



VOLUNTARY DISCLOSURE

*Mahesh C. Bijawat**

HONESTLY SPEAKING, no one wants to pay tax. The payment of tax is a price a person has to pay to live in a civilized society. Concealment of income on which one has to pay tax is a common phenomenon throughout the world. The Income-tax Act, 1961 enjoins every person to pay tax on his total income of the previous year at the prescribed rates¹. This compels a person to pay tax, because non-payment would ensue penalty. But what is there to prevent anyone from not disclosing his true income, especially if he has earned that income through illegal method? The simple answer is that, nothing prevents a person from hiding some part of his income. This hidden income on which no tax has been paid can be broadly called 'black money'. Black money defeats government's economic policies and it has a pernicious effect on the general moral fibre of society. A number of methods have thus been tried to make the people disclose this money and one of the favourite methods is the voluntary disclosure of this income. Simply stated, this method envisages the declaration of concealed income with the assurance that the tax levied on it will be at a concessional rate, that no questions will be asked as to the source of income and the declarant will not be prosecuted or penalised in respect of the disclosure made. This paper attempts to outline the history of voluntary disclosure in India, compare it to similar methods in other countries, point out its aims and objects, its good and bad points and finally to recommend the alternatives to this method.

Before we launch upon the history of voluntary disclosure in India, it would be worth-while for us to examine in brief the cause of the growth of black money. The Direct Taxes Enquiry Committee (hereinafter called the Wanchoo Committee) has listed a number of reasons which are responsible for this growth. Firstly, the high rates of tax induce the people to conceal their income and wealth, the marginal rate of tax which was as high as 97.95 per cent was mainly responsible for this. This rate

*M.A. (Agra), LL. B. (Banaras), LL. M., J.S.D. (Yale), I.T.P. (Harvard), Professor in Law, Banaras Hindu University.

1. See s. 4 of the Act.



has, however, been reduced to 69 per cent with no appreciable decline in the proliferation of black money. Secondly, the shortages of commodities have led to controls and licences. Consequently there is trading in permits, quotas, *etc.*, generating sizable quantity of black money. Thirdly, donation to political parties is made by the wealthy out of their concealed income, this may not be the cause, but an outlet for black money. Fourthly, the high rates of sales tax, stamp duties, excise duties on certain items, octroi, cess and the like, induce many persons to avoid recording the transactions altogether and in the process they evade income-tax as well. Fifthly, the general deterioration in the moral standards of the people, lack of tax consciousness and the absence of social stigma attached to tax evasion, also lead to the concealment of income.

Various methods have been adopted to unearth black money. The scope of the provisions relating to the reopening of past assessments has been progressively widened. Penalties have been made stiffer and deterrent provisions for criminal prosecutions and for awarding exemplary punishments have been introduced. The powers of search and seizure have been enlarged and the secrecy provisions in the law have been relaxed and greater publicity is now given in respect of tax offences. In the United States, the internal revenue service gives the widest publicity to inform the public about the names, *etc.* of the tax evaders. One method which has been tried a number of times in India is the voluntary disclosure of income.

The concept of this device is not new and it has been tried successfully in both the United Kingdom and the United States. In the United Kingdom the 'confession' method has been in existence since 1923 and is now a recognised method of settling the cases of concealment.² In the United

2. S. 504 of the Income-tax Act, 1952 (U.K.) reads as follows :

- (1) Statement made or documents produced by or on behalf of a person shall not be inadmissible in any such proceedings as are mentioned in subsection (2) of this section by reason only that it has been drawn to his attention that—
 - (a) in relation to income tax, excess profits tax and the profits tax, the Commissioner of Inland Revenue may accept pecuniary settlements instead of instituting proceedings ; and
 - (b) though no undertaking can be given as to whether or not those Commissioners will accept such a settlement in the case of any particular person, it is the practice of the Commissioners to be influenced by the fact that a person has made a full confession of any fraud or default to which he has been a party and has given full facilities for investigation and that he was or may have been induced thereby to make the statements or produce the documents.
- (2) The proceedings mentioned in subsection (1) of this section are—
 - (a) any criminal proceedings against the person in question for any form of fraud or wilful default in connection with or in relation to income tax, excess profits tax or the profits tax ; and
 - (b) any proceedings against him for the recovery of any sum due from him whether by way of tax or penalty, in connection with or in relation to income tax, excess profits tax or the profits tax.



States also there is a provision for arriving at compromises.³ In India the first voluntary disclosure scheme was launched by the government in May 1951. It was in effect till 22 October 1951. Assesseees were encouraged to come forward with a full and true disclosure of past concealments. Those who did and gave full facilities to the income-tax department to investigate the correctness of their disclosures were given the assurance that no prosecutions would be instituted, and that the penalties would be mitigated. An undertaking was also required to be given by each assessee that if the disclosure was not true and complete the assessment could be reopened later. 20,991 disclosures were made under this scheme. The income assessed in these cases before disclosure had amounted to only Rs.11.53 crores while the total income determined liable to tax after the disclosure came to Rs. 81.73 crores. Thus, an additional income of Rs. 70.20 crores was brought to tax under the scheme and the additional revenue amounted to Rs. 10.98 crores.⁴ The Taxation Enquiry Commission in its report in 1953-54 has pointed out that:

There were, however, certain elements of propaganda in the methods adopted for giving publicity to the scheme which might have had unfortunate psychological effects on some classes of assesseees. It is possible that some of them may have got away with the impression that the Income-tax Department was no longer inclined to take a severe view of income-tax offences; and that they could escape lightly by confessing to only a fraction of their concealments.⁵

3. S. 7122 of the Internal Revenue Code deals with "Compromises." It is as follows :

- (a) **Authorization** : The Secretary or his delegate may compromise any civil or criminal case arising under the internal revenue laws prior to reference to the Department of Justice for prosecution or defense; and the Attorney-General or his delegate may compromise any such case after reference to the Department of Justice for prosecution or defense.
- (b) **Record**—Whenever a compromise is made by the Secretary or his delegate in any case, there shall be placed on file in the office of the Secretary or his delegate the opinion of the General Counsel for the Department of the Treasury or his delegate, with his reasons therefor, with a statement of—
 - (1) The amount of tax assessed.
 - (2) The amount of interest, additional amount, addition to the tax, or assessable penalty, imposed by law on the person against whom the tax is assessed, and
 - (3) The amount actually paid in accordance with the terms of the compromise.

Notwithstanding the foregoing provisions of this subsection no such opinion shall be required with respect to the compromise of any civil case in which the unpaid amount of tax assessed (including any interest, additional amount addition to the tax, or assessable penalty) is less than \$ 500.

4. See, *The Report of the Direct Taxes Administration Enquiry Committee* 177 (1958-59).

5. II *The Report of the Taxation Enquiry Commission* 208 (1953-54).



The committee recommended that such a scheme should not be repeated in the form in which it was worked.

The justification for the promulgation of this scheme was highlighted by the Direct Taxes Administration Enquiry Committee, 1958-59. It was said that the conditions that obtained during the Second World War and the immediate post-war period were abnormal and there were special factors which not only led to the extraordinary growth of income but also opportunities for concealing them, and consequently an opportunity given to the people to disclose their hidden income was wholly justified. The commission was, however, not in favour of promulgating another such scheme at that time, though it pointed out that the assessee should be encouraged to disclose his concealed income and the income-tax authorities should take this voluntary disclosure into consideration when launching civil or criminal proceedings against the assessee. The committee recommended:

We consider that these powers (of settlement) should be enlarged and the Central Board of Revenue authorised to arrive at settlements with the assessees at any stage of the proceedings under the direct taxes Acts including the stage of appellate proceedings before the Appellate Assistant Commissioner or Appellate Tribunal or after the appellate authorities have passed final orders⁶.

This recommendation was meant to encourage the assessee to disclose his income at any stage of the proceeding and settle the case with the tax authorities.

The government apparently sat on the matter and no further scheme for voluntary disclosure was made in the next fourteen years. The year 1965 witnessed strenuous efforts of the government to unearth black money, firstly by intensive raids and searches, secondly by promulgating three successive disclosure schemes to induce the people to disclose concealed income. Having tried other coercive methods, the government was convinced that these methods alone could not tackle the problem of unearthing black money and so they resorted to the lenient method of voluntary disclosure. The finance minister in the budget speech in 1965 remarked:

The question of how to mitigate this evil (unaccounted incomes and wealth) is a baffling and difficult one. We have already taken a number of measures, apart from intensification of searches and the like, to encourage voluntary disclosures. Amounts so disclosed are being exempted from penalty. These measures have had some success in encouraging voluntary disclosures particularly from people who have comparatively small and medium incomes to disclose... I have every hope that with the reduction in tax rates that I have

6. *Supra* note 4 at 178.



already proposed, the scope and incentive for tax evasion in future would be reduced. The present time, therefore, offers a good opportunity to enable people who have evaded tax in the past to come out and make a clean breast of it. I recognise that it is not all an easy matter to devise a solution which would at the same time be fair to people who have paid taxes honestly in the past and reasonable enough to encourage voluntary disclosures on an adequate scale on the part of those who wish now to be relieved of their past evasion. I have attempted to devise a solution bearing in mind all the complex economic, social, and moral considerations that underlie the phenomenon of unaccounted income and wealth. I can only hope that the honest taxpayers will not be aggrieved by what I propose to do and that those who have been misled in the past would find in it reason enough to return to the path of civic responsibility.⁷

The main features of the scheme were that a person could bring the unaccounted money in his books by paying 60 per cent of that amount as tax. Those who paid their taxes by 31 March 1965 were given a rebate of 5 per cent and their effective rate of tax worked out to 57 per cent only. No questions were asked regarding the nature and source of income as to how it was earned or where it was kept till it was disclosed. No additional tax except wealth tax was payable on such declared amount. The tax had to be paid at the time of making the declaration. The declarant would not be liable to penalty or prosecution in respect of the declared income.

Most of the people who disclosed their unaccounted money under this scheme were either those whose income had already been detected by the income-tax authorities or was in the course of detection. They were afraid that if the concealed income was not disclosed, not only would that income be taxed but heavy penalties upto 150 per cent may be imposed. The total amount disclosed under the scheme was Rs. 52 crores only, while the estimate of black money at that time varied from Rs. 300 crores to Rs. 3,000 crores. There were mainly three reasons for this low disclosure. Firstly, the tax rate of 60 per cent was high and secondly the requirement of paying taxes either immediately or within six months subject to furnishing of satisfactory security was not very practical. Thirdly, the people were not confident that after the disclosure they would not be 'marked' for future. The assurance given by the government obviously did not allay the fears of those who had concealed income to declare. On the whole, the response to the scheme was not encouraging and the government should have taken the hint not to experiment with any such schemes in near future.

The Income-tax (Amendment) Act, 1965 added a new sub-section (4A) in section 271, under which an assessee could disclose his unaccounted income. It was not a voluntary disclosure scheme in the strict sense, but

7. 55 I.T.R. (Jour.) 128-129 (1965).



the Commissioner of Income-tax was given the power to reduce or waive the amount of minimum penalty imposable provided a person satisfied the following conditions:—

- (i) That the disclosure was made prior to the detection by the income-tax officer of the concealment of particulars of income in respect of which the penalty was imposable or the inaccuracy of particulars furnished in respect of such income were found out.
- (ii) That the disclosure was made voluntarily and in good faith and that it was a full and true disclosure of all concealed income.
- (iii) That the assessee had co-operated in the enquiries relating to the assessment of such income.
- (iv) That the assessee had either paid or made satisfactory arrangements for payment of income-tax or interest which may become payable in respect of the concealed income.

For taking advantage of this section, the assessee was required to state his proposal in writing along with relevant particulars such as, the source of the said income, the years to which it related and the form and the name in which the undisclosed income was held.

The commissioner as a matter of practice did not entertain any application for reduction or waiver of the statutory minimum penalty where the concealed income had already been assessed or in respect of which appeal, revision or reference was pending. The assessee was allowed a period of time upto three years for the payment of tax. Normally, the initial payment of 25 per cent to 50 per cent of the tax was insisted upon within one month from the date of the settlement of the petition.

This scheme suffered from many defects. Firstly, the time taken for the final settlement of the petitions was considerable, *e.g.* if the amount was large the petition had to be referred to the Central Board of Direct Taxes and that took time. Secondly, the concessions were dependent upon the discretion of the commissioner, and the declarant was thus not certain that even after the disclosure the penalty would be waived. Moreover, the information supplied could also be used against him by the department. Thus, there were many uncertainties in the scheme.

This provision continued in the Income-tax Act till it was finally deleted by the Taxation Laws (Amendment) Act, 1975 with effect from 1 October 1975.

The third disclosure scheme of 1965 became effective from 19 August and was in force till 31 March 1966. It applied to the following kinds of income:—

- (i) Income for which a person has failed to file a return within the



time allowed under section 22 of the 1922 Act or section 139 of the 1961 Act.

- (ii) Which he failed to disclose in a return filed by him on or before 19 August 1965 under either of the two Income-tax Acts.
- (iii) Which has escaped assessment by reason of omission or failure on the part of such person to file a return under either of the two Income-tax Acts to the income-tax officer or to disclose fully and truly all material facts necessary for this assessment.

The distinctive feature of the new scheme was that the tax was chargeable on the whole of the disclosed income taken as a single block at the rates prescribed for personal income or corporate income by the Finance Act, 1965. In other words, the *ad-hoc* concessional rate of 60 per cent tax on the disclosed income, offered under the previous scheme, was not applicable to disclosure under this scheme.

The scheme was not applicable to income which had already been detected on materials available prior to the date of the disclosure. The amount of income declared would be reduced by any income included in it which had been detected or was deemed to have been so detected. It was specifically provided that any statement made by the declarant in his declaration regarding such income would be treated as confidential and no court would be entitled to require any public servant to produce any such declaration before it or give evidence in respect thereof. Any admission made by the person filing the declaration in respect of such income would not be used against him in any assessment proceedings or any proceeding relating to the imposition of penalty or for the purpose of prosecution either under the Income-tax Act or the Wealth-tax Act.

The scheme provided for the payment of tax in instalments over a period extending to four years from the date of such declaration; but such instalments would only be granted if 10 per cent of the tax was paid within thirty-five days of the issue of the demand notice and a satisfactory security for the payment of the balance was furnished to the commissioner.

This scheme was an improvement on the two earlier schemes of 1965. Firstly, the provision for treating the declared income as a separate block was very beneficial to certain classes of assessee, particularly the middle income group. The scheme also encouraged private limited companies or closely held companies to declare their concealed income as they have been exempted from the penal consequences for the non-distribution of such declared profits. The spread over for the payment of taxes was indeed a welcome feature. One of the minus points of this scheme was that it did not cover income already detected or deemed to be detected. The phrase 'deemed to be detected' was a very vague one and it created a great doubt in the minds of the assessee to declare their income as they were not sure whether their disclosure would be accepted or not. The scheme was



misused for making disclosures in the names of *benamidars* or in ladies' and minors' names. Under the scheme, disclosures in ladies' and minors' names could not be refused unless such income had already been detected or deemed to have been detected. Where cash credits were not covered by the declarant ladies and minors, it could not be refused. The amount being in cash as on the date of disclosure had to be accepted by the department. The amount could then be deposited in the bank in the name of the ladies or minors and utilised. Out of the 11,64,226 disclosures 77,000 were from such persons or persons not previously assessed.

This scheme was also not successful. The total income disclosed in the 1951 scheme and the two schemes in 1965 was a mere Rs. 267 crores. The total tax yield was only Rs. 61.23 crores. Moreover, there were several instances of the same set of persons taking advantage of all the three disclosure schemes, thus belying the theory that such schemes help to rehabilitate the repentant tax evader who is desirous of mending his ways. All these schemes were more or less schemes for converting black money into white on payment of a small amount of conscience money. They did not succeed for various reasons, some of which have been mentioned earlier.

One of the arguments generally advanced in favour of launching another voluntary disclosure scheme is that it would help to broaden the base of investment and accelerate the growth rate. This proposition is based on the erroneous assumption that the amount disclosed is not already invested. As it happens in most cases, the amounts are already invested in business or property and the contribution of disclosure schemes such as to fresh investment is hardly worthwhile.

The Government of India appointed the Direct Taxes Enquiry Committee in 1969 under the chairmanship of the retired Chief Justice of India, Justice K.N. Wanchoo, to study mainly the problem of black money and to suggest measures for unearthing it. The committee submitted its final report in December 1971 and it contained a number of useful recommendations in this respect. Many of these recommendations have been incorporated in the Income-tax Act mainly through the Taxation Laws (Amendment) Act, 1975. The committee studied the usefulness of the voluntary disclosure scheme and it was of the opinion that such a scheme should not be resorted to. It remarked :

We consider that a disclosure is an extraordinary measure, meant for abnormal situations such as after a war or at a time of national crisis. Resorting to such a measure during normal times, and that too frequently, would only shake the confidence of the honest taxpayers in the capacity of the Government to deal with the law breakers and would invite contempt for its enforcement machinery. We are convinced that any more disclosure scheme would not only fail to achieve the intended purpose of unearthing black money but would have deleterious effect on the level of compliance among the



taxpaying public and on the moral of the administration. *We are, therefore, strongly opposed to the idea of the introduction of any general scheme of disclosure either now or in future.*⁸

The committee, however, expressed itself in favour of setting up a settlement machinery, by which the assessee could arrive at a compromise with the income-tax authorities at any stage of the proceedings. This recommendation was accepted by the government and a new chapter XIX A was inserted in the Income-tax Act for the settlement of cases on the lines recommended by the committee.

We all know that the Emergency was declared in our country on 26 June 1975. Taking advantage of the "congenial" climate, the income-tax authorities launched upon a massive campaign of intensive searches and seizures.⁹ The people, caught between the stress and strains of the Emergency on one side and the income-tax raids on the other, were so psychologically terrified, that anyone who had concealed income or wealth was willing to give it up, if given the opportunity. The government, which had timed its actions and created the necessary fear psychosis, announced a new voluntary disclosure scheme on 8 October 1975 effective from that very day, till 31 December 1975. This was done despite the strong disapprobation of the Wanchoo Committee for this method of unearthing the black money. The object of the scheme was outlined as follows :

The Ordinance provides for a scheme of voluntary disclosure of undisclosed income and wealth and offers an opportunity to persons who have evaded tax in the past to declare their undisclosed income and wealth, pay tax thereon on a reasonable basis and return to the path of civic responsibility in future. It is also aimed at securing channelisation of black money secreted by tax evaders into productive fields in the overall interest of the economy.¹⁰

This object was similar to those for the earlier schemes of 1965. The salient features of this scheme have been given below.

Voluntary disclosure of income and wealth could be made by an individual or by a Hindu undivided family, or by a company, or by a firm or association of persons or by any other person which included a trust. A declarant could make a declaration more than once, of course, in a different capacity, e.g. as an individual and then as the *karta* of a Hindu

8. *The Report of the Direct Taxes Enquiry Committee, Final Report 12-13 (1971)*. (Emphasis added).

9. The Taxation Laws (Amendment) Act, 1975, made many changes in the provisions of the Income-tax Act relating to search and seizure, with a view to giving more powers to the income-tax authorities.

10. Circular No. 180, dated 15 October 1975, See 41 *Taxation*, sec. V, pp. 71-72. (1975).



undivided family. The following incomes which had escaped assessment could be declared :

(i) Income for which no return had been filed.

(ii) Income for which a return had been filed but it was not included in the return and was concealed by the assessee and in respect of which the assessment was pending.

(iii) Income for which the return was filed and the assessment made, but the whole income was not fully disclosed and which was reassessable under section 147.

The disclosure could also be made of that income which had been the subject matter of assessment and in which the income-tax officer had made investigations and had detected the concealment. This followed the method adopted in the first scheme of 1965, but which was not adhered to in the second scheme.

The tax payable by the declarant would ordinarily be paid in full before the declaration was made. The amount of tax was as follows :

Where the declared income was upto Rs. 25,000.	25 per cent of such declared income.
Where the declared income was between Rs. 25,000 and Rs. 50,000	Rs. 6,250 plus 40 per cent of excess over Rs. 25,000
Where the income exceeded Rs. 50,000	Rs. 16,250 plus 60 per cent of excess over Rs. 50,000.

In addition to this tax the declarant was required to invest a sum equal to 5 per cent of the amount of the disclosed income within thirty days of making the declaration in such securities as the central government would notify in this behalf in the official gazette. One point may be noted with regard to the amount of tax payable. The amount of tax payable on such disclosed income was more than the tax payable on such income if it were the total income in case the income disclosed was less, but the amount payable under the scheme become less as compared to the tax payable if such disclosed income was huge. The following table¹¹ illustrates this point.

<i>Amount of disclosed income</i>	<i>Amount of tax payable under the scheme</i>	<i>Amount of tax if disclosed income was total income</i>	<i>Difference</i>	<i>Amount to be invested in securities</i>
25,000	6,250	4,103	2,147	1,250
50,000	16,250	17,303	1,053	2,500
70,000	28,000	30,503	2,503	3,500
1,00,000	46,000	53,603	8,603	5,000
1,50,000	76,000	92,103	16,103	7,500
2,00,000	1,06,000	1,30,603	24,603	10,000
3,00,000	1,66,000	2,07,693	41,603	15,000

11. This table has been borrowed from S.R. Bhargava and N.L. Jain, Voluntary Disclosure Scheme—Explained, 41 *Taxation*, sec. II, p. 59 at 61. (1975).



There were other benefits accruing from the scheme. Firstly, the disclosed income would not be aggregated with the total income of any assessment year. Second, nothing contained in the declaration was to be admissible in evidence against the declarant for the purpose of levying any penalty or prosecution under the Income-tax Act or the Wealth-tax Act. Thirdly, since there were no regular assessment proceedings under the scheme, the declarant would not be bothered with attending any proceedings, and fourthly it was provided that where such declared income had been invested in any asset such as bank deposits, bullion, shares, wealth-tax would not be payable on such assets for the assessment year 1975-76.

Payment of tax had to be made at the time of declaration except where the commissioner had granted extension of time. This extended period was finally fixed by the government as 31 December 1977 and the declarant had to pay a simple interest at 12 per cent on the amount of tax not paid from 1 April 1976 to the date of payment. If the tax was not paid the benefit of immunity from penalty or prosecution was no longer available to the declarant. As mentioned earlier the person declaring the income had to invest 5 per cent of the declared income in the specified securities within 30 days of making such declaration. Provision was also made for levying of penalty and recovery under sections 221 to 227, if either the tax was not paid in time or the required amount was not invested in securities.

The scheme also provided that any assessment which had already been completed in respect of the declared income would not be reopened. The tax once paid was also not refundable. The particulars contained in the declaration were to be treated as confidential and would not be produced before any court or authority. The provisions of the scheme would not apply in a case where books of accounts, other documents, money, bullion, jewellery or other valuable articles belonging to a person had been seized as a result of search under section 132.

The ordinance also provided for a similar scheme for the voluntary disclosure of wealth. Unlike income where 5 per cent of the declared amount had to be invested in securities, only 2.5 per cent of the wealth was to be invested in such securities.

Initially, the response to the scheme was slow and many people thought twice before making the disclosures. But the fear of the Maintenance of Internal Security Act, of search and seizures and other factors prompted those who had concealed income and wealth to rush in during the last days of the scheme to make a declaration. Till 24 December barely Rs. 190 crores had been declared, but in the last seven days Rs. 1,100 crores were declared.

The then union Minister for Banking and Revenue, Pranab Kumar Mukerjee, in a broadcast to the nation, on 2 January 1976 remarked :

I have great pleasure in reporting to the nation that the voluntary disclosure scheme launched by the Government of India about three



months ago has proved a resounding success. According to information compiled upto date, total value of the income and assets disclosed under the scheme had crossed Rs. 1,450 crores. This has proved wrong the prophets of despair.¹²

Out of the total disclosures of Rs. 1,450 crores, the disclosed income was Rs. 700 crores and disclosed wealth was Rs. 7.50 crores. This involved a total revenue of over Rs. 250 crores by way of taxes on income and wealth. In addition to this, Rs. 40 crores were invested in government securities.

The then finance minister, Subramaniam, also said :

To err is human, but to have courage and conviction to recognise an aberration and to make amends is indeed truly divine. I am deeply touched by the excellent response to the voluntary disclosure scheme and I would like to offer my grateful thanks to all those who have come forward and made declaration of income and wealth.¹³

The amount of disclosed income was no doubt impressive, and any government could be proud of this fact, but the amount not disclosed was far more than the amount disclosed, thus giving lie to the fact that voluntary disclosure scheme offers a chance to a tax evader to reform. The scheme of 1975 was successful, if it can be said to be so, due to the fact that the country was under an emergency where fear was the predominant factor.

The Wanchoo Committee has correctly pointed out that such schemes put premium on honesty and tend to make honest and conscientious taxpayers dishonest. Such schemes are for abnormal times, but to make use of this method of voluntary disclosure in normal time is nothing short of committing a fraud. The argument, that the disclosed money is put to use for developmental purposes, is to perpetuate the fallacy that this money was hidden underground and was not being used at all. The Wanchoo Committee has also pointed out the futility of this argument.

Another point which may merit consideration today is the fact that the figures of disclosures and the amount of disclosed income and wealth were given by the government and published by the press, at a time when there was complete press censorship and what could have prevented the government from trotting out figures which were false just to show that the scheme was very successful ?

A grave danger of the voluntary disclosure is that if these schemes are frequently resorted to people will conceal their income, knowing fully well that after a few years a voluntary disclosure scheme would be

12. *Times of India*, dated 3 January 1976.

13. *Times of India*, dated 2 January 1976.



promulgated which will give them a chance to convert their black money into 'white'.

To effectively tackle the problem of black money, it is imperative that one strikes at the roots. It is no use trying to gather the fruits after the tree has been allowed to grow. The causes which generate black money have to be eradicated, as far as possible. Even after this has been achieved, there is no guarantee that the generation of black money would be stopped; however, one can safely vouch for, that the temptation to conceal income would be considerably lessened. Another noteworthy effort would be to rouse public consciousness against tax-evasion. At present in India when a person commits a crime it is a big news, but when he evades tax it is hardly mentioned in the newspapers. The internal revenue service in the United States gives a great deal of publicity to tax evaders, their names and even photographs are flashed to the newspapers, and this certainly acts as a deterrent. We can also follow the Americans and it is hoped that the results will testify to the success of the method.

Another suggestion we would like to make is that the relationship between the taxpayers and the tax authorities should be improved. The tax authorities, unfortunately, have come to the conclusion that every businessman does not file a correct return of his income. Starting with this pre-conceived notion, the assessment in most cases is not fair and the assessee is left embittered. He feels that if he has already been branded as a thief why should he not become one, and so he conceals his income. A sympathetic but firm attitude by the tax authorities will yield good results.

Voluntary disclosure of income under a scheme symbolises the abject surrender of the government in that, the government after trying all the possible methods, ranging from penalties to prosecutions, to unearth black money, has failed, and ultimately it has had to resort to the voluntary disclosure of income and wealth. We are not against giving the taxpayer a chance to reach a settlement with the tax authorities in respect of his concealed income or wealth, but to induce him to do so by offering him the bait of immunity from penalty or prosecution and conversion of black money to white, is nothing short of telling the honest taxpayer that he was a fool to have declared his true income and paid tax thereon.