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CONTEMPORARY ACTIONS TO GRAB BLACK MONEY IN INDIA: LEGAL & REGULATORY ISSUES

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Black money in social, economic and political space of our lives has a debilitating effect on the institutions of governance and conduct of public policy in the country. Its generation and circulation causes inflation, Increase in crime rate, value erosion, and erratic market in India. As per The Firm (NDTV), India has around 400 billion dollars accumulated as black money offshore in the last 10 years. In 2014, India ranked 85th out of 175 countries in Transparency International's Corruption Perceptions Index. Presence of dishonest industrialists, corrupt bureaucrat and scandalous politicians facilitates a channel for spawning black money and its safekeeping. Illegal trade, smuggling, trafficking, terrorism, counterfeit currency, corruption, arms trafficking, drug trafficking etc. are other modes responsible for thegeneration of black money in India. Thus, Black money has acomplex relationship with policy and theadministrative regime in the country. Nevertheless, The Black money as a term has not been defined in any statutory legislation, but thegovernment has tried to address this issue with various legal instruments. In order to tackle corruption and black money, the Government of India has taken numerous steps in simplifying and placing the administrative procedures concerning taxation trade transactions. Further steps have been taken to make UID based electronic interface, free of discretion and bureaucratic delay. The information exchange network at the international level is a major step in curbing the nuisance of Black Money. While addressing the issues & challenges raised by black money in India the author will examine the new legal regulations & amendment in various laws with an objective to curb black money through this paper.

Keywords: Black-Money, Benami Transaction, Demonetisation, Money laundering.

INTRODUCTION

India has been a prey to rampant corruption and Black money menace creating a detrimental impact on the nation. The major chunk of this underground money has been stashed away in banks located in tax havens abroad especially in the secret bank accounts in Switzerland belonging to businessmen, politicians, industrialists and middle-men. The problems that India faces are uniquely its own and mostly a creation of the elite.[1]

Black Money is basically the cash received from underground economic activity or black market on which tax is not been paid to government. As per Wanchoo committee report "Black money is 'Tainted money" or dirty money.[2]

Black money is typically the incomes that are taxable but are not reported to authorities.[3] This money is not totally legitimate property of the person who owns it. This may be generated from illegal means such as drug trafficking, terrorism, counterfeit money etc., another means of generation of black money is the corruption of public officials etc. This leads to inequalities in income distribution and widens the gap between the rich and poor. Black money further leads to conspicuous consumption rather than being used for investment purposes. India is among the top ten countries in the world with an estimated black money worth \$1.6 billion (Rs. 8,720 cores).[4]India was placed at 75th position in 2015 and at 61st in the year before that, though it used to be among top-50 countries in terms of holdings in Swiss banks till 2007. The country was ranked highest at 37th place in the year 2004.[5] The current position of country is 88th.[6]

Black Money: Black money as a term has not been defined in any statutory legislation. Even the new Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act,

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[1] Kumar, A. (2002). The black economy in India. Penguin Books India.

[2] White paper on Black Money. (2012) (1st ed., pp. 1-7). New Delhi. Retrieved from http://www.thehindubusinessline.com/multimedia/archive/01091/WhitePaper_BackMon_1091518a.pdf

[3]Chandrappa, M. (2016). TAX EVASION AND BLACK MONEY IN INDIA: CAUSES AND REMEDIES. International Journal of Management Research and Reviews, 6(10), 1376.

[4]Rani, K., & Kumar, D. (2012). Black Money In India – A Conceptual Analysis. Paripex - Indian Journal Of Research, 3(1), 14-16. http://dx.doi.org/10.15373/22501991/jan2014/4

[5] The Hindu. (2017). Money in Swiss banks: India slips to 88th place, U.K. on top. Retrieved from http://www.thehindu.com/business/Economy/money-in-swiss-banks-india-slips-to-88th-place-uk-on-top/article19198108.ece

[6] Ibid.

2015, has failed to provide us with a definition of the same. As a concept, it represents the money earned through illegal activities as well as the money on which the tax imposed has not been paid to relevant government authorities.

BLACK MONEY, ECONOMY & GOVERNANCE

The black money in India has created various indirect implications of black money which act as a hurdle for the growth of country. With the ever rising tax evasion the Government is unable to financially manage the country. All this would lead to the imposition of higher taxes as to compensate the loss of revenue needed for administration of the Government and subsequently inflation. Inflation is both a cause as well as an impact of Black money. The growing menace of black money in the country and world around, made it important to analyse the impacts of black money so that it helps to find the solutions for this mammoth task. Some of those impacts can be seen as:

a) The decrease in the amount of tax collected as compared to the amount that is estimated by the country.
b) The amount of money existing in the market lead to the increase in the prices of the commodities. This imposes an additional pressure on the market and becomes a major reason in the failure of the measures.
c) The growing black money in the market has affected the circulation of wealth and income in the economy of the country. The black money has forced the common man towards poverty as the amount gets intact in the form of black money.
d) The major source of turning the black money into white is to convert the same in the form of Gold and other form of Jewellery. According to experts around 70% of the investment in gold is done by the black money. If all this money is shifted in the main economy in the form of white money then the result could be enshrined in the form of three fold growth in the economy.
e) Terrorists generally keep a record of the all the political leaders and high profile personalities earning black money through corruption or any illegal activity.
f) When amount of black money is invested in Lands then the surrounding land prices also increases. This results in the artificial inflation in the land market.
g) The availability of black incomes with businessmen and capitalists and the consequent inequalities of income place a large amount of funds at their disposal.[7]

[7]Sarkar, S. (2012). The parallel economy in India: causes, impacts and governement initiatives. *Economic Journal of Development Issues*, *11*, 124-134.

Thus creates a scenario where the economic wealth tries to overpower the political power.

Governance: The primary agency to deal with the generation and control of ‘black’ money is CBDT, which engages in planning and administration of all direct taxes. The CBDT is a statutory authority functioning under the Central Board of Revenue Act 1963.[8] It employs scrutiny assessment as well as information-based investigations for detecting tax evasion and penalizing the same under provisions of the Income Tax Act, with the aim of causing deterrence against tax evasion. The CBEC is a part of the Department of Revenue under the Ministry of Finance, GOI. It deals with the tasks of formulation of policy concerning levy and collection of customs and central excise duties, prevention of smuggling, and administration of matters relating to customs, central excise and narcotics to the extent under the CBEC's purview.[9] The function of supervision and policing is undertaken by following bodies created by trhe government of India:

- Enforcement Directorate (ED),
- Financial Intelligence Unit (FIU),
- Economic Offences Wing of the State Police,
- Central Bureau of Investigation (CBI),
- Serious Frauds Investigation Office (SFIO),
- Narcotics Control Bureau (NCB).

In addition, there are coordinating agencies such as the Central Economic Intelligence Bureau (CEIB), National Investigation Agency (NIA), and the High Level Committee (HLC), which also play an important role in fighting the menace of black money.[10]

The Political Economy & Black Money: Black money is also a consequence of wealth earned through legitimate channels, which are neither accounted for nor disclosed or reported to the government. The underground or ‘black economy’ has been a source of considerable concern to Indian public policy analysts since the mid-1960s.[11] The base reason for this is to escape the burden and evade of all forms of taxes, such as income, sales tax, custom duties

[8]Retrieved September 13, 2017, from at http://www.incometaxindia.gov.in/Pages/about-us/central-board-of-direct-taxation.aspx
[9]Retrieved September 09, 2017,http://www.cbec.gov.in/htdocs-cbec/whoweare/whoweare
[10]White paper Black Money, 2015
[11] Roy, R. (1996). State Failure in India: Political-Fiscal Implications of the Black Economy. IDS Bulletin, 27(2), 22-30.

and to elude the cost of compliance of such disclosure.[12]Black money is also created due to high rates of inflation due to increased rates of duties and taxes, strict controls, permits, quotas, licensing, funding of black money by big trading house to support their political parties etc.The quest to curb black money and corruption is as old as the Republic of India. For seven decades, the twin devils have haunted India.[13] Aware of the unfavourable and negative consequences of the alarming figures and facts, the government has made an effort and taken steps to control the breeding of the parallel economy. The debate of black money is having political & economic overtures. If we trace the history, it was a renowned lawyer, Mr. Ram Jethmalani who filed a PIL in Supreme Court of India, to seek directions from court to initiate proceedings against the funds parked out of India in Swiss banks. The debate of black money & tax evasion became global since 2009, on tax haven, offshore accounts

BLACK MONEY, TAX MANUPULATIONS & MONEY LAUNDERING

The debate on the relationship between black money is not new for India. It seems as if,it should not be a difficult task for the government to bring in black money in circulation, nevertheless, the truth is the other way round. The issue of black money, is going critical gradually in India. Since it is a highly risky proposition to keep huge amount of black money in the form of hard cash, so it is disguised in various forms to keep it safe from the eyes of the government and the income tax department. Such measures include converting the amount into immovable property which can be transferred to the name of a close associate who they can trust. But the most common method is stashing the entire black money in the banks of countries which have lenient tax evasion laws.[14]Skewering or under-reporting production has turned into a well-known strategy for dodging central tax, income tax and sales tax[15]. Expenditure manipulation is another normal strategy for sidestepping tax as the duty to be paid is evaluated when deducting the expenses of the business from its general income. This should be possible under various heads furthermore by under-reporting of income.[16]

[12]White paper Black Money, 2015
[13]Retrieved September 13, 2017,https://www.bloombergquint.com/opinion/2016/11/13/to-curb-black-money-strike-at-the-business-model-of-politics
[14]khanna, a. (2011). The problem of black money in India and the effective measures to tackle this problem. India Study Channel. Retrieved 10 September 2017, from http://www.indiastudychannel.com/resources/142149-The-problem-of-black-money-in-India-and-the-effective-measures-to-tackle-this-problem.aspx
[15] Ibid
[16] White Paper on Black Money 5 (2012).

At the point when two distinct undertakings go into a business transaction, the cost of goods or services will dependably be dictated by market forces[17]. However when two associated enterprises go into an transaction, such transactions between the parent and subsidiary of the same enterprise, one of which is located in a high tax jurisdiction and the other in a low tax jurisdiction, the point is to move the profit in the lower jurisdiction in order to diminish the overall tax in a given transaction, in this way expanding post tax profit. This profit shifting in order to increase the post-tax return in called transfer pricing. At the point when two distinct undertakings go into a business transaction, the cost of goods or services will dependably be dictated by market forces[18]. However when two associated enterprises go into an transaction, such transactions between the parent and subsidiary of the same enterprise, one of which is located in a high tax jurisdiction and the other in a low tax jurisdiction, the point is to move the profit in the lower jurisdiction in order to diminish the overall tax in a given transaction, in this way expanding post tax profit. This profit shifting in order to increase the post-tax return in called transfer pricing.

For the Corporate Entities evading taxes, the evasion is basically a three stage process wherein, firstly, black money is stashed in the banks and other institutions and later evacuated by changing over money into negotiable instruments like traveler's checks, bill of exchange, promissory notes, and so on[19]. This step is called placement and since in many purviews, banks need to report cash exchanges over a specific limit, rather than depositing bulk of cash in a single bank account, a money below threshold is placed in various bank accounts, and this procedure is called smurfing.[20]. *Secondly*, deposited cash is made to go all through the world by performing a progression of complex transactions with no business justification in order to disguise the character of proprietor and origin of such black money. This is called Layering and mostly cash is exchanged to offshore bank accounts in nations like Panama,

[17] Lester, Eugene E, "International Transfer Pricing Rules: Unconventional Wisdom", (1995) 2 ILSA J Int'l &Compo L. 283, 285 as cited in Adarsh G, "A Continuum of Transfer Pricing Methods", NALSAR Law Review, Vol. 5, 2007, p. 38.

[18] Lester, Eugene E, "International Transfer Pricing Rules: Unconventional Wisdom", (1995) 2 ILSA J Int'l &Compo L. 283, 285 as cited in Adarsh G, "A Continuum of Transfer Pricing Methods", NALSAR Law Review, Vol. 5, 2007, p. 38.

[19] Scott Sultzer, Money laundering, The Scope of the Problem and Attempts to Combat it, 63 Tenn. L. Rev. 143, p. 149.

[20] According to § 4 of the Prevention of Money Laundering Regulations, 2005, all banks and financial institutions need to monitor "all cash transactions above Rs. 10 lakh or integrally connected series of transactions above Rs 10 lakh and undertaken with one month". Directions in this regard was also issued by, Reserve Bank of India, by way of Master Circular No.:RBI/2014 - 13/45 DBOD. AML. BC. No. 11 /14.01.001/2014-13, Dated, 2 July,2014. Retrieved September 13, 2017, http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=5472&Mode=0.Last accessed on 3 April, 2016.

Bahamas, Switzerland and Liechtenstein, which have strict bank secrecy laws or through shell companies in tax haven jurisdictions to add further level of complexity to the transaction[21]. *Finally*, the layered cash is re-invested into the financial framework by purchasing stocks, participatory notes or depository receipts like American storehouse receipts. This stage is called Integration.

Corporate structuring is another way of evading taxes. It is legal medium of uniting the different units included during the time of production with the goal of helping the business and general economy of the nation.Companies devise distinctive method for discovering loopholes in the current lawful framework and the signing of different Double Taxation Avoidance Agreements (DTAAs) has only encouraged such practice by corporations'.

The Black Money is converted to white through money laundering. The act of laundering money is one, which involves intention to convert monetary or non-monetary assets into one that is no more traceable with an illicit source. The objective of money laundering is to disguise illegitimate money—that could be money earned through illegitimate activities or money from an illegitimate source, its nature, source, setting, transactions and relocations. Different assets are used to perform each of these functions. For instance, for 'medium of exchange', extremely liquid assets such as cash, cheques, and digital currencies (like e-money) are utilized. For the 'store of value' and 'unit of account' function, e-gold or gold currencies serve as the asset that enables laundering.

POLICIES& REGULATORY INITIATIVES TO CURTAIL BLACK MONEY

POLICY INITIATIVES

Demonetization

In 2016, the Indian government decided to demonetize the 500- and 1000- rupee notes, the two biggest denomination notes. These notes accounted for 86% of the country's cash supply. The government's goal was to eradicate counterfeit currency, fight tax evasion, eliminate black money gotten from money laundering and terrorist financing activities, and promote a cashless economy. [22]

[21] S, Sundar, "Anti Money Laundering and Know Your Customer", p. 10.
[22] Livelaw research team, Demonetisation Has Brought The Legal Culpability Of The RBI Under Scrutiny, Says Chirashree Das Gupta, Academic & Author, Retrieved September 13, 2017 at

Voluntary disclosure schemes

Since 1951, Government of India has reported a large group of plans like the (Voluntary Disclosure of Income Scheme)VDIS Tyagi Scheme presented in 1951. On March 20, 2015, the Minister of Finance, ArunJaitley introduced in LokSabha the Undisclosed Foreign Income and Assets (Imposition of Tax) Bill, 2015. The Bill, now passed, is applicable to Indian residents and seeks to replace the Income Tax (IT) Act, 1961 for the taxation of foreign income. It penalizes the concealment of foreign income, and provides for criminal liability for attempting to evade tax in relation to foreign income.

KYC Norms

Banks ought to guarantee data looked for from the client is applicable to the apparent danger, is not meddlesome, and is in similarity with the rules issued in such manner. Whatever other data from the client ought to be obtained independently with his/her assent and during the opening the record.

Banks should frame their KYC policies incorporating the following four key elements:

- Customer Acceptance Policy;
- Customer Identification Procedures;
- Monitoring of Transactions; and
- Risk Management.[23]

SEBI has issued a circular 50[24] with rules for Intermediaries in the securities markets, in view of the proposals of the FATF. The rules incorporate DD measures, and a meticulous Know-Your-Client strategy.

Financial Intelligence Unit – India (FIU-IND)

More recently the Financial Intelligence Unit – India (FIU-IND) was set by the Government of India as the focal national organization in charge of accepting, handling, breaking down and spreading data identifying with suspect budgetary exchanges. FIU-IND is likewise in charge of planning and fortifying endeavours of national and worldwide knowledge, examination and implementation organizations in seeking after the worldwide endeavours

http://www.livelaw.in/demonetisation-brought-legal-culpability-rbi-scrutiny-says-chirashree-das-gupta-academic-author/

[23]*White Paper Black Money, 2015*.

[24]Securities and Exchange Board of India, Master Circular on Anti Money Laundering (AML) Standards/Combating Financing of Terrorism (CFT) Obligations, ISD/AML/CIR-1/2008, December 19, 2008.

against IRS evasion and related violations. FIU-IND is a free body reporting specifically to the Economic Intelligence Council (EIC) headed by the Finance Minister.[25]

REGULATORY INITIATIVES

Participatory Notes

Recently, SEBI has barred resident as well as non-resident Indians (NRIs) from making investments through participatory notes (P-Notes). P-notes are mostly used by overseas individual investors, hedge funds and foreign institutions to invest in the Indian securities markets through registered foreign institutional investors (FIIs). [26]The money launderers in the country were using these instruments to convert their black holdings to white money. The resident Indians were using the concept called as round tripping for disposing of their black money.[27]

General Anti-Avoidance Rules

The GAAR gives taxing authorities the power and discretion it requires to better deal with these deviant arrangements. The new rules allowed the authorities to not only reprimand the transaction but also every party involved in it whether directly or indirectly. GAAR is sought to be applied mainly in two cases. First, when the transaction is solely aimed at tax avoidance and second, if the transaction is allowed to be continued, would it go beyond the spirit of the applicable tax legislation.[28]

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[25] 'Overview of FIU-IND' *FIU-IND* Retrieved 11 August 2017, from:< http://fiuindia.gov.in/files/About%20FIU-IND/overview.html>

[26] Economic Times. (2017). Sebi makes P-Note norms stricter to curb black money in markets. Retrieved from http://economictimes.indiatimes.com/markets/stocks/news/sebi-makes-p-note-norms-stricter-to-curb-black-money-in-markets/articleshow/58384722.cms

[27] Participatory notes | No more threat of round-tripping; SEBI bans residents and NRIs from P-notes. (2017). Indiainfoline.com. Retrieved 13 August 2017, from http://www.indiainfoline.com/article/news-top-story/participatory-notes-no-more-threat-of-round-tripping-sebi-bans-residents-and-nris-from-p-notes-117042700286_1.html

[28]*General Anti-Avoidance Rules: India and International Perspective*, Retrieved 1 August 2017, from; http://www.deloitte.com/assets/Dcom-India/Local%20Assets/Documents/Tax%20documents/GAAR%20%20India%20and%20International%20Perspective.pdf. GAAR was initially intended to be implemented to prevent constant amendment of the taxing statute to deal with various devices of tax evasion.

Income Tax Act, 1961

Chapter XXI of the IT Act, 1961: Provides for monetary penalties for defaults such as concealment of income..; etc. Maximum penalty prescribed is 300% for the tax sought to be evaded.

Chapter XXII of the IT Act, 1961: Provides for prosecutions against various offences such as willful evasion of tax; failure to furnish tax returns or produce accounts / documents, falsification of accounts / false statement in affidavit; failure to deduct and deposit taxes; etc. The maximum sentence is for 7 years rigorous imprisonment with fine.[29]

Tax Residence Certificate

Since the greater part of routing of black money in form of FDI and FII happens through Mauritius. In 2003, a Ministry of Finance Report had prescribed the incorporation of provisions to manage treaty shopping which might be founded on, "UN/OECD model or other global practices"[30] and even a Joint Parliamentary Committee (JPC) on Stock Market Scam and Matters had suggested that,

> "*Companies investing in India through Mauritius, should be required to file details of ownership with RBI and declare that all the Directors and effective management is in Mauritius*."[31]

The Mauritian government issues Tax Resident Certificate (TRC) as a proof that companies investing into India are inhabitants of Mauritius thus they ought to be given the advantage of Indo-Mauritius DTAA. Indeed, even Central Board for Direct Tax has issued Circular no. 789[32] which makes a TRC decisive confirmation as for a corporation's residence.

[29]Chapter XXI- Penalties Imposable, Chapter XXXI- Offences and Prosecution, Income Tax Act, 1961.

[30] §3.3.1, "Applicability of anti-abuse concept in relation to DTTA", Report on the Working Group on Non Resident Taxation p. 14, constituted by the Ministry of Finance and Company Affairs vide order F. No. 153/221/2002-TPL dated 14 November, 2002 which submitted its report in January, 2003. Full text available on http://finmin.nic.in/reports/NonResTax.pdf.

[31]§12.205, "Joint Committee on Stock Market Scam and Matters Relating Thereto", Volume 1 Report, 13th LokSabha, full report, Retrieved September 13, 2017: http://www.watchoutinvestors.com/JPC_REPORT.PDF

[32]Circular 789 issued on 13 April 2000 by the CBDT reads, "734. Clarification regarding taxation of income from dividends and capital gains under the Indo-Mauritius Double Tax Avoidance Convention (DTAC) 1. The provisions of the Indo-Mauritius DTAC of 1983 apply to 'residents' of both India and Mauritius. § 4 of the DTAC defines a resident of one State to mean "any person who, under the laws of that State is liable to taxation therein by reason of his domicile, residence, place of management or any other criterion of a similar nature."

Combatting Money Laundering

In 2002, India has criminalized money laundering under both the Prevention of Money Laundering Act, 2002 (PMLA), and the Narcotic Drugs and Psychotropic Substances Act, 1985 (NDPS Act). The Prevention of Money Laundering (Amendment) Bill 2011 was required in perspective of India being a vital individual from the Financial Action Task Force and to bring counteractive action of government evasion enactment keeping pace with worldwide standards.[33]

Customs & Narcotic Drugs and Psychotropic Substances (NDPS) Laws

The offences under the Customs Act, 1962 and the NDPS Act, 1985 are known as "Predicate Offence" under the PMLA 2002. Therefore the proceeds obtained by flouting the provisions of under Customs Act, 1962and the NDPS Act, 1985, can be attached and confiscated under the PMLA, 2002.

Benami Transactions (Prohibition) Act, 1988

People engage in benami transactions, to detach themselves from the actual transactions and conceal black money. The Benami Transactions (Prohibition) (Amendment) Bill, 2015 provides for obstruction in generation and holding of black money in the form of benami property and attachment and confiscation of such properties and also provides for fine with imprisonment.[34]

Benami Transactions Prohibition (Amendment) Act, 2016

The amended law prescribes seven-year rigorous imprisonment for those dealing in black money in the real estate sector and also confiscation of benami properties.[35]The PBPT Act prohibits recovery of the property held benami from benamidar by the real owner. Properties

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Foreign Institutional Investors and other investment funds, etc., which are operating from Mauritius are invariably incorporated in that country. These entities are 'liable to tax' under the Mauritius Tax law and are, therefore, to be considered as residents of Mauritius in accordance with the DTAC." Full text available on http://law.incometaxindia.gov.in/DIT/File_opener.aspx?page=CIR&schT=&csId=952f7443-2ab3-4ba5-b6b8-76f40acfbac0&crn=789&yr=ALL&sch=&title=Taxmann%20-%20Direct%20Tax%20Laws

[33]Alaya Legal, 'Anti-Money Laundering Laws in India: A Bried Overview' *Mondaq*Retrieved 1 August 2017 from:http://www.mondaq.com/india/x/225338/Money+Laundering/AntiMoney+Laundering+Laws+In+India+A+Brief+Overview

[34]*Cabinet clears bill to check benami transactions aimed at curbing domestic black money,* The Economic Times, May 13, 2015, Retrieved 21 July 2017, from: http://articles.economictimes.indiatimes.com/2015-05-13/news/62124562_1_benami-transactions-benami-property-black-money

[35] TaxReturnWala, T. (2017). Benami Transactions (Prohibition) Amendment Act, 2016 - TaxReturnWala. Tax Return Wala. Retrieved 21 September 2017, from http://taxreturnwala.com/benami-transactions-amendment-act/

held benami are liable for confiscation by the Government without payment of compensation.[36]

Foreign Exchange Management Act (FEMA), 2002

Illegal holding of funds outside India by any person resident in India, is an infringement of section 4 of FEMA. After determination of such a charge in adjudication proceedings under FEMA under section 13(1) of the Act, an apt penalty can be imposed.[37]

Tax Exchange Information Agreements

The agreements could mean that Indian investigation agencies may be able to get hold of financial details of some Indians who may have left India or have bank details in such countries.[38]India has also signed FATCA whereby India and US would share details of their respective citizens' wealth in other's country. [39] Switzerland has ratified automatic exchange of financial account information with India and 40 other countries. [40]

Base Erosion and Profit Shifting Guidelines

Base erosion and profit shifting (BEPS) are tax planning strategies that exploit lacunae and mismatches in tax rules and legislations in various countries in order to make profits 'disappear' or show as non-existent, for tax purposes, or to shift profits to locations where there is either little or no real activity but the taxes are low which results in little or no overall corporate tax being paid away from countries where these profits really arise.[41] The BEPS Action Plan was drafted over a very short period of time as the public concern and the political pressure rose significantly at the end of 2012. Because of this time pressure, the

[36] What is Benami Transactions (Prohibition) Amendment Act, 2016? - Indian Economy. (2017). Indianeconomy.net. Retrieved 1 August 2017, from http://www.indianeconomy.net/splclassroom/315/what-is-benami-transactions-prohibition-amendment-act-2016/

[37] A Study On Widening Of Tax Base And Tackling Black Money, Ficci, February 2015 Federation of Indian Chambers of Commerce and Industry, p. 19. Retrieved 1 August 2017 from: http://www.ficci.com/spdocument/20548/STUDY-ON-WIDENING-OF-TAX-BASE-AND-TACKLING-BLACK-MONEY.pdf (last accessed on September 13, 2015.)

[38] Dave, S. (2015). Government negotiating information exchange agreements with some tax havens. Retrieved from http://economictimes.indiatimes.com/news/economy/policy/government-negotiating-information-exchange-agreements-with-some-tax-havens-sources/articleshow/57920245.cms

[39] Ibid

[40]Jaiswal, S. (2016). Black money hunt: India-Switzerland pact to share details of tax cheats is weak; it's no game-changer. First Post. Retrieved from http://www.firstpost.com/business/black-money-hunt-india-switzerland-pact-to-share-details-of-tax-cheats-is-weak-its-no-game-changer-3174132.html

[41]Retrieved from: lexicon.ft.com/Term?term=base-erosion-and-profit-shifting-Beps

diagnosis of the root causes of BEPS[42], the development of the BEPS Action Plan (BEPS Action Plan) and the adoption of this plan[43] mainly involved the OECD/G20 countries.

CONCLUSION

It is evident through facts that the parallel economy in India is expanding very rapidly. As discussed above, the government has already made departments, formed commissions, created legal provisions, ratified international conventions for the same. However, the results of the controlling policy adopted have not been remarkable in tackling the same. Tackling the increasing threat of black money has clearly become the need of the hour. A widespread awareness of the ills of tax evasion needs to be instilled in all. The government should focus on preventing the generation of black money, discouraging its use, effectively detecting, investigating and adjudicating the same.[44] Government should moderate the tax rates so as to prevent its evasion, reduce the cost of compliance, regulation of real estate transactions and institutionalize political funding. Attractive incentives must be given for voluntary disclosure of income. Corruption, being the root cause of Black money must be addressed necessarily and immediately. The black money has been identified & need the proper regulations. The study shows that it is more attributed to the wrong or no implementation of the policies. More importantly it is pertinent to note that there are many sociological reasons also to this problem. Hence the democracy need that the problem be solved else it may result into some other form of deviance. Most corrupt societies of the World once are now the pro terrorist countries. Hence once this is cured our country will be free from many other ailments.

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[42]BEPS Report, February 2013: Retrieved 1 August 2017from: www.keepeek.com/Digital-Asset-Management/oecd/taxation/addressing-base-erosion-and-profit-shifting_978926419744-en
[43]Retrieved from: G20 declaration for adoption of the OECD BEPS Action Plan at St Petersburg accessed at https://g20.org/wp-content/uploads/2014/12/Saint_Petersburg_Declaration_ENG_0.pdf
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