ABSTRACT

Black money in economic terms means 'unrecorded gains'. In other words, it is income which has escaped taxation. It may be hoarded in cash, but eventually gets itself converted into various assets like property, jewelery and durable consumer goods. The money that is generated in the black market and which has partly or fully escaped assessment is termed as Black money. The circulation of black money is what is referred to as “parallel economy” or “unaccounted economy” or “unsanctioned economy” or “underground economy”. According to the latest data published by Swiss National Bank, the country’s central bank, Indian money in various Swiss bank rose 43% during 2013 to almost Rs 14,000 crore, including money held directly by Indian clients and those through fiduciaries or wealth managers. Switzerland said it was looking forward to working together with the new government of India in its fight against tax evasion.

Government of India introduced commissions under Kaldor, Wanchoo, Rangnekar, Chopra, and Gupta for estimating black economy. Over the past 60 years, the government has at various times announced several schemes offering opportunities to bring black money overboard but the result are not so effective. Some of these schemes are: introducing the scheme of Special Bearer Bonds, demonetizing high denomination currency notes, stringent raids and scheme of voluntary disclosures. These instruments are expected to reduce the volume of the black economy.

The amount of black money stashed both inside and outside the country adds up to more than 40% of our GDP which could have solved a lot many problems plaguing India currently. Hence, a more concerted effort is needed on the part of the Government as well as the citizens of the country to put pressure on the tax haven countries to release information on these black accounts which can be brought back to our country.

Money is the medium of transaction in the present civilized societies. It is present today in two forms apparent and hidden. In its first form it is legal and it is open for taxation. In the second form it is illegal and is not exposed for taxation. The black money is the result of the activities of dishonest persons. It is the offspring of cunningness and underhand policy. Hence it is underhand earning. It is unaccounted money. It is evaded money. Hence it is
called black money. Actually ‘black money’ is a tiny component of the huge ‘black economy’. All unreported incomes whether by legal or illegal means, and their subsequent use in consumption or investment forms the ‘Black Economy’. The part of this economy, which is available as ‘money’ is called black money.

KEYWORDS: Corruption, Black Economy, GFI, Hawala, White Money

INTRODUCTION
Black money is a term used in common parlance to refer to money that is not fully legitimate in the hands of the owner. This could be for two possible reasons. The first is that the money may have been generated through illegitimate activities not permissible under the law, like crime, drug trade, terrorism, and corruption, all of which are punishable under the legal framework of the state. The second and perhaps more likely reason is that the wealth may have been generated and accumulated by failing to pay the dues to the public exchequer in one form or other. In this case, the activities undertaken by the perpetrator could be legitimate and otherwise permissible under the law of the land but s/he has failed to report the income so generated, comply with the tax requirements, or pay the dues to the public exchequer, leading to the generation of this wealth.

Defining ‘Black Money’
There is no uniform definition of black money in the literature or economic theory. In fact, several terms with similar connotations have been in vogue, including ‘unaccounted income’, ‘black income’, ‘dirty money’, ‘black wealth’, ‘underground wealth’, ‘black economy’, ‘parallel economy’, ‘shadow economy’, and ‘underground’ or ‘ unofficial’ economy. All these terms usually refer to any income on which the taxes imposed by government or public authorities have not been paid. Such wealth may consist of income generated from legitimate activities or activities which are illegitimate per se, like smuggling, illicit trade in banned substances, counterfeit currency, arms trafficking, terrorism, and corruption. For the purpose of this document, ‘black money’ can be defined as assets or resources that have neither been reported to the public authorities at the time of their generation nor disclosed at any point of time during their possession.
Section II

Present Status and Growth of Black Money in India

Background

From the olden days where the barter system prevailed till the phenomenal phase of technology today, from small traders and merchants to the CEO’s of vast business empires, there has always been a very strong urge to earn profits. This situation can be traced back to World War II. The World War II period was one of the main causes of black money generation because during this period the British Government cut out supplies of industrial goods from foreign countries. So there was a heavy shortage of goods in important product lines. This in turn sharply raised the prices of goods. Also, tax rates were raised on high income and excess profits giving an opportunity to high net worth (income) individuals to evade taxes. This also enabled businessmen to sell goods which were supply deficient in the black market for exorbitant profits. So this became a practice in the future years and has shaken the economy till today and will continue unless the Government comes out with an aggressive action plan to curb black money. At present according to the Government sources, the figures of black money have gone up to 22000 crores in our country.

Estimates of Black money in India

In India, Black money refers to funds earned on the black market, on which income and other taxes has not been paid. The total amount of black money deposited in foreign banks by Indians is unknown. Various estimates have been made regarding the quantity of black-money in circulation. It is estimated that the amount of black-money has reached over Rs. 22,000 crores. Some reports claim a total exceeding US$14 trillion are stashed in Switzerland. Other reports, including those reported by Swiss Bankers Association and the Government of Switzerland, claim that these reports are false and fabricated, and the total amount held in all Swiss banks by citizens of India is about US$2 billion. In February 2012, the director of the Central Bureau of Investigation (CBF) said that Indians have $500 billion of illegal funds in foreign tax havens, more than any other country. In March 2012, the Government of India clarified in its parliament that the CBI Director's statement on $500 billion of illegal money was an estimate based on a statement made to India's Supreme Court in July 2011. The black-money has now assumed vast dimensions and menacing proportions. It has been engaging the attention of the Government and the public.
Current Status of Black Money Some facts

India, no doubt is one of the most corrupted economies in the world. Some facts about India as per some recent statistics are:

a. India ranks 8th among 150 other countries which have the highest amount of black wealth accumulated in them.

b. India is one of largest depositors of illicit money in offshore tax havens and developed country banks with a total deposit of $500 billion.

c. As per the recent stats given by Swiss Bank the quantum of bank deposits held by Indians in their names and in their benami names in Swiss bank was around 12,740 crore at the end of 2011 which is around 13 times larger than our country’s foreign debt.

d. Also, as per the Global Financial Integrity (GFI) report, “the present value of illicit assets held abroad account for around 72% of India’s underground economy ($462 billion) and which has estimated to be around 50% of India’s GDP (Total value - $640 billion.)”

The status of black money in India is quite alarming as it tops the list in almost all the black money reports issued by banks. If this much money is deposited in just one tax haven, imagine how much would be deposited in the rest of the world.

Section III

Generation of Black Money in India and Their Reason:-

Major chunk of black money in India is invested in Real Estate and Share markets as in both these markets capital gains can exceed more than 30% mark. Both are ideal conduits for circulating black incomes. The most important problem with black money has got to be, how do you distinguish between them. Few methods followed in real life to convert black money into white money are.

1. Hawala:

Illegal movement of money is done through a process called Hawala. An initial transaction can be a remittance from a customer (CA) from country A, or a payment arising from some prior obligation, to another customer (CB) in country B. A hawaladar from country A (HA) receives funds in one currency from CA and, in return, gives CA a code for authentication purposes. He then instructs his country B correspondent (HB) to deliver an equivalent amount in the local currency to a designated beneficiary (CB), who needs to disclose the code to receive the funds. HA can be remunerated by charging a fee or through an exchange rate.
spread. After the remittance, HA has a liability to HB, and the settlement of their positions is made by various means, either financial or goods and services.

2. Economics of Gold:
The next best option for investing black money is Gold. India is the highest consumer of gold in the world. In the early 90s, import and export of gold was restricted as the government realised that saving & investment in gold was leading to a loss of foreign exchange reserves. This was also because privately held gold did not help India’s balance of payment situation. As a result, gold smuggling became a huge racket which was funded extensively by black money as people got a vehicle to park money which was illegally obtained. This was further accentuated by the fact that the money which was given to the importer and the smuggler would leave the country thus depleting resources. This eventually led to loss for our economy.

3. Rising share of services:
Black money has also played a big role in the development of the services sector mainly due to the fact that valuation of the activity is difficult, as a result of which an activity which is probably worth around Rs 5 lakh is instead quoted at 10 lakh to hide 5 lakh of black money. Also, it has a large component of the unorganised sector in it. In India, the demand for services has increased manifold due to increased material production, specialisation in production and increased expenditure on advertising and other such activities. So, due to surge in service sector growth, the black money economy is also experiencing explosive growth.

4 Under and over invoiced Inventories
i. Under-invoiced inventories:
Sometimes the amount of inventory is under-invoiced so as to keep extra amount to sale in the black market. And the amount of sale is never reported in the account book.

ii. Over-invoiced
The fixed costs on plant and inventory are reported higher than the actual amount so as to generate black money. For example, companies buy for perhaps Rs 5 lakhs and instead get an invoice for Rs 10 lakhs to cover up Rs 5 lakhs of black money.
5. Informal sector activities including trade, films, production etc.:  
All the film industries in India i.e. Bollywood are doing dreadfully bad, but still they continue to produce flop after flop film. Perhaps, it is because movies are being made simply to hide excess black money.

6. Illegal holding of precious metals, gem and jewellery:  
The most favourite of the sources is hiding metals and jewellery. There are countless instances of the same in the news all the time where prominent personalities’ homes are raided and valuables worth crores are recovered.

7. Flight of capital for investments abroad:  
Black money is used to fund investments abroad as people try to hide their incomes and put it in foreign banks which are situated in the tax haven countries.

8. Transfer activities (like secondary share market and real estate) and buying of influence (bribe for work):  
Giving and taking bribe in India is pretty common in almost every day activities. Another common source of black money is real estate.

9. Illegal activities like smuggling, drugs, prostitution, and crime:  
The big fishes of all of these sources are smuggling, drugs, prostitution and crime. Being illegal activities, all this money is black money as there are no records of how they are generated and used.

10. Funding Politicians (Lobbying):  
Suppose a businessman funds a politician with his black money to contest in the elections. When these politicians get elected, they return the favor in the form of favorable policies for the businessman which is known as “lobbying”. Finally the business man profits from their “investment” and generate “White Money”.

Section IV  
Role of Mauritius in Black money as FDI  
Mauritius accounts for over 40% of FDI into India, a good percentage of which is believed to be Indian money rerouted using the favourable tax treaty between the two countries.
Mauritius has agreed to provide information on banking transactions. Mauritius has offered to part with bank account information under its existing Double Taxation Avoidance Agreement (DTAA) with India, which will allow tax authorities here to track funds coming from that country. The move could give a big boost to investigations by Indian tax authorities against alleged offenders in the IPL and 2G Spectrum scams. Large funds were brought into the country via the island nation by IPL franchisees and a number of companies under the scanner in the 2G scam. But Mauritius had so far been reluctant to share information on bank account detail with India. This move will certainly boost the free flow of information between the two countries and will help Indian tax authorities in appropriate application of the relevant DTAA provisions. The Indian-Mauritius double Taxation Avoidance agreement states provides that capital gains arising in India from the sale of securities can only be taxed in Mauritius and since the island nation does not tax capital gains, it leads to zero taxation. This makes the country an attractive destination to route funds into India.

Section V
Harmful Effects of Parallel Economy on Employment in the Country
In Black economy, Investment gets diverted to unproductive sectors leading to shortage of savings for real investment. Scarcity of foreign exchange prevents import of essentials and technology. The black economy has many economic ill-effects. The black economy and the erosion of institutions of democracy are interlinked. The institutions of democracy, legislatures, learning centers, judiciary, police, bureaucracy, police and media, are all compromised due to the functioning of the black economy.

Effect on Employment
In India, black money is that which is taxable and is not taxed, i.e. money that is hidden from taxation. However, in India, there are millions of people whose incomes do not touch the minimum income level and are thus not taxed. They also might involve in illegal activities like taking bribes which in effect must be classified as black money but are not. As a result, the value addition to the economy is actually much higher than recorded. So, what should ideally happen is that employment opportunities must increase and economy must grow because of more money circulating in the economy due to black money. However, as people actually do not spend the black money and try to just hide it, the rate of savings gets increased and as a result the multiplier reduces which leads to lesser money in circulation in
the economy. This lowers the potential growth rate and the employment potential and eventually leads to the dissatisfaction of the youth. So, what has happened is black money which should have ideally led to increase in employment is actually leading to its decrease and thus in India. As per statistics, black income generation results in overestimation of employment and wages by 5 percent.

Section VI

Supreme Court Verdict on Black money

The Supreme Court on 4 July 2011, ordered the appointment of a Special Investigating Team (SIT) headed by former Supreme Court judge BP Jeevan Reddy to act as a watch dog and monitor investigations dealing with the black money. This body would report to the Supreme Court directly and no other agency will be involved in this. The two judge bench observed that the failure of the government to control the phenomenon of black money is an indication of weakness and softness of the government. The government subsequently challenged this order through Interlocutory Application No. 8 of 2011. The bench (consisting of Justice Altamas Kabir in place of Justice B Sudershan Reddy, since Justice Reddy retired) on 23 September 2011 pronounced a split verdict on whether government plea is maintainable. Justice Kabir said that the plea is maintainable while Justice Nijjar said it is not. Due to this split verdict, the matter will be referred to a third judge. In April 2014, Indian Government disclosed to the Supreme Court the names of 26 people who had accounts in banks in Liechtenstein, as revealed to India by German authorities.

Section VII

Special Investigation Team (SIT) for Black money

The first Cabinet meeting of the New Modi government decided to constitute a 13 member special investigative team (SIT) to oversee investigations into cases involving allegations of unaccounted or black money. SIT, which is headed by two retired Judges, has also been asked to prepare a plan to combat black money. The SIT will be headed by a retired Supreme Court judge, M B Shah. The decision on the SIT is in compliance with the Supreme Court judge, Arijit Pasayat. It will be assisted by the revenue secretary, directors of CBI, IB, RAW and ED, the CBDT chairman and an RBI deputy governor. Other members of the SIT are director general of the Narcotics Control Bureau, director general of Revenue Intelligence, director of the Financial Intelligence Unit. Director of Research and Analysis Wing and a
joint secretary in the Central Board of Direct Taxes. The SIT under Justice MB Shah would primarily be relying on data available with IT department for probing the extent of black money. RBI on June 23, 2014 ordered all banks and financial institutions to provide information sought by the SIT.

Section VIII
Black Money-Opportunity Cost of India:-
According to one estimate that more than 50% of India’s economy is black, about half of this is consumption while the remaining half is savings, about 20% is taken out of the country, that means, of the total black economy about 10% is in foreign banks. Some is consumed there (Yachts, houses, vacations and some is routed back to India, through various means including hawala or through the Mauritian route. If all the money that has been illegal taken out were to be invested back in India. The gain would be equivalent to $ 2 trillion (about Rs 120 lakh crores). This is not the amount of money stashed abroad—it is the opportunity cost of India.

Section IX
India’s Black Money in Swiss Bank
According to White Paper on Black Money in India report, published in May 2012, Swiss National Bank estimates that the total amount of deposits in all Swiss banks, at the end of 2010, by citizens of India were CHF 1.95 billion (INR 92.95 billion, US$2.1 billion). The Swiss Ministry of External Affairs has confirmed these figures upon request for information by the Indian Ministry of External Affairs. This amount is about 700 fold less than the alleged $1.4 trillion in some media reports. The CBI Director later clarified in India's parliament that the $500 billion of illegal money was an estimate based on a statement made to India's Supreme Court in July 2011. After formal inquiries and tallying data provided by banking officials outside India, the Government of India claimed in May 2012 that the deposits of Indians in Swiss banks constitute only 0.13 per cent of the total bank deposits of citizens of all countries. Further, the share of Indians in the total bank deposits of citizens of all countries in Swiss banks has reduced from 0.29 per cent in 2006 to 0.13 per cent in 2010. Indians money in Swiss banks has risen to over two billion Swiss francs (nearly Rs 14,000 crore), despite a global clampdown against the famed secrecy wall of Switzerland banking system. The funds held by Indians with banks in Switzerland rose by over 40% during 2013
from about 1.42 billion Swiss francs at the end of previous year, as per the latest data released on June 19, 2014, by the country’s central banking authority Swiss National Bank. As shown in Table 1.0. In contrast, the money held in Swiss banks by their foreign clients from across the world continued to decline and stood at a record low of 1.32 trillion Swiss francs (about $1.56 trillion or over Rs 90 lakh crore) at the end of last year. During 2013, the Indians money in Swiss banks had fallen by over one-third to a record low level. The total Indian money held in Swiss banks included 1.95 billion Swiss francs held directly by Indians individuals and entities, and another 77.3 million Swiss francs through ‘fiduciaries’ or wealth managers at the end of last year. The latest data from Zurich based SNB comes at a time when Switzerland is facing growing pressure from India and many other countries to share foreign client details, while its own law makers are resisting such important measures.

Table 1.0

<table>
<thead>
<tr>
<th>Year</th>
<th>Black Money (In Crore Rupees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>41,400</td>
</tr>
<tr>
<td>2007</td>
<td>27,500</td>
</tr>
<tr>
<td>2008</td>
<td>15,400</td>
</tr>
<tr>
<td>2009</td>
<td>12,600</td>
</tr>
<tr>
<td>2010</td>
<td>12,450</td>
</tr>
<tr>
<td>2011</td>
<td>14,000</td>
</tr>
<tr>
<td>2012</td>
<td>9,000</td>
</tr>
<tr>
<td>2013</td>
<td>14,000</td>
</tr>
</tbody>
</table>

Switzerland’s Federal Council Latest Proposals

Switzerland has often been accused of providing a safe haven to illicit wealth from various countries, including India, and its tough banking secrecy laws make it difficult for foreign authorities to access details of such accounts. India is probing alleged stashing of untaxed funds in certain Swiss banks. The country has not got details of such funds directly from Switzerland and it is said that these details found their way to India after certain account details were stolen electronically by a third party. In its latest proposals, Federal Council said it has adopted two consultation drafts – one for implementation of the revised international recommendations on combating money laundering and terrorist financing, and the second for putting in place and extended due diligence requirements should prevent untaxed assets from being accepted by financial intermediaries in Switzerland.

Other European tax havens

European tax havens such as Switzerland, Liechtenstein, Andorra, Cayman Islands, Gibraltar, Isle of Man etc have been the traditional favourite of India’s corrupt. When scandals broke
out in the 1980s or 1990s, the money movement was mostly through well known tax havens in Europe.

Section X

India’s Ranking of Foreign Money lying with Swiss banks

The latest data released by Switzerland’s central banking authority Swiss National Bank (SNB) shows that Indian money in Swiss banks rose 43% during 2013 to close to 2.03 billion Swiss francs (Rs 14,000 crore), pushing its global ranking up from 70 at the end of 2012 to 58. as shown in following Table 2.0. It was dismissed by the Swiss banks money stashed in Swiss banks by Indians could be trillions of dollars, as the latest Swiss National Bank data pegs the total foreign client money across 283 banks in Switzerland at $1.6 trillion. There are different estimates on quantum of black money stashed by Indian abroad. They range between $500 billion and $1,400 billion. A study by Global Financial Integrity (GFI) has estimated the illicit money outflow to be $462 billion.

<table>
<thead>
<tr>
<th>Countries/Rank</th>
<th>Black money in Swiss Banks (Figures in billions of Swiss francs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 UK</td>
<td>277</td>
</tr>
<tr>
<td>2 US</td>
<td>193</td>
</tr>
<tr>
<td>3 W Indies</td>
<td>100</td>
</tr>
<tr>
<td>4 Germany</td>
<td>52.4</td>
</tr>
<tr>
<td>5 Guernsey</td>
<td>49.5</td>
</tr>
<tr>
<td>58 India*</td>
<td>2.03 or Rs 14,000 crore)</td>
</tr>
</tbody>
</table>

*India No. 58 on Swiss List

Note:

- Amount of foreign deposits in Swiss banks in 2013 according to Switzerland’s central banking authority SNB
- There are 18 countries whose exposure stands at 1% or more. UK has 20% and the US 14%
- Rankings based on direct client exposure as also funds held through ‘fiduciaries’ or wealth managers with a total of 283 banks in Switzerland.

Above table shows that India has moved up to 58th rank in terms of foreign money lying with Swiss banks, but it accounts for a meagre 0.15 per cent of an estimated $1.6 trillion total global wealth held in Switzerland’s banking system. The UK has retained its top position with highest share of close to 20 per cent of global wealth in Swiss banking system, followed by the US, West Indies, Germany and Guernsey in the top-five in terms of exposure to banks in Switzerland. The rankings are based on the direct client exposure as also the funds held.
through 'fiduciaries' or wealth managers with a total of 283 banks in Switzerland. India now ranks higher than Pakistan, whose position has slipped from 69th earlier to 74th now, as its total exposure to Swiss banks declined from 1.44 billion Swiss francs at the end of 2012. However, China continues to rank higher than India, although it has slipped by four places to 30th.

Among other major emerging economies, Brazil, Russia and South Africa are also ranked higher than India, whose 58th position continues to remain the lowest among major economies across the world. The countries ranked below India include Philippines, Kazakhstan, Bahrain, Iran, Pakistan, Mauritius, Bangladesh, Palestine, Barbados, Macau SAR, Iraq, Brunei and Zimbabwe.

Among top-ranked, UK has the highest exposure of 277 billion Swiss francs, followed by the US (193 billion Swiss francs), West Indies (100 billion Swiss francs), Germany (52.4 billion Swiss francs) and Guernsey (49.6 billion Swiss francs). In top-20, they are followed by Luxembourg, Jersey, Bahamas, France, Panama, Cayman Islands, Hong Kong, Singapore, Italy, Japan, Russia, UAE, Netherlands, Saudi Arabia and Australia. However, only a few countries account for the bulk of global money in Swiss banks and there are only 18 countries whose exposure stands at one per cent or more. Even among these, only the UK and the US have exposure of more than 10 per cent, at about 20 per cent and 14 per cent respectively.

Section XI
Black Money and Corruption in India
This is not so surprising, India is the world’s most corrupt country. Corruption is not new in India. Recently due to international pressure, Swiss government agreed to disclose the names of the account holders only if the respective government formally asked for it. Dishonest persons, scandalous politicians and corrupt Public officers have deposited in foreign banks in their illegal personal accounts a sum of about $ 1500 billion, which have been misappropriated by them. This amount is about 13 times larger than the country’s foreign debt. This huge amount has been appropriated from the people of India by exploiting and betraying them. Some 80,000 people travel to Switzerland every year, of whom 25,000 travel very frequently.” Obviously, these people won’t be tourists. USA has settled their Swiss bank Account & their top Billionaires in their countries paid to their country 50% of their Money which includes Gates & Bloomberg. Italy got 6.4 Billion dollar from Swiss Bank, Germany got 5.7 Billion dollar from Swiss Bank & France got 1.7 Billion dollar from Swiss Bank.
Present Status of Corruption in India

With a booming economy in the 2000s, it seemed like India was on the fast track to becoming a developed nation. However, recent slow growth has not only reigned in this optimism, but it has also revealed just how rampant government corruption is throughout the country. Major scandals in the telecommunications industry and the coal mining industry have come to light in the past year, rocking the country and bringing the past coalition government under serious criticism.

While corruption scandals have made the headlines in India recently, the underlying issues have been deeply entrenched in the bureaucratic and political system for decades. “Since the 1970s, no government has seriously attacked corruption.” Politicians and bureaucrats in India certainly have amassed a great deal of private wealth, much of which is black — deposited, untaxed, in overseas accounts. This results in a significant loss of revenue for India, with some estimates reporting about $419 billion in taxable income and profits being laundered out of the country over the past decade.

Section XII
Institutional Framework for Preventing, Finding and Investigating Underground Economy and Black Money

India has following institutions already preventing, finding and investigating underground economy and black money.

1. Central Board of Direct Taxes: is a statutory authority functioning across India under the Central Board of Revenue Act of 1963. The Member (Investigation) of the CBDT, exercises control over the Investigation Division of the Central Board of Direct Taxes. The Member is a high ranking IRS officer of the rank of Special Secretary to the Government of India.

2. The Director General of Income Tax (International Taxation) is in charge of taxation issues arising from cross-border transactions and transfer pricing. This organisation, is primarily responsible for combating the menace of black money, has offices in more than 800 buildings spread over 510 cities and towns across India and has over 55,000 employees and even employees who are deputed from premier police organisations to aid the department.

3. Enforcement Directorate: was established in 1956. It administers the provisions of the Foreign Exchange Regulation Act of 1973 (FERA), later updated to Foreign Exchange Management Act of 1999 (FEMA). It is entrusted with the investigation and prosecution of
money-laundering offences, confiscation of the proceeds of such crime, matters related to foreign exchange market and international *hawala* transactions. This India-wide directorate, with focus on major financial centres in India, has 39 offices and 2000 employees.

4. **Financial Intelligence Unit**: has been operating as a separate investigative entity since 2004. This government organisation for receiving, processing, analysing, and disseminating information relating to suspect financial transactions. It shares this information with other ministries, enforcement and financial investigative agencies of state and central government of India. Every month, it routinely examines about 700,000 investigative reports and over 1,000 suspect financial transaction trails to help identify and stop black money and money laundering.

5. **Central Board of Excise and Customs (CBEC) and Directorate of Revenue Intelligence**: is the apex intelligence organisation responsible for detecting cases of evasion of central excise and service tax. The Directorate develops intelligence, especially in new areas of tax evasion through its intelligence network across the country and disseminates information across Indian government organisations by issuing Modus Operandi Circulars and Alert Circulars to apprise field formations of the latest trends in tax evasion. It routinely arranges for enforcement operations to research into the evasion of duty and taxes.

The Directorate of Revenue Intelligence functions under the CBEC. It is entrusted with the responsibility of collection of data and information and its analysis, collation, interpretation and dissemination on matters relating to violations of taxation and customs law. The organisation has thousands of employees and is divided into seven zones all over India. It maintains close liaison with the World Customs Organisation, Brussels, the Regional Intelligence Liaison Office at Tokyo, INTERPOL, and foreign customs administrations.

6. **Central Economic Intelligence Bureau**: functions under India's Ministry of Finance. It is responsible for coordination, intelligence sharing, and investigations at national as well as regional levels amongst various law enforcement agencies to prevent financial crimes, generation and parking of black money and illegal transfers. This organisation maintains constant interaction with its Customs Overseas Investigation Network (COIN) offices to share intelligence and information on suspected international financial transactions. The COIN offices gather evidence through diplomatic channels from the foreign custom offices and other foreign establishments to establish cases of mis-declaration to help identify and stop tax evasion and money laundering.
Section XIII
Government Initiatives

The government has taken a number of steps to curb black money. Searches, seizures, surveys, and scrutiny of income tax returns are being done by the Income Tax Department. Amendments have also been made to the Finance Act 2004 to intensify efforts to curb black money. These include prosecution for falsification of books of accounts and taxing of gifts worth more than Rs. 25,000 to unrelated persons. There have been two amendments of the Voluntary Disclosure of Income Scheme (VDIS) under which black incomes and assets could be declared, the tax paid at current rates and amnesty availed from penalty and prosecution. For the smooth functioning of the economy, The Government has introduced following measures to combat the menace of the parallel economy

A. Various Committees set up by Government on Black Money

1. Ayers Committee (1936): Even in colonial India, numerous committees and efforts were initiated to identify and stop underground economy and black money with the goal of increasing the tax collection by the British Crown government. For example, in 1936 Ayers Committee investigated black money from the Indian colony. It suggested major amendments to protect and encourage the honest taxpayer and effectively deal with fraudulent evasion

2. MC Joshi committee (2011) on black money

After a series of ongoing demonstrations and protests across India, the government appointed a high-level committee headed by MC Joshi the then CBDT Chairman in June 2011 to study the generation and curbing of black money. The committee finalised its draft report on 30 January 2012. Its key observation and recommendations were:

1. The two major national parties claim to have incomes of merely US$85 million and US$34 million. But this isn't "even a fraction" of their expenses. These parties spend between US$1.7 billion and US$2.6 billion annually on election expenses alone.

2. Change maximum punishment under Prevention of Corruption Act from the present 3, 5 and 7 years to 2, 7 and 10 years rigorous imprisonment and also changes in the years of punishment in the Income Tax Act.

3. Taxation is a highly specialised subject. Based on domain knowledge, set up all-India judicial service and a National Tax Tribunal

4. Just as the USA Patriot Act under which global financial transactions above a threshold limit (by or with Americans) get reported to law enforcement agencies,
India should insist on entities operating in India to report all global financial transactions above a threshold limit

5. Consider introducing an amnesty scheme with reduced penalties and immunity from prosecution to the people who bring back black money from abroad

3. The Wanchoo Committee’s Recommendations

The Wanchoo Committee recommended a check on tax-evasion and proliferation of black-money. However, one aspect of tax-evasion was neglected by the Committee and it was simplification of tax laws. Unless the tax laws are simplified and rationalized, tax-evasion cannot be checked. Moreover, simple filing return procedure should be laid down so that even a layman could file it without resorting to the help of lawyers and experts.

Some of the recommendations of the Wanchoo Committee have been implemented by the Government. But a great deal of work still needs to be done in this matter. If the recommendations of the committee are implemented in the right earnestness, they would mitigate the magnitude of tax-evasion to a considerable extent. However the problem cannot be solved unless we, the people of India, realize our moral responsibility of contributing our efforts in the building of nation. This can be done only if hard work and honest enterprise become truly rewarding. Something more effective and meaningful should be done to stop the generation and proliferation of black-money.

4. The other committees:

The other committees were the Dangli Committee on Controls and Subsidies (1980), The Rajah Chelliah Committee, and the National Institute of Public Finance and Policy (1985) etc.

B. Other Measures

1. Tax Information Exchange Agreements

To curb black money, India has signed TIEA with 13 countries -Gibraltar, Bahamas, Bermuda, the British Virgin Islands, the Isle of Man, the Cayman Islands, Jersey, Liberia, Monaco, Macau, Argentina, Guernsey and Bahrain where money is believed to have been stashed away. India and Switzerland, claims a report, have agreed to allow India to routinely obtain banking information about Indians in Switzerland from 1 April 2011.

2. Direct Tax Laws Committee in June 1977 (DTLC):-

With a view of bringing about simplification and rationalization of the direct tax laws, the Government appointed a committee of experts known as the "Direct Tax Laws Committee' in
June 1977. The recommendations of the Committee are being processed for implementation. In 1976 the Government imposed a statutory obligation on the management to carry out physical verification of its assets for the satisfaction of the auditors to ensure that no money is created through the sale of fixed assets. Management is also obliged to maintain a proper record of the sale of scrap.

3. Voluntary Disclosure Scheme (VDS)

The Government has floated various voluntary disclosure schemes to determine the black money. In 1951, a voluntary disclosure scheme with relaxation in panel provision was introduced. It resulted in total disclosures amounting to Rs. 71 crores and tax collection of Rs. 11 crores only. Up to 1968 a total concealed income of the order of Rs. 519 crores was declared on which Rs. 131 crores were paid as tax; this further highlights the failure of the Government to unearth black incomes. The wealth disclosed under the scheme will attract income tax, but not wealth tax. Under the scheme, previously undisclosed income reported by the declarant, will be subject to tax at the rate of 30% for individuals and 35% in other cases. Further, the Finance Minister has announced that the declarant will not be liable to pay interest or penalties and will be granted immunity from prosecution under the Income tax Act 1961, Wealth tax Act, 1957, Foreign Exchange Regulation Act, 1973 and Companies Act, 1956.

VDS 1975

Under the voluntary disclosure scheme in 1975, No penalties were imposed on the persons disclosing black-money voluntarily. Curbing of the smuggling activities in the country has been the main concern of the Government. The conservation of Foreign Exchange and Prevention of Smuggling Activities Act was passed for this matter on 19th December, 1974.

VDS 1997-98

Finance Minister Mr. P. Chidambaram while presenting 1997 - 98 budgets announced a Voluntary Disclosure Scheme (VDS). Voluntary Disclosure Scheme which was extensively advertised yielded tax revenue of Rs.10,500 crores - an unprecedented revenue gain from any VDS scheme launched since the independence.

4. Special Bearer Bonds

In a bid to mop up black-money, the Government announced on 12th January, 1981 a new scheme of issuing a ten-year bond of the face value of Rs. 10,000 each. An ordinance for this
purpose was issued by the President. The bonds will be known as 'Special Bearer Bonds.' The scheme gives immunity to the investor from prosecution as well as disclosure of the source of the money invested. Several other series of such bonds have been released in recent years.

5. Demonetization:

In 1946, demonetization was resorted to but the Direct Taxes Enquiry Committee in its interim report observed, “Demonetization was not successful then, because only a very small proportion of total notes in circulation were demonetized in 1946 and its worth was Rs.1,235.93 crores.” On January 16, 1978 demonetization of high demonisation notes was introduced. The high demonetization rates as on that day amounted to Rs. 146 crores. Notes tendered to Reserve Bank of India amounted to Rs. 125 crores as per data available till August 1981 (Lekhi, 2003, 195).

6. Measures to Check Tax Evasion:

Dealing with tax evasion has always been one of the most difficult challenges for governments all round the world. Tax evasion is done by individuals belonging to different strata of the society in different ways. As per the surveys and reports, there are many people who provide false income details to the tax authorities to reduce the amount of liability. The income tax evasion penalties can help the government recover maximum amounts in the form of tax and utilize the money for the benefit of the common public. Tax evasion is one of the basic causes to generate the black income. Therefore, various measures were undertaken to plug the loopholes in tax evasion. Most of these measures were based on the recommendations of various committees and commissions viz Taxation Enquiry Commission (1953), Administrative Reforms Commission (1969), Direct Tax Enquiry Committee (1971) etc. Most of these recommendations were an upgrading in tax laws (Charlie, 2010).

7. The Prevention of Money Laundering Act, 2004

came into effect on 1 July 2005. Section 3 of the Act makes the offense of money laundering cover those persons or entities who directly or indirectly attempt to indulge or knowingly assist or knowingly are party or are actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property, such person or entity shall be guilty of offense of money laundering. Section 4 of the Act
prescribes punishment for money laundering with rigorous imprisonment for a term which shall not be less than three years but which may extend to seven years and shall also be liable to fine which may extend to five lakh rupees and for the offences mentioned [elsewhere] the punishment shall be up to ten years (Money Laundering, 2010).

8. National Housing Bank Scheme
In July 1991, the Union Finance Minister projected a new scheme National Housing Bank Scheme to persuade black money back into the legitimate operations of the national economy. The scheme offered possessors of unaccounted for money an opportunity to deposit any quantity of money (with a maximum limit of Rs. 10000) with NHB without disclosing the basis of funds. Some scholars have maintained that all these measures have touched only the tip of the iceberg. All of schemes have hardly fetched Rs. 5000 crore over a period of fifty years. The main drawback in these schemes is that they touch the problem of black money already created but they do not go into the root cause of generation of black money. Unless this problem is tackled, the menace of black money will continue to increase.

9. Permanent Account Number (PAN)
India has tried to combat tax evasion by requiring an identification number for all major financial deals. The permanent account number (PAN) is a compulsory 10 character number issued to taxpayers by the tax department. But many transactions, especially those related to property, are conducted in cash and are unlikely to be reported. In the fiscal year 2007-2008, the country’s high value transactions amounted to more than 55.7 trillion rupees, according to India’s Annual Information Return filed with the government. But nearly one third of the 3.3 million transactions were conducted without a PAN. In many other transactions, PAN numbers were fake.

Section XIV
White paper on Black Money in India
In May 2012, the Government of India published a white paper on black money. It disclosed India's effort at addressing black money and guidelines to prevent black money in the future. The Ministry of Finance through the Investigation Division of the Central Board of Direct Taxes released a White Paper on Black Money giving the Income Tax Department increased
powers. In its white paper on black money, India has made the following proposals to tackle its underground economy and black money.

1. Reducing disincentives against voluntary compliance:
Excessive tax rates increase black money and tax evasion. When tax rates approach 100 per cent, tax revenues approach zero, because higher is the incentive for tax evasion and greater the propensity to generate black money. The report finds that punitive taxes create an economic environment where economic agents are not left with any incentive to produce. Another cause of black money, the report finds is the high transaction costs associated with compliance with the law. Opaque and complicated regulations are other major disincentive that hinders compliance and pushes people towards underground economy and creation of black money. Compliance burden includes excessive need for compliance time, as well as excessive resources to comply. Lower taxes and simpler compliance process reduces black money, suggests the white paper.

2. Economic liberalization
The report suggests that non-tariff barriers to economic activity such as permits and licences, long delays in getting approvals from government agencies are an incentive to proceed with underground economy and hide black money. When one cannot obtain a licence to undertake a legitimate activity, the transaction costs approach infinity, and create insurmountable incentives for unreported and unaccounted activities that will inevitably generate black money. The successive waves of economic liberalisation in India since the 1990s have encouraged compliance and taxes collected by the government of India have dramatically increased over this period. The process of economic liberalisation must be relentlessly continued to further remove underground economy and black money.

3. Reforms in vulnerable sectors of the economy
Certain vulnerable sectors of Indian economy are more prone to underground economy and black money than others. These sectors need systematic reforms

(i) Gold Trading:
As example, the report offers gold trading, which was one of the major sources of black money generation and even crime prior to the reforms induced in that sector. While gold inflows into India have remained high after reforms, gold smuggling is no longer the menace as it used to be.
(ii) The Real Estate Sector

Similar effective reforms of other vulnerable sectors like real estate, the report suggests can yield a significant dividend in the form of reducing generation of black money in the long term. The real estate sector in India constitutes about 11 per cent of its GDP. Investment in property is a common means of parking unaccounted money and a large number of transactions in real estate are not reported or are under-reported. This is mainly on account of very high levels of property transaction taxes, commonly in the form of stamp duty. High transaction taxes in property are one of the biggest impediments to the development of an efficient property market. Real estate transactions also involve complicated compliance and high transactions costs in terms of search, advertising, commissions, registration, and contingent costs related to title disputes and litigation. People of India find it easier to deal with real estate transactions and opaque paperwork by paying bribes and through cash payments and under-declaration of value.

4. Creating effective credible deterrence

Effective and credible deterrence is necessary in combination with reforms, transparency, simple processes, elimination of bureaucracy and discretionary regulations. Credible deterrence needs to be cost effective, claims the report. Such deterrence to black money can be achieved by information technology (integration of databases), integration of systems and compliance departments of the Indian government, direct tax administration, adding data mining capabilities, and improving prosecution processes.

5. Supportive measures

Along with deterrence, the report suggests public awareness initiatives must be launched. Public support for reforms and compliance are necessary for long term solution to black money. In addition, financial auditors of companies have to be made more accountable for distortions and lapses. The report suggests Whistleblower laws must be strengthened to encourage reporting and tax recovery.

6. Amnesty

Amnesty programmes have been proposed to encourage voluntary disclosure by tax evaders. These voluntary schemes have been criticized on the grounds that they provide a premium on dishonesty and are unfair to honest taxpayers, as well as for their failure to achieve the
objective of unearthing undisclosed money. The report suggests that such amnesty programmes can not be an effective and lasting solution, nor one that is routine.

7. International enforcement
India has Double Tax Avoidance Agreements with 82 nations, including all popular tax haven countries. Of these, India has expanded agreements with 30 countries which requires mutual effort to collect taxes on behalf of each other, if a citizen attempts to hide black money in the other country. The report suggests that the Agreements be expanded to other countries as well to help with enforcement.

8. Modified Currency Notes
Government printing of such legal currency notes of highest denomination i.e.; 1000 (US$17) and 500 (US$8.50) which remain in the market for only 2 years. After a 2-year period is expired there should be a one year grace period during which these currency notes should be submitted and accepted only in bank accounts. Following this grace period the currency notes will cease to be accepted as legal tender or destroyed under the instructions of The Reserve Bank of India. As a consequence turning most of the unaccountable money into accountable and taxable money.

Section XV
Estimates of Black Money Generated
There are no reliable estimates of black money generation or accumulation, neither is there an accurate well-accepted methodology for making such estimation. By its very definition, black money is not accounted for, thus all attempts at its estimation depend upon the underlying assumptions made and the sophistication of adjustments incorporated. Among the estimates made so far, there is no uniformity, unanimity, or consensus about the best methodology or approach to be used for this purpose. There have also been wide variations in the figures reported, which further serves to highlight the limitations of the different methods adopted. Two methods followed in real life to estimate black money.

1. NIPFP Study on Black Economy in India:
The NIPFP conducted a study under the guidance of Dr S. Acharya (1985). The study defined ‘black’ money as the aggregate of incomes which were taxable but which were not
reported to tax authorities. The study, however, gave a broader definition of ‘black’ income and called it ‘unaccounted income’ for purposes of clarity. As there was lack of sufficient data, the NIPFP study followed ‘the minimum estimate approach’. That is to say, not being able to ascertain the most probable degree of under-declaration or leakage, it used a degree of under-declaration which could safely be regarded as the minimum in the relevant sector. In several cases the study also made use of a range rather than a single figure of underestimation.

While preparing the estimate of ‘black’ income, the study excluded incomes generated through illegal activities like smuggling, black market transactions, and acceptance of bribes and kickbacks. To prepare a global estimate of black income, the study confined itself briefly to six areas:

1. Factor incomes received either openly or covertly while participating in the production of goods and services.
2. ‘Black’ income generated in relation to capital receipts on sale of assets.
3. ‘Black’ income generated in fixed capital formation in the public sector.
4. ‘Black’ income generated in relation to the private corporate sector.
5. ‘Black’ income generated in relation to export, and
6. ‘Black’ income generated through over invoicing of imports by the private sector and sale of import licences.

After aggregating the different components of ‘black’ income the study quantified the extent of ‘black’ money for different years as shown in Table 3.0.

<table>
<thead>
<tr>
<th>Year</th>
<th>Estimate of Black Money (in Crore)</th>
<th>Percent of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975-76</td>
<td>9,958 to 11,870</td>
<td>15-18</td>
</tr>
<tr>
<td>1980-81</td>
<td>20,362 to 23,678</td>
<td>18-21</td>
</tr>
<tr>
<td>1983-84</td>
<td>31,584 to 36,784</td>
<td>19-21</td>
</tr>
</tbody>
</table>

The NIPFP study concluded that total black income generation of `36,784 crore out of a total GDP at factor cost of `1,73,420 crore was on the higher side, although it turns out to be less than 30 per cent of GDP as against some extravagant estimates placing it at 50 or even 100 per cent of GDP. The study suggested with some degree of confidence that black income generation in the Indian economy in 1983-84 was not less than 18 per cent of GDP at factor cost or 16 per cent of GDP at market prices.

While the NIPFP report estimated the ‘black’ economy (not counting smuggling and illegal activities) at about 20 per cent of the GDP for the year 1980-81, Suraj B. Gupta, a noted
economist, pointed out some erroneous assumptions in NIPFP study and estimated ‘black’ income at 42 per cent of GDP for the year. The last official study for estimating black money generation was conducted at the behest of the Ministry of Finance by the NIPFP in 1985. The alternative estimates of ‘black’ income for the decade prior to 1985, compiled in the NIPFP Report, show the extent of variation in estimates.

2. Estimates of Black Money Study Stashed Abroad

A chain Email, which first started circulating on the Internet in early 2009, states that Indians have more money in the Swiss banks than all other countries combined. It claims that as per a Swiss Banking Association report in 2006, bank deposits in the territory of Switzerland by nationals of a few countries are as under: India, US$1456 billion, Russia, US $470 billion, UK, US$390 billion, Ukraine, US$100 billion, China, US$96 billion.

Another report which was circulated in the media stating that Indian nationals held around US$ 1.4 trillion abroad in illicit external assets was based on the 2008 report of Global Financial Integrity (GFI), ‘Illicit Financial Flows from Developing Countries: 2002-2006’. In its November 2010 report, ‘The Drivers and Dynamics of Illicit Financial Flows from India: 1948-2008’, however, it accepted on page 9 that the back-of-the-envelope method used to derive the figure was flawed – the figure was based on GFI’s estimated average illicit outflows of US$ 22.7 billion per annum (over the period 2002-06) multiplied by the 61 years since independence and it is erroneous to apply annual averages to a long time series when illicit flows are fluctuating sharply from one year to the next.

It is however useful to mention here one estimate of the amount of Indian deposits in Swiss banks (located in Switzerland) which has been made by the Swiss National Bank. Its spokesperson stated that at the end of 2010, the total liabilities of Swiss Banks towards Indians were 1.945 billion Swiss Francs (about ` 9,295 crore). The Swiss Ministry of External Affairs confirmed these figures when a reference was made by the Indian Ministry of External Affairs to them. Since the information was publicly available on the website of the Swiss National Bank, the figures of earlier years were also taken and are tabulated in Annexure Table 1. From this Table, it can be seen that bank deposits of Indians in Swiss banks have decreased from ` 23,373 crore in year 2006 to ` 9,295 crore in year 2010.
Section XVI

Global Financial Integrity (GFI).

India lost $123 billion in black money during 2001-2010, a U.S.-based research and advocacy organisation said in a report. However, India’s loss is far less than that of China, which according to the report suffered a loss of $ 2.74 trillion during the same period (2001 to 2010), followed by Mexico ($476 billion), Malaysia ($285 billion), Saudi Arabia ($201 billion), Russia ($152 billion), the Philippines ($138 billion) and Nigeria ($129 billion). India is the eighth largest victim of black money loses, said the report ‘Illicit Financial Flows from Developing Countries: 2001—2010,’ released by Global Financial Integrity (GFI). India is the only South Asian country to figure in the top 20 list of such nations. In 2010 alone, the Indian economy suffered $1.6 billion in illicit financial outflows. As shown in following table 4.0.

<table>
<thead>
<tr>
<th>Countries</th>
<th>Black money</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>$2,740 Billion</td>
</tr>
<tr>
<td>Mexico</td>
<td>$476 Billion</td>
</tr>
<tr>
<td>Malaysia</td>
<td>$285 Billion</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>$210 Billion</td>
</tr>
<tr>
<td>Russia</td>
<td>$152 Billion</td>
</tr>
<tr>
<td>Phillippines</td>
<td>$138 Billion</td>
</tr>
<tr>
<td>Nigeria</td>
<td>$129 Billion</td>
</tr>
<tr>
<td>India</td>
<td>$123 Billion</td>
</tr>
<tr>
<td>Indonesia</td>
<td>$109 Billion</td>
</tr>
<tr>
<td>UAE</td>
<td>$107 Billion</td>
</tr>
</tbody>
</table>

India is among the top 10 developing countries in the world with a black money outflow of $1.6 billion (Rs. 8,720 crore) in 2010, a report by Global Financial Integrity (GFI) said. The report, said the total outflow of black money from India since independence until 2010 was $232 billion, generally in the form of corruption, bribery and kickbacks. The cumulative value of illicit assets held by Indians during the same period is estimated to be $487 billion.

In the post-reform period of 1991-2008, deregulation and liberalisation accelerated the outflow of illicit money from the Indian economy, the report by Washington-based GFI, Illicit Financial Flows from Developing Countries, said. “Almost three-quarters of the illicit assets comprising India’s underground economy which has been estimated to account for 50% of India’s GDP (around $640 billion in 2008) ends up outside of the country,” the report’s author and former economist with IMF Dev Kar, said. The earlier edition of the report has been quoted by the government in its white paper on black money. The report found illicit financial flow in 2010 from these countries was $ 858.8 billion, just below the
all-time high of $871.3 billion in 2008. Maximum outflow of illicit money was from China with India ranked eighth. The report said that astronomical sums of dirty money continue to flow out of the developing world and into offshore tax havens and developed country banks, meaning that the poor in source countries are being deprived of their right to development. There is a statistical correlation between larger volumes of illicit flows and deteriorating income distribution in the developing countries, the report said.

Section XVII
Suggestions
It is an essential duty of the Government to take necessary steps to check the growth of black money. Such steps are necessary in the interest of the whole society. The Government can take the following steps:
1. Public conscience should be sufficiently aroused against antisocial elements. The antisocial elements are hoarders, black-marketeers, tax-evaders, smugglers, speculators and other people who take pleasure in such anti-social activities.
2. Tax evasion should be checked by plugging loop-holes in tax system.
3. The tax administration should be made fit to increase the taxes.
4. The tax rates should be made helpful to some extent in solving this problem. For this purpose tax rates should be lowered. Tax rates should be such as may encourage the tax payers to pay taxes gladly. At present the attitude of tax department is negative towards tax payers. In future it should be positive and brief, the tax payers should not resist against authorities.
5. A law should be introduced that requires all Indian citizens to disclose their assets and bank accounts in India and Abroad. Any income or assets that are not disclosed in the required form would be deemed to be “proceeds of crime”, and included as ‘predicate offences’ defined under the United Nations Convention Against Corruption (UNCAC)
6. Instruments such as participatory notes and anonymous investments by funds or shell companies need to be disallowed with immediate effect.
7. India should make relevant changes in bilateral treaties and international treaties to prevent money laundering.
8. In spite of six decades of planning, concentration of wealth has increased. This increase of wealth in the hands of few persons has encouraged more black money, black marketing,
smuggling etc. Voluntary disclosure scheme has helped a lot. However, the cooperation of the public specially of businessmen is very much required.

Section XVIII

Conclusion:

The urge to make more profits never stops which is the main reason why people are tempted to commit fraud. The generation of black money is a very major issue as it involves public money which should be kept safe and must not be allowed to launder. It could take some years to even trace out the countries in which India’s black money is floated. The government, no doubt is taking sustained efforts to fight against the corrupt economic structure. But only with extensive refinement of various laws (especially laws applicable to vulnerable sections of society) coupled with strong anti – corruption strategies and anti money laundering regulations it is possible for India to show any signs of improvement from the current scenario. This would instill more discipline and governance in the overall economic structure enabling India to elevate its status to a ‘developed’ country.

One step alone cannot eradicate black economy, what needed is a joint effort at numerous levels. First of all, the Political will is needed to curb the growth of Black Money. Double Taxation Avoidance Agreement (DTAA) and Tax Exchange Information Agreements with Tax haven countries will certainly help in bringing the capital flight problem. Right to information, judicial, bureaucracy and Media Reforms should be encouraged which will result in increase of transparency in the system. Also, building a special task force to enforce the laws effectively will go a long way. Simplification of the tax laws should be done as it will make it easy to catch those who are fudging the accounts.

The link between the politician and money power needs to be broken as this leads to the policy makers themselves resorting to sources for easy money. There should be three tier and interlinked representation in the legislatures on the same ground as party structures, which will increase the credibility of the contesting candidates. Increasing the accountability of institutions and individuals and especially of the policy-makers will act as big step in eradicating Black Economy in our country.
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