

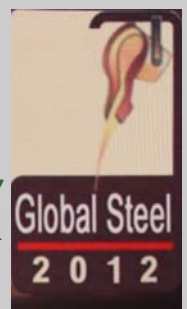


Foundation for Peace, Harmony and Good Governance
National Conference on Black Money
May 2011



Organised by
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Message from Hon Minister for Finance **Mr Pranab Mukherjee**

I am very pleased to know that the foundation for Peace, Harmony and Good Governance is organising a National Conference on Black Money on May 18, 2011 at India Habitat Centre, New Delhi. I understand that the Conference would be analysing the issue of black money and discuss the means to combat it effectively.

It is well known that manifestation of 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. Governance failure and corruption in the system affect the poor disproportionately. The success of an inclusive development strategy, with opportunities for all to fulfil their legitimate aspirations is, thus, critically dependant on the capacity of our society to root out the evil of corruption and black money from its very foundations. Our success in this endeavour requires a speedy transition towards a more transparent and result oriented economic management system in India. I am happy to share that the Government is taking major steps in simplifying and placing the administrative procedures concerning taxation, trades and tariffs and social transfers on electronic interface, free of discretion and bureaucratic delays. While this will set a tone for newer, vibrant and more efficient economy, there is much that we could do, both individually and collectively, to strengthen the moral fibre of our society.

I wish the conference success and look forward to the outcomes of the deliberations.



Introduction **Mr DR Kaarthikeyan**

Corruption is all pervasive and affects everyone; black money is a part of this problem. We have not addressed the root cause of the problem; we need to address the source from its source. Focus of this conference is address the source, its threat to the society, and how government and society can work together to address the problem of black money.

The big defaulters of the black money get away with what has been stashed away. Even the big business men agree, had it not been for extortionary corruption, they consider, they will be able to provide better service to the consumers.

Inaugural Address **Justice PV Reddi**

Certain ideas to minimise corruption is essential, though specific issues relating to sources are important. Vohra committee recommendations on black money is important. Reasons for the non implementation. Corruption and Black money is intertwined and all pervasive.

Black money is the source of all ills in the country; many scams involving public property is an expression. The linkage between new economic policy and black money needs to be explored and adequate measures need to be taken. Hawala, real

estate dealing etc leads to corruption and creation of black money.

Seeping and general advice may not help. Specific action plan is required. Ideal plan would be to curb the mafia, drug traffickers etc. We should evolve mechanisms to control exclusively black money and black marketing. Dedicated mechanism and expert bodies with functional autonomy to deal with this problem is essential. Gathering of information and supervision on a regular basis is important. Irrespective of the cost, adequate mechanisms should be put in place with enough experience and powers.

The above mechanism should create a feeling, that the stringent measures are measures and act as a deterrent for people to mobilise black money. Under valuation of cost of buildings/estate has become the norm. Both the buyer and seller are in collusion on this issue. Stamp duties should be looked into; cash



“Black money leads to parallel economy. This affects the process of governance. It is a threat to democracy.”

Mr Sri Kumar

transactions should be restricted. State governments should play a greater role. Hawala transactions need to be tackled with a sense of emergency. Tackling black money has its own side effects as well.

International cooperation is also essential to handle black money and black marketeering. Tax evasion and avoidance becomes a liability. Legal measures need to be placed in such a way, it is seen legitimate.

Mr. Sudhir Chandra

Income Tax department should come clean before the public. Until 15 May, 1.4 million crores of refund has been made. Chairman CBDT has placed everything on the net; hence the work force know what is happening. Honest officers are afraid of petty things related to anonymous complaints; hence the CVC was told there should be no cases on anonymous cases. An emotional connect is



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Justice PV Reddy



made between the Chairman and the officers. After that, the officers have been asked to issue refund.

Despite refunding, the department has achieved maximum collection from the Income tax department. Reduction of corruption in income tax department has been a success story this year. In terms of black money, through 15,000 crores of black money has been recovered in the last two years. These were against the big fishes. More than the mopping, the tap should be closed in terms of black money.

“360 degree profiling” is being done, to avoid harassment. Union Home Minister has announced a five pronged strategy to deal with black money; this includes the following: joining the global crusade;

Mr Sri Kumar

Black money is not an income earned legally. What are we doing with the illegal activity? Black money leads to parallel economy. This affects the process of governance. It is a threat to democracy. Public sector corruption is only a part of this.

Private sector and the public has to work together on this issue. Article 51-A J talks about collective endeavour; we have to work together, and build a team India and have a vision together. If individual violation of public conscience takes place to suit his/her own convenience, the struggle against corruption will never come to an end.



“If the Black money comes back, India may be debt free; its senior citizens may have enough pension. It may have enough for building infrastructure.”

Ms Kiran Bedi

More than the public servants having assets disproportionate to the known source of income – there are non-public servants, who have amassed wealth. There are not adequate mechanisms to deal with this. We need enforcement and we need Rule of Law; in this, we need to perform our duties.

Operation Vig-Eye has been launched – with the objective to empower citizens to report corruption. (blowyourwhistle.com). There is a need to strengthen the existing institutions enabling them to perform. For the institutions to function, there should be transparency, technology, efficiency, empowerment and mutual cooperation.

Kiran Bedi

The destiny of India is in the hands of CBI, which has enormous responsibility. If it gets after the big fish and crocodiles, the rest will take care of itself. Ministers and political parties can be rejected by the people. Three departments are the most corrupt: income tax, land department and police.

There is slow change at the individual level in select departments; but there is a need for a substantial change – right from recruitment to training. Every department should have one hour to listen to complaints on first come first served basis. Junior officers will follow this. This will improve transparency. Senior officers should also visit their departments un-announced.



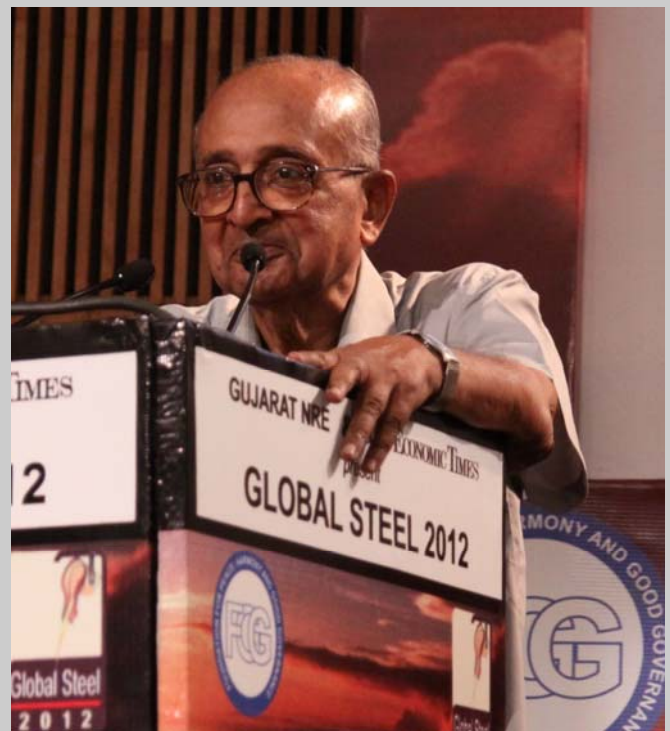
If the black money comes back, India may be debt free; its senior citizens may have enough pension. It may have enough for building infrastructure.

BG Vergheese

India's institutions are as good as any other in the rest of the world. What is needed is autonomy of institutions and the implementation of existing laws and regulations. Lack of political will is the second most important issue which is needed to tackle corruption. Public interest litigation is a great initiative, which needed to be taken forward.

Technology has transformed the crime; hence, the institutions also have to change and be ahead in terms of updating themselves. For frivolous complaints, there should be punishment as well.

For the society, media acts as the "First Information Report". Media today is an extremely powerful tool. Unfortunately, while the power of media has grown, its responsibility has come down. Equally unfortunately, the public media, led by the Doordarshan has been systematically demolished. Along with the reforms of constitution, there is a need for a reforms in political parties as well. Political parties, cutting across party lines, seems to be unanimous is not taking action against the corrupt.



Mr Vishwa Bandhu Gupta

Reforms are needed in three sectors: tax, electoral and judicial. Filing tax returns should be the responsibility of the employers and not the employees. Service tax should be reduced from 12 percent to 2 percent; excise duty should be reduced to 3 percent.

Number of seats in legislative assembly and the Parliament should be doubled. Election expenditure needs to be brought down. Lokpal institutions should be created at the State level and even should go to district levels.





“There is a need to emphasis on values, spirituality and good conduct. Religion has become a source of hiding black money. . ”

Swami Agnivesh

Mr Gopal Agarwal

Those who take bribes, do not take bribes directly; its done through their spouses or their NGOs. Hence, there is a need to bring the NGOs under scrutiny. Private sector bribery needs to be addressed. A new bill needs to be introduced in the Parliament.

Tax evasion, leading to parking of money in foreign banks need to be examined and proved that it is a crime money. A floating warrant should be issued to identify the beneficiary of these tax evaders, who have deposited their black money in different banks. Real estate sector involves so much of corruption; there is a need for a separate authority to ensure that the public dream of owning a house of their own.

Subhash Lakhotia

Black money deposited elsewhere will come back to India, only if there is a will to bring it back. The government should have the zeal to do so. Blackmoney is much more than what is estimated.

There is so much even within India. Tax provisions should be made in such a way, it is easy to file the returns. Meet the stakeholders and ask how to curb black money. Have realistic income tax returns; corporate tax should increased to 25 percent from 20 percent. Dividend distribution tax should be removed.

Have tax friendly regime; and direct taxes. Launch educational programme to bring out the importance of White Money. Encourage tax payers to pay tax on black money, specially received without their desire. State laws should be transparent. A special amnesty scheme with confidentiality to bring back the black money.

Cancel business relationship with tax haven countries. Bank fixed deposit with American interest plan to reduce black money

Swami Agnivesh

There is a need to emphasis on values, spirituality and good conduct. Religion has become a source of hiding black money. Real estate and builder lobby is a source of black money.

Bhaskar Rao

Black Money should be seen as an undeclared war against the nation. RTI act, in the last few years have led to the creation of more 5000 RTI activists, creating an environment against corruption. This is a good initiative, but only a fist step. Declaration of assets before the filing of nomination, has not made any dent. Can a war be waged against the black money, without the active involvement of political leaders? Unlikely.

“Note for vote” has become a huge phenomenon and has been growing from 2 rupees in the 1970s, with less than five percent of people taking money to 200 rupees per vote and is more than 25 percent of people taking the money. Initially, it was behind the scene; now it is open, In places, people are demanding. Approximately, one lakh crore needs to be generated annually for a assembly segment, from unaccounted sources. Unless this is addressed, black money will never be addressed. Control of black money should involve – creation of institutions, making them effecting and creating awareness.

VS Sampath

Election Commissioner

Tirumangalam bye elections was a game changer in the role of money in elections. General perception was, despite best efforts, money power cannot be contained. Performance of election commission in a bye election should not be seen as a yard stick; the fear of ruling party, or the continuation of the existing regime play a role even amongst those are a part of the election process. However, in a general election, there is a larger positive performance.

Despite the ceiling, there is no actual ceiling in terms of expenditure by the political party. The candidate may not spend actually; from banners to star campaigns, the political party may spend. While the individual candidate's expenditure can be monitored, one is unable to do the same with the expenditure made by the political parties on behalf of the candidates.

PS Bawa

Black economy includes the money stashed outside and the unaccounted money within the country. The UN Convention on corruption was signed by India in 2005; this has not been ratified. GOI has, in 2006 complied almost 90 percent of the requirements. Finally, in May 2011, it was ratified. This will enable India to seek information from other countries who are a



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people.”

Wajahat Habibullah

part of the Convention.

Inside, most of the black money is used in real estate, gold, marriages and political role. Stamp duty never corresponds to the actual transaction. The registration and market rate is nowhere close.

Valedictory Address

Wajahat Habibullah

The constitution talks of equality for all; but the practice of constitution does not ensure the same. Black economy is not all about corruption. India, no doubt is shining. But does ever Indian a part of this shining? Why is there a Maoist movement then? A large number, who see India glow and glitter also know they are not a part of this, hence a negative reaction.





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Are we capable of tackling this problem? We are. The system is capable of; it should provide space for everyone. RTI is a part of this aspect. Lokpal Bill should also be seen in this perspective. Under the RTI, every Indian has a right to know about the decisions of the government. Adarsh, CWG and 2-G scams were initially exposed as a result of the RTI. So there is adequate ways/means to make an effective intervention by the public. The above are exceptions, as there have been action on these three cases. Not all cases, there are follow up, because the RTI exposures are not followed up. This institutional framework should be activated.

RTI should not be used for narrow purpose; it should be used for a larger a societal purpose, involving public as auditors of the government. Anna Hazare's movement has opened the eyes of the people. The instruments are in the hands of the people. We should take this forward. Let us not take guns, as the Maoists. We should take RTI and demand accountability. Laws are made to work. We should know our laws and make use of them.

Vote of Thanks

Mr. Arun Kumar Jagatramka

There is a need to have a relook at our laws which are heavily drafted to try to keep the

offenders at bay. The regulations in place attempt to make the process a stringent one, as a result making it tough for the honest to comply with, he observed. While the dishonest finds a way out to bend the system, the honest finds him lost in the plethora of rules & regulations. The guilty should not be allowed to roam scot free and certainty of punishment would deter others from repeating the mischief, he felt. However, 'Certainty of Punishment' is not espoused by our judicial system, rather the focus is on 'Severity of Punishment'. More severe the punishment, higher the payout of bribe, he lamented. He stressed the need to come out of age old mentality of the oppressed and the oppressor where the enforcement agencies are viewed as the oppressor and the 'aam admi' as the oppressed.

We avoid speaking up because of our fear of entanglement and the fear of being singled out. The 'chalta hai' attitude and the lack of self belief that one man cannot make a difference has added to the menace. He therefore advised the need to build a society on the foundation of trust. He added that Indians have been brainwashed to distrust other Indians. This saps national energy and distrust kills initiative. Distrust compels people to manoeuvre and manipulate but trust and transparency stimulates entrepreneurship.

