

# SWARAJYA

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## EFFECT OF VOLUNTARY DISCLOSURE

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In our editorial, dated November 8, 1975, 'SWARAJYA', commended several features of the Voluntary Disclosure Scheme and stated "that pure self-interest as well as the attractive terms of the present Voluntary Disclosure Scheme will induce the holders of black money to take advantage of it . . ." and added that "if even this generous offer fails to attract black money into the normal channels, the blame will not be at the door of the Government." We are happy to note that the concerned section of society has come forward in a fair measure to take advantage of the liberal concessions offered by the Government for the disclosure of income and wealth that had escaped taxation. The hesitancy on the part of the concerned people until the very last week in December was only normal and human. It is perhaps explained by the persistence of the not unusual habit of postponing payment of dues till the last moment or until penalties become imminent. Those who had predicted failure of the scheme by the paucity of response till late in December did not understand human psychology or human nature. Some of them

have now turned round saying that what has been disclosed is only the tip of an iceberg, that the bulk is under the surface and that the problem of black money has by no means been solved. There is no, nor can there be a, correct estimate of money held or circulating outside accounts. Estimates have varied from Rs 7,000 crores to Rs 14,000 crores. If we accept the lower estimate, the disclosure is not insignificant. It is also wrong to assume that the quantum of black money is constant. Some black money becomes legal through investment in housing and non-controlled commodities and *vice versa*. If black money remains dormant, it has no consequence on price level. It is because black money exerts pressure through cornering, hoarding and later blackmarketing of scarce commodities that the community really suffers.

As a result of the large disclosure of Rs 1,500 crores the economy stands to gain in several ways. First, there will be in the current year and in every succeeding year, a net addition to the tax receipts. Secondly, useful information on the shape in which black money is held that is now available with the Government

may help to track future accretion to the fund. Thirdly, and perhaps this is more important, the disclosed amounts will be weaned away from blackmarket operations as they have to be accounted for during successive assessments. Thus, all in all, the effect of the sterilization of Rs 1,500 crores from blackmarket operations will have a healthy impact on the economy of the country. Among the reasons for the comparative success of the present scheme as against the previous ones, mention should be made of the offer of immunity from penalties, prosecution and investigation in respect of concealed incomes and wealth and of the favourable rates of tax on disclosures. But more than these incentives, it was the economic factors like the diminishing prospect of investment of and earning returns on unaccounted money and the falling market which rendered holding of goods unprofitable, that prompted heavy rush of disclosures. It is well-known that the difference between the controlled price and the market price substantially creates black money which, in turn, escapes tax and floats like oil on water without mixing in the economy of the country. Once this source is blocked, other sources will not yield such a large volume of unaccounted money. The solution for black money lies in opting for an economy of plenty and the

ushering in of a truly competitive market economy freed from the enslavement of 'isms'. The pernicious practice of over- and under-invoicing of goods even in internal transactions, which generates black money will disappear in a competitive buyers' market.

There need be no apprehension that the legalization of this large amount of Rs 1,500 crores will have a deleterious effect either on prices or on the economy. To the extent of tax payments on disclosures, there will be withdrawal from circulation and to the extent

that concealed wealth is held in the shape of commodities or metals, it may ease scarcity by forced sales. In any event, there will be no net addition to money supply as a result of the disclosures and, therefore, no adverse repercussions on prices. On the other hand, diversion of the disclosed money into legitimate and fruitful channels of investment may give a real boost to the sagging capital market and stimulate economic regeneration. Already the Stock Market is reacting favourably and showing signs of recovery.

Notwithstanding all the assurances given by the Government there is no doubt that the declarants will be subject to stricter scrutiny by officers of the department in respect of future assessments. The lurking fear of future harassment should have acted as a disincentive to larger disclosures. Had the Government issued Premium Bearer Bonds in the present climate, the response would have been significant.

The jubilant Government, in a ecstasy, has announced on month's bonus to all the members of the Income-tax Department as part of the celebrations of the success of the Voluntary Disclosure Scheme. One wonders at the thoughtlessness of such a gesture. While there is a case for selective recognition of deserving staff, through entry in service records and grant of advance increments, a uniform bonus to 2, employees from class IV staff the Commissioner of Income-tax some of whom may not even have handled a single declaration form bears the stamp more of a Mogh Darbar or a Pongal inam than a civilized administration. Nor is there any consistency in the Government policy which reduces industrial workers' bonus to 4 per cent by an Ordinance, on the one hand and grants, on the other, 8½ per cent bonus to one of all the members of one of its departments on an impulse Administration based on brahmin wave without adequate consideration of issues is bound to cause such distortions.



HANOVER: Kirchrode, Hanover, home for the deaf and blind recently hosted a world premiere that went unnoticed by the world outside and was, needless to say, neither seen nor heard by the inmates. Two deaf and blind persons, seated at desk in separate rooms, made contact with one another via a special 'telephone' device newly developed in West Germany and known as a braillomat. The braillomat (above) works rather like a teleprinter. The caller punches a tickertape in Braille and the recipient 'reads' the message with his fingertips. A vibrator attached to the body indicates when a call is about to come through and a pulsating button on the control panel of the machine indicates that a line has been opened. Franz Kutschera (below), a Hanover physicist and engineering graduate, is one of the few blind professional persons in the world who have been privileged to contribute towards the development of technical aids for the deaf and blind.—(The German Features)