year, 1997-98.

No doubt, it cannot get away from transferring to the states their share which it proposes to do during 1998-98. This would make things

much more difficult in the coming fiscal. However, this does not seem to bother the Centre right now.

The modification in the Pay Commission award, additional subsidy outgo on food and fertilisers, election expenses etc, have already caused a huge slippage in the current year's budgetary projection of about Rs 20,000 crore. The Centre's share in the VDIS kitty, about Rs 2,260 crore, will make up only 11 per cent of this. And yet, this has made the Centre more indifferent towards the need for maintaining fiscal discipline.

In this context, only a few months back, the finance minister had announced stern measures to contain the fiscal deficit. These include, amongst others, a 5-per cent cut in spending by various ministries/departments. Whether or not the ministries/departments would have observed discipline and given the finance minister's required savings, is a debatable point. However, drowned in the VDIS euphoria, the finance minister lost no time in reversing the cut. With the Centre showing the way, states are also likely to become more lax in regard to fiscal discipline.

After paying tax, the disclosed income remaining with declarants is about Rs 22,950 crore. It is difficult to say as how much of this was already in use (parallel economy) and how much was resting in the vaults? Under the former category, is the money mostly with companies and businessmen but, not put to desired use from the national angle.

Now, that the owners do not fear any penalty

or prosecution, this may be channelled. Some corporates are contemplating using the net back for meeting promoters' share of the equity in new projects.

A major chunk of the VDIS cake is accounted for by individuals who have acquired money through misuse of official position. For instance, a government official siphoning of a portion of earmarked funds. For spending under development schemes or taking bribe for doing favour to someone and, in the process, causing loss to the exchequer. In short, the money by work with gainful employment, but, simply by way of robbing the exchequer. Needless to say that such money is resting in peace in the bedrooms of the rich and comes out once in a blue moon for investment in land and or real estate or purchase of jewellery.

The moot point is whether we can expect such citizens to spend the money for health, education, drinking water and other infrastructure. That is to say all that would improve the lot of the poor and the living conditions of the common man. Ironically, these are the very folks who were responsible for making more people poor. How can you now expect them to turn saints and do good to the poor? Under the scheme, you have not even asked them question as to how the money was acquired. Moreover, his file is closed forever. Strict instructions have been issued to the Income Tax officials not to have a second look at the files.

Far from inducing offenders to do anything good to the economy, all that the VDIS has

done is to make life much more easier for them. They can now indulge more openly and freely in the show of wealth on the strength of the black money now fully whitewashed in the VDIS laundry. The resounding success of the Auto Expo may have something to do with this as well.

Why should the government allow loot in the very first place? Unfortunately, there is little talk on how it can be prevented, not to mention implementing a credible action plan aimed at eradicating it completely. Instead of making them pay more only a small portion of this loot and hoping that the balance would be properly spent, the right course should have been to forcefully and effectively use the law to get the loot back in full and punish the offender to prevent loot in future.

Some experts have commented that this was the only practical way of getting the money out. At least, the government has got something. That makes a nonsense of the rule of the law. Are we saying that corruption stands legitimised? That nothing can be done about it and all that the government could do is to fall on the feet of the looters and beg. If that be the attitude then, you cannot prevent even honest citizens from turning into looters and those already in the ball game of looting, further intensifying their activities.

It has also been argued that the VDIS will induce people to get into the habit of paying tax. For someone to pay tax, he should have the willingness to do so and the authorities should aid this by keeping the tax rate at rea-

sonable levels and making the tax-paying process hassle free. While tax rates at 30-35 per cent for personal and corporate income are now fairly reasonable, more efforts are needed in regard to making the process simple and transparent.

However, for those who do not have the will to pay, they would not pay on their own no matter what the tax rate is. far from inducing them to pay up, a scheme like the VDIS will only help such people in getting away. That someone has to come to the Income Tax Office for the first time to pay tax under the VDIS, is of no use as the centre is duty-bound not to take a cue from this disclosure to follow up. For the corrupt, by providing the ultimate immunity, the scheme enables him to become more corrupt.

In a nutshell thus, contrary to the official propaganda and the media hype, the scheme has only entailed serious loss. It has given a wrong signal to the regular and honest tax payer i.e. it does not pay to behave the way they have been doing in the past. At the same time, it has done nothing to make the tax evader change his ways. And the worst part is that it has put the banner of honourable citizens on the corrupt who have been defrauding the exchequer for years.

*The views expressed in this column are entirely those of the author and the newspaper may not necessarily subscribe to them in part or in whole.*