

ACTION FOR CHANGE NGO

a society working for reforms

206B, Apra Plaza, DDA Complex, Road No.-44, Pitam Pura, Delhi-110034

Web site – www.actionforchange.in

Regn. No.- 68681/2010

Sh. K. Subramaniam Sir,

Your whole strategy is missing one thing- the means to corruption i.e money/ funds in the hands of a person/ institution/ department . Our taxation system is such that whereas, on the one hand, it leaves many persons/properties untaxed and thus creates unaccounted wealth and on the other the taxes collected when comes downwards create a greed at various levels .

Therefore the strategy being developed by our society must endeavour to introduce fundamental changes in the taxation system so that there should be controls in tax collection and its use for various purposes. The transparency sought about expenditure at the source of collection will surely be a better proposition than that sought after spending the taxes collected.

In order to help the countrymen we are providing our plan for changing the taxation system in order to eliminate corruption. We hope that you will surely include it in your strategy – particularly in the section relating to ‘Actions to address the Demand side’.

The above plan will also pave the way for one window service to public and for ensuring cleanliness of atmosphere and human behaviour in their area. How? The details you will find very soon on our web site .

Regards & good luck for an early action on the strategy, if any ,formulated and accepted.

For Society –
CA Arun K. Varshney
Gen.-Secretary

SOLUTION FOR ILLS AND PITFALLS OF PRESENT TAXATION SYSTEM

By Arun Varshney

Present system- A layman's assessment

- 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 Govt. for evolving, managing and regulating such a tax recovery system.
- The funds to be 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 MLA etc..
- The funds actually collected are then disbursed as per 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 from imposing higher central taxes **or by** reducing subsidies etc. or from accumulated or parked funds in case of **the** Centre.

Ills & pitfalls of above system ,which we all witness in our day to day life

They are many and the pinch is felt differently by different sections of society. Therefore the ill consequences are being short listed here broadly.

- 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 and **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 contribute 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 has 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 class and poor **class leading to the widening of the rich- poor divide.**

- Tax recovery control being centralized ,i.e., not very near to the assesses, 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 thus leading to 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. disables it to provide 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 .

S O L U T I O N

AN ORGANISATION UNDER PRIVATE PUBLIC PARTNERSHIP BE SET UP IN EACH TOWN OR WARD OR LOCALITY (CALLED AREAS SELECTED) OF A STATE . IT WILL BE RESPONSIBLE FOR MAINTAINING **AND/ OR DEVELOPING THAT AREA AND FOR CARRYING OUT THE CENSUS OF POPULATION AND PROPERTY OWNERS IN THAT AREA. THEN A TRANSPARENT TAXATION SYSTEM BASED ON PAYING CAPACITY OF PUBLIC RESIDING OR WORKING THERE CAN BE EVOLVED. **50%** OF TAXES COLLECTED CAN BE SPENT FOR THAT AREA AND THE REST COULD BE ALLOCATED TO THE CENTRAL POOL FOR NATION BUILDING AND MAINTAINING MINIMUM POSSIBLE MINISTRIES REQUIRED.**

ONCE **PUBLIC IS MADE TO UNDERSTAND THAT THE TAXES PAID BY THEM WILL**

**BE SPENT ON THEIR WELL BEING ,THEY WILL OBEY THE RULES SET
FOR THEM AND WILL COOPERATE IN ALL MANNERS. IF THE TAX
COLLECTION SYSTEM IS SEEN AS TRANSPARENT, ANY
NEGLIGENCE OR MALPRACTICE ON THE PART OF PUB-PVT BODY
SHALL BE CAUGHT BY THE TAX PAYERS OF THAT AREA
THEMSELVES.**

+++++ JAI HIND +++++