

## 37. More Compliance does not mean tax terrorism

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Neither the Union Budget nor Prime Minister Narendra Modi's subsequent assertion about there being no cause for "despondence" has yet lifted the depressed market spirits or revived Investor confidence. The ruling BJP, however, remains intriguingly sanguine in the face of what it dubs a "transitional phase" in India's economic growth.

BJP's spokesperson for economic affairs, Gopal Krishna Agarwal, tells Business Line that especially with regard to taxes, be it the GST roll-out, bringing down the corporate tax or even a minor initiative such as introduction this week of the Vivad Se Vishwas scheme in Parliament, the aim is to create efficient business practices and instil the 'ease of doing business' while also eradicating institutional corruption. Excerpts from an interview:

**Business sentiment continues to remain depressed because the tax authorities and bureaucracy have decidedly been emboldened in the name of fighting corruption. Don't you think you need to address this urgently?**

Tax compliance and corruption are two very different things. We definitely need to instil an ease of doing business but not by contending with institutional corruption. At the heart of the Prime Minister's vision for economy are administrative and structural reforms that create a tax regime that facilitates business but combats monumental profiteering. The vehicle for this transformation would be technology that creates transparency.

Anti-profiteering laws ensure that profit is passed on to the consumers and innovative and exhaustive use of techno- logical platforms that bring all stakeholders together eradicates intermediary corruption. GST was the biggest indirect tax reforms since Independence. We were also true to our word about bringing down corporate tax rates. The Government wants to create wealth. At the same time, the philosophy also is to redistribute wealth and stop the concentration of wealth only in some pockets.

Would anyone disagree with us when we say that the previous system created vast inequality in wealth and there was no level playing field? The Government has to be there as the voice of the people and it has to ensure that there is equity distribution of wealth.

**You still haven't answered my question about bureaucratic corruption and hounding of genuine business in the name of tackling corruption.**

I admit that besides addressing the demand side corruption that happens on the side of the business, we have to be equally vigilant about supply side corruption in the bureaucracy. A number of steps are being taken and there is acute awareness of such corrupt practices among the bureaucracy.

We are amending the t Company Law, we are taking steps to decriminalise the use of Income Tax Act. - Civil liabilities will be resolved through mechanisms such as plea bargaining. We will drastically reduce penal provisions that we understand accelerate bureaucratic corruption. But we are very clear that we will not compromise with corruption.

**The Government's attitude towards business has adversely affected the overall sentiment, MSMEs have been drastically hit, the GST continues to be problematic...**

The problem with GST are the roadblocks with regard to things like restrictions of Input Tax Credit system-related issues, processing of refund for exporters et al the as also the technical glitches in the online portal system evolved for the Goods and Services Tax Network (GSTN).

But, as the Prime Minister said, this is a dynamic process and we evolve as we grow. This is a step in the direction of eliminating intermediaries, bureaucratic corruption as well as tackling the endemic problem of tax evasion, which concentrated wealth in India. This is the e direction in which we are moving; more compliance does not amount to tax terrorism. We will make the tax system more efficient and there will be more and more technological intervention.

We are aware of the concerns of business and we know that honest mistakes, business failures, have to be distinguished from fraud. There will be more reliance on decriminalising the existing penal provisions, payment of penalties through dispute resolution in civil way. But we will not make allowances for 'Suvidha Shulk' (convenience tax, a term for easing business through bribes), both on the side of business as. Well as bureaucracy.