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Repatriation of black money – India’s cherished dream amidst the challenges of international regulations

Surajit Ghosal

Assistant Prof., Faculty of Business and Economics, Ethiopia

Abstract

Creation of black money perceived by underground economy existed in India even before its independence. Recovering the illicit funds and injecting it into economy was our dream and this was recurrently discussed in each government’s regime. Over six and half decades the government has at various times announced several schemes offering opportunities to bring black money from abroad but the results were not so effective. In recent past, new government revived the issue of repatriating each penny of illicit funds stashed abroad by a great promise as an election agenda. Hence, the need of the hour is a multi-pronged strategy including joining the global crusade against black money, creating an appropriate legislative frame work, setting up institutions for dealing with illicit money, developing systems to implementation, and imparting skills for effective action, is required to deal with legal treatise to unearth illicit transfer outside the country and repatriating it back to India.

Keywords: Black Money, Foreign Account, Round tripping, Shadow economy, Tax agreement.

1. Introduction

Black Money and Corruptions are interlinked as corruption generates black money and on the contrary black money is used in settling corrupt activities. Corruption is one of the means of generating black money and it can also be generated when taxes are evaded and unaccounted income is accumulated which cannot be shown in legal books of account. Black money cannot be used for legal investments in the home country and are not reflected in the national income accounts of the country. Black money cannot be deposited in banks and therefore has to be kept in the form of liquid cash, gold, property, physical assets and so on. The easiest way to stash the black money is to deposit it in foreign bank accounts or invest in foreign countries. Now the question may arise, are all the foreign investments and foreign accounts balances held by the Indians same as illegally generated black money? The answer is no. Numbers of Indians have been staying abroad because of employment, study or marriages with Non Resident Indians (NRIs). Obviously, these NRIs must have bank accounts in the countries of their residences and they might have foreign investments too. Those foreign accounts are not necessarily meant for black money. The actual amount of black money deposited in foreign banks by Indians is unknown even to the Government.

While figuring out the black money in abroad, lot of investigations required to confirm the balances held by the foreign banks for Indian entities is really black incomes or not? If any Indian citizen has been working in middle-east countries i.e. Saudi Arab or UAE for more than 6 months i.e. 180days, obviously such person loses his residential status in India and considered as Non-Resident Indian (NRI). Such person is not liable to disclose all his incomes earned in foreign country to the Indian Government compulsorily. On the other hand, there is no income tax in the countries like Saudi Arab, UAE etc. and that NRI may maintain Swiss Bank account, would it be considered as black money? Again, if any NRI brings huge funds from any developed country i.e. USA to India paying the relevant tax to the USA authorities, disclosing of tax deducted at source to Indian Government is more than enough for him. Practically, Indian Government does not interfere much in this matter.

Just before the Lok Sabha election, 2014, Mr. Narendra Modi as BJP's Prime Ministerial candidate had promised to curb corruption and take steps to bring back the illicit money stashed in tax havens within 100 days of new Government's sworn in. Even the repeatedly promising in the run up to election was heard that each person will get Rs 15-20 lakh if all the black money is brought back. Repatriation of black money is a commitment to the countrymen as said by Prime Minister in "Mann Ki Baat", his popular radio address to the nation. But repatriation of this illicit funds to India or evens its discovery, is a hard nut to crack because of legal intricacies of tax treaties. While the previous governmental efforts have resulted in disparate estimations, some experts even argue that this illicit money has been laundered back into India through foreign investments. Even if we assume that the government could recover such large stashed money from foreign banks, the net outcome would be considered a national asset and go straight into the hands of the state. Millions of Indians, however, enthusiastically propagate a grown –up version of happy life ever after.

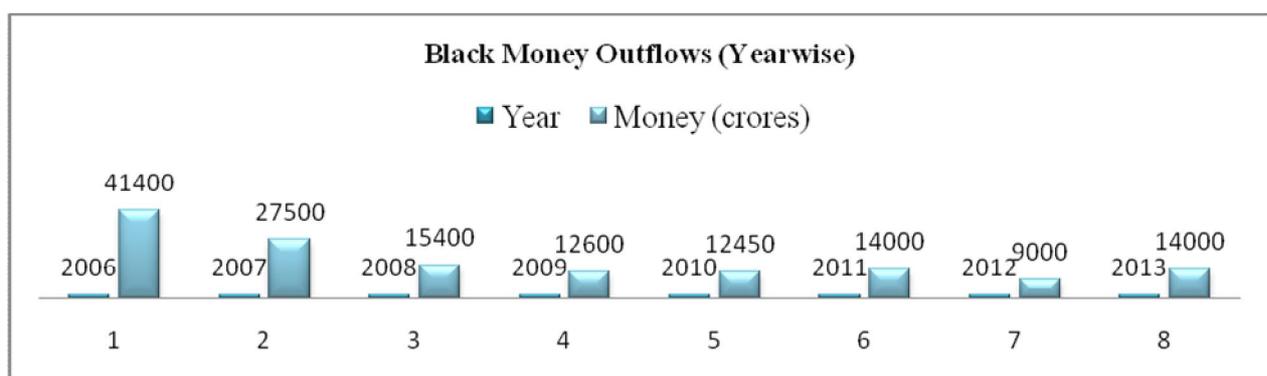
In this fantasy, BJP government really whole heartedly wants to bring back the black money or they want them to be stuck merely in legal intricacies just involving themselves in political gimmick and forge assurance to the people. But Indians expect that the government once cracks the whip and bring this money home, India will cease to be a poor country and will occupy its rightful place among the superpowers of the world.

It seems that the government is actively chasing behind something invisible object while fighting against black money. Undoubtedly it is there, but the government is not able to trace its correct figure. Definitely, there is an anomaly in the amount of black money, but to determine and recovering it becomes a very complicated issue to the government. That may be the reason, the government is unable to disclose the exact amount stashed in abroad.

2. Black Money and Shadow Economy

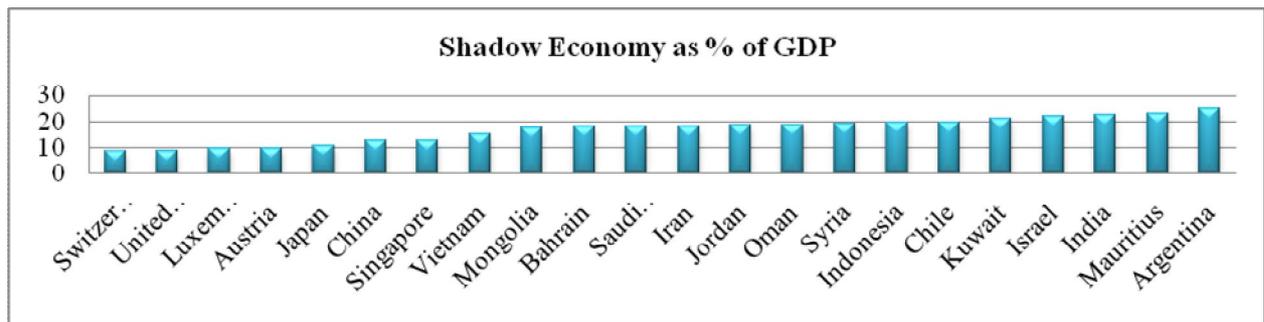
Now consequently, we must refer the existence of "Shadow Economy" which is similar to the parallel economy in India. Practically, it is not possible to fight with a shadow, in the similar manner as if we are struggling seriously to bring back the black money for the last one year. Basically, shadow economy or parallel economy covers all kinds of illegal transactions involving corruption, black marketing and tax evasion. Government's fight against the shadow economy is not a new approach.

Figure 2.1



Source: GFI's Annual Global Illicit Financial Flows Report, 2014.

The East India Company laid the foundations of both a corrupt bureaucracy and a parallel economy. During World War II, this black economy experienced a surge as large quantities of products and resources were allocated to the war front, consequently the common men experienced acute shortages of daily necessities. Scarcity, government regulations and private hoardings stimulated the growing momentum of the parallel economy. Even though in both periods the black economy made up only a small fraction of its present size, the institutional and social practices that would facilitate its rise were developed then.

Figure 2.2

Source: Kar Dev. GFI: "The Drivers and Dynamics of Illicit Financial Flows from India: 1948-2008". November 2010 Report.

3. Estimating Black Money - Out Flow of Funds: Shocking Statistics

The UPA government constituted a commission in 2011 to trace out the figure of black money in India as well as in abroad. But, the final report of that commission not yet submitted. In the same year BJP's task force claimed that the figure of illicit money flows in different foreign banks ranges between \$ 500 billion to \$ 1.4 trillion. Former CBI director Mr. A P Singh also commented that around \$ 500 billion (Rs31.4 Lakh Crore) unaccounted money was there in foreign banks. According to the Bank of America Merrill Lynch, if India would have recovered half of the black money, domestic savings of foreign exchanges will be increased by \$ 30-35 billion. In 2011, ASSOCHAM claimed that \$ 2,00,000 crore which was more than national income stashed in abroad. A Report of 1000 pages submitted by NIPFP of New Delhi clarified that black money transaction worth of Rs 300 crores has been done in India every day from 1980 to 2007. It is around 45 percent to 70 percent of our national income. It is shocking that we are concerned only about black money market in foreign countries, but a far larger black money market exists within India itself.

As per GFI's 2014 Annual Global Update on Illicit Financial Flows report, that the cumulative illicit outflows from developing economies for ten years between 2003 and 2012 stands at \$6.6 trillion. This includes \$439.59 billion (Rs 28 lakh crore) worth illicit money that has moved out of India in these ten years, putting the country at fourth position in overall ranking for a decade, after China (\$1.25 trillion), Russia (973.86 billion) and Mexico (\$514.26 billion). In these ten years, an average of \$43.96 billion of black money is being sent out of India every year, GFI said. The estimate of this huge illegal money flow follows a Supreme Court-constituted Special Investigation Team (SIT) tracing Rs 4,479 crore in the accounts of Indians figuring in a list of account holders of HSBC's Geneva branch. Besides, the SIT has also disclosed tracing unaccounted wealth worth Rs 14,958 crore within India, which are now being investigated by the Enforcement Directorate and the Income Tax Department.

4. SIT on Black Money

In 2009, Senior Advocate and former law minister Mr. Ram Jethmalani along with many other well known citizens filed a Writ Petition in the Supreme Court seeking the court's order to bring back black money stashed in foreign countries. In January 2011, the Supreme Court inquired why the names of those who have stashed money in the Liechtenstein Bank have not been disclosed. On 04 July, 2011 Supreme Court ordered the appointment of a Special Investigation Team (SIT). In April 2014, Indian Government disclosed to the Supreme Court the names of 26 people who had accounts in banks in Liechtenstein, as revealed by the German authorities. Mean time, UPA government regime was over and new NDA government came to power in May, 2014. Soon after coming to the power, the first major decision Modi Government took was to form a Special Investigation Team (SIT). But, why it is so delayed to set up an investigating team even the Supreme Court

ordered in 2011. According to BJP government, UPA government delayed to form investigating team to save somebody in the government. On 27 October 2014, Indian Government submitted the names of three people in an affidavit to the Supreme Court who have black money accounts in foreign countries. But on the very next day, Supreme Court of India orders the Government to reveal all the names of black money account holders which they had received from various countries e.g. Germany. The honorable bench of the Supreme Court also asked the Centre not to indulge in any kind of probe rather just passes the names to them and Supreme Court will pass the order for further probe. Following the order, Government of India submitted the names of 627 people in the Supreme Court of India in a sealed envelope on 29 October 2014.

5. Routes of Black Money

5.1. Hawala

The word “Hawala” is Arabic one which means transfer. It is an informal channel for financial transaction mostly used by the politicians, the underworld, terrorists and sometimes common man. It remained the most preferred channel of money transfer despite it is illegal. The informal network of money brokers, primarily located in the Middle East, North Africa and the Indian subcontinents operate parallel to the traditional banking, financial institutions and official remittance channels. Initially, this system was meant for remittances by the migrant workers especially in the Gulf countries who used to send money back home. Any bank transfers attract certain commissions, conversion charges and overall the taxes, whereas this informal channels transfer money cross borders with minimal documentation and charges, even though it maintains anonymity. It became a security issue as the underworld and the terrorists receive illicit money by these channels. Even, it is heard that illicit funds are transferred to the politicians also just before the elections. On the other hand, it was popularized by the migrant workers, because, whatever may be the sources of incomes, the system was cheaper, quicker than formal channels.

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hawala transactions offer the greatest opportunity to remain anonymous and ensure the delivery of unaccounted money.

5.2. Global Depository Receipts (GDRs)

It is the mechanism which allows one to buy and sell shares of a foreign company without having a foreign brokerage account. Basically, a GDR enables the investors of any country to purchase and sell shares of a company in any other country and the shareholders also enjoy the dividend and capital gains of that foreign country. Hence, the GDRs, thus, open the opportunities to diversify their portfolios of the investors. It is mandatory to set up a GDR, when a company from one country intends to offer publically –traded shares in the market of another country. These need not be the only shares; these also may be in the form of debt securities. GDRs are operated through the depository banks that provide the opportunities to the companies, the individual investors and the traders to invest globally. These depository banks hold the shares of companies based in other country and sell the GDRs. These banks are responsible for ensuring receipt of respective dividends and capital gains by their investors time to time. The depository banks also manage all the tax related issues in the company's home country. Since all the transactions are made through a depository bank, investments made in GDRs are safe in that sense, but not risk free as its returns depend upon market fluctuations as usual. However, there are not much GDRs listed in India. Owning shares of foreign company by illicit funds can increase returns on account of favorable currency conversions for dividends or bonus share issues declared from time to time by the company. The mechanism of GDRs facilitates conversion of unaccounted money and returns back the same to India as legal one. Many trading organizations without any visible trading operations in practice move funds to India by this mechanism. Illicit funds are invested through GDRs in such countries which are not at all under any political unrest or geopolitical conflicts, hence ensuring no chance of valuations losses by the investors betting on those particular companies.

5.3. Participatory Notes

It is commonly known as P-Notes. These are the financial instruments used by the foreign funds holders and investors who are not registered with the Securities and Exchange Board of India (SEBI), but interested to be exposed in Indian securities market. Participatory Notes are generally issued overseas by the branches of India based foreign brokerages and domestic institutional brokerages. They are, basically, derivative instruments issued by foreign institutional investors and their sub-accounts against underlying Indian securities. Further, the foreign institutional investors not willing to register with the Securities and Exchange Board of India (SEBI) but would like to invest in Indian securities also use participatory notes. On behalf of the foreign clients, the brokers deal in buying or selling of securities on participatory accounts and issue notes in favor of foreign investors. Such a nice instrument is raised allegations of round-tripping – black money being sent overseas and brought back through this route. Now, let's see how the participatory notes are used to evade taxes. As the names of the clients of transactions carried out through participatory notes are not accessible to be disclosed to the market regulators and the tax authorities as well, there is opportunity to evade taxes. Hence, the huge amount of funds can be in flowed or out flowed to India through the overseas corporate bodies (OCBs) registered in foreign countries issued with participatory note by any investor and the beneficiaries may be any resident of India. Often, the investments through participatory notes becomes unregulated because of less attention is paid by the market regulators of the countries issuing such notes. In past, huge inflow of foreign funds into Indian stock markets through participatory notes had drawn much importance when the issue of repatriation of black money gained momentum by scrutinizing the routes of black money. The Tarapore Committee constituted by Reserve Bank of India had in its report said that stock market can be manipulated by P-Notes. Of late, the Government of

India is not considering any proposal to ban the Participatory Notes as an integral part of efforts to curb the black money. According to the government, strict customer-identification rules had made it impossible to route black money into domestic stocks by misusing the popular instrument. India has tightened the 'know your customer' (KYC) norms for investments through participatory notes. Under the revised rules, the government anticipates that P-Notes can't be used for possible round-tripping of black money.

According to the Securities and Exchange Board of India (SEBI), the value of P-Note investments in Indian market dropped to Rs. 2,49,210 crore in November 2014 from Rs 2,65,675 crore in October, 2014 with the speculation, there might be a ban on P-Notes or probably the share of the stocks had dipped. Since 2008, the share of Foreign Institutional Investors (FII) investments through P-Notes have fallen after SEBI restricted the disclosure norms and other regulations for such investments. It was as high as over 50 per cent at the peak of Indian stock market Bull Run during 2007. Again, P-Notes are used for hedging as well, who by their very nature likely to enter and exit the market very swiftly. This does cause a great deal of market volatility regardless any manipulation involved.

5.4. Tax Havens

Tax havens are the nations that have low or near zero tax rates, especially for some kind of transactions. The so called tax havens are Switzerland, Singapore, Hong Kong and Mauritius. Apart that, Luxembourg, British Virgin Islands, Cayman Islands, Netherland and Bermuda too is included in the list of tax haven countries. Multinational corporations set up their holding companies in the tax haven countries and invest in business operations located at other high- tax countries. Basically, the company carries out its real business operations in high-tax countries e.g. the United States or India; it is easy enough to evade actual tax payable to the Government by dummy presentation that a large amount of profit has been earned from the tax havens. Multinational corporations have been ingeniously routing their global profits through the subsidiary branches set up in the countries known as tax havens. This has been a long trend to evade due shares of taxes through the tax havens and that encourages the accumulation of illicit funds. But, not only the multinationals are focusing on the tax havens for tax evasion, individuals too are attempting through the tax havens and they are assured with complete confidentiality. On the contrary, the nations known as tax havens initially came up with limited resources and other economic disadvantages hence were much interested to attract foreign capital inflows promising the companies and the individuals regarding advantage of saving taxes Foreign capital inflows from Mauritius were India's second biggest source, figuring US\$ 4.5 billion during April- February in 2013-14. Now, the related query may arise that tiny island like Mauritius is really capable of inflowing such figure to India? Experts and investigators suspect that a lion's share of that capital inflow from Mauritius is actually Indian money sent to tax havens and routed back to avoid taxes by 'round tripping'. If Mauritius is the tax haven for India, British Virgin Islands for United Kingdom and Luxembourg for Russia. Lots of money earned through illegal means like drug trafficking and smuggling are also likely to be laundered through the tax havens. The most irony is that salaried classes of India end up by paying more than their share of fair taxes as if the Indian Tax Laws is meant for them only where as the business tycoons bypass all the laws with the help of such tax havens.

5.5. Trusts

Many trusts are set up under religious ground or in the name of social reforms. These trusts receive grants, donations from the governmental, non-governmental organizations, business tycoons and individuals throughout the year. Rich individuals, corporations make these trusts as a safe media for routing black money from own country to abroad foreign bank accounts, otherwise are used to route black money for 'round-tripping. Further, it

is argued that huge illicit money is sent abroad through different trusts. Donations to such trusts are subject to minimum taxes or fully tax exemptions by laws, so black money can be sent to foreign countries without any tax obligations.

5.6. Shell Corporations

These are such companies which are not having active business operations or significant asset. Shell Corporations are not necessarily illegal or illegitimate, as sometimes these serve an important base for potential startups. Generally, Shell Corporations are set up before commencing the actual business operations to procure finance. In case of black money laundering, these may be used as a front to evade taxes for legitimate businesses. Shell Corporations however are legal entities in the most countries, although it is well known fact that it may be used in black market activities. There may be some confusion between Shell Corporation and Dummy Corporation; however, the later is created especially for the purpose of illegal activities.

5.7. Export and Import

Under invoicing or over invoicing of export and import may create scope for accumulating some unaccounted fund without the intervention of regulatory authorities. For example, export bill is prepared over voiced than actual one, so that the agent at importing country may remain with some additional funds in hand and that illicit fund is parked in foreign bank account of the exporter. Of late, the customs and excise department has initiated proceedings for recovery of Rs 15,000 crore in tax evasion just from misappropriate-invoicing under the supervision of SIT. Further, the SIT instructed that import-export documents in India be cross-checked with those in the foreign countries to confirm if there is parity at the both ends.

5.8. Non Governmental Organizations (NGOs)

NGOs are also on the suspicious list of routing black money abroad, more over it is a media of round tripping illicit money. Council for Advancement of People's Action and Rural Technology (CAPART), an autonomous body functioning under Rural Development Ministry, blacklisted a total of 833 NGOs and voluntary organizations on 09 November, 2009. Andhra Pradesh has the highest number of such blacklisted organizations followed by Bihar and Tamil Nadu. The Ministry informed that these NGOs were blacklisted for their indulgence in irregularities including misappropriation of funds.

6. India's Stand on Double Taxation Avoidance Agreement (DTAA)

India has 92 Double Taxation Avoidance Agreements (DTAAs) with various jurisdictions and except one with Romania, all have confidentiality clauses. DTAA is about declared legal incomes of entities so that tax may be levied in any one of the countries and not in both. If any illicit money is not revealed in either of the two countries, so there is no question of double taxation. Further, this data would not be available to either of the two countries to be exchanged. Till date, no detailed information has been supplied to India by any of the countries with which this treaty has been signed. Basically, DTAA is about legal money and not black money, so it is unreasonable that in future no data would be given to us. India Government has repeatedly argued before the Court for not divulging the names because of DTAA which was entered into between India and Germany when the Congress party was in power on June 19, 1995. It has further argued that the privacy of individuals would be violated by the revelation of data. These arguments are only designed to stall the revelation of names of some favored entities as assumed by the opposition political parties and common men. The India Government has been in receipt of two substantial sets of information of foreign bank holders of illicit money. One pertains to banks in Liechtenstein and other of HSBC Bank branch in Switzerland. With regards to the information pertaining to bank accounts in Liechtenstein shared by the German government, the Supreme Court of India in its judgment on 4th July 2011 has made it amply clear that the argument about India's 1995 agreement with Germany

prohibiting any disclosure of any relevant documents and details, does not hold. Another claim made by the Government is that Germany has objected revelation of names pertaining to Liechtenstein. This is highly objected in political arguments that it is not true since this information pertains to Liechtenstein, which is an independent sovereign state. The 1995 agreement between India and Germany has neither any jurisdiction nor any authority over information pertaining to banks of Liechtenstein. With regards to the sharing of information pertaining to HSBC Switzerland, the United Nations Convention Against Corruption (UNCAC) signed by both India and Switzerland mandates the signatories to the convention to take several steps to help eradicate the problem of money laundering from the global economy by making simple changes in laws, overriding the 'bank secrecy laws', seizure of illicit money and providing mutual assistance by different tax jurisdictions. Further, the political arguments arises that the provisions of the DTAA, which are being repeatedly pleaded as the sole reason for central government's inability to share information is not applicable in the case of HSBC bank account details possessed by Indian authorities, as it was not made available to Indian authorities by the sovereign government of Switzerland. It was made available through other informal channels from France and therefore it does not fall under the 'Exchange of Information' clause of the Double Tax Avoidance Agreement between India and Switzerland.

7. Destination of Black Money to Swiss Bank: A Backdrop Study

Once upon a time Switzerland was the best destination for stashing illicit funds in the world. It is obvious that India is one of the corrupt countries in the world and huge black money might be stashed in Swiss banks as the Swiss banks are known for maintaining secrecy. Where ever the rules are strict, obviously people will have tendency to find their own ways out by violating rules. Similarly, in case of Swiss banks there was somebody dug the confidential data from Swiss bank and revealed it in press. Rudolf Elmer, former employee of Julius Baer Bank & Trust Company Ltd, Cayman Islands shared the account details and the modus operandi, revealing how these accounts were opened and money was laundered across continents without the knowledge of the government.

According to Swiss Banking Association Report, 2006, India is in 1st position out of top five nations who hold billions of deposits in the territory of Switzerland. The amounts of deposits are in this order, India with \$ 1,456 billion, Russia with \$ 470 billion, UK with \$ 390 billion, and Ukraine with \$ 100 billion and China with \$ 96 billion. Dishonest persons, scandalous politicians and corrupt bureaucrats have deposited in their illegal personal accounts a sum of about \$ 1500 billion, which been misappropriated too. This amount is about 13 times larger than the country's foreign debt. With this amount 45 crore poor people can get Rs. 1, 00,000 each and this amount has been appropriated from the poor people of India by exploiting and betraying them.

Around 80,000 people travel to Switzerland every year out of which 25,000 travel very frequently. It can be interpreted clearly that these frequent visitors are not tourists. The rate of interest offered by the Swiss Banks is usually around 1-2 percent; hence tendency for opting Swiss Banks is diminished nowadays. Indian entities held about \$ 2.3 billion in Swiss banks till December 2013 which is 40-42 per cent higher than 2012, but just a third of what they had parked in 2006. Indian entities represented just 0.15 per cent of the total holdings by foreigners in Swiss banks in 2013.

7.1 HSBC Information Leakage

In February 2015, there was a press release that contains the list of 1195 Indians account holders and their account balances for the year 2006-07 in HSBC's Geneva branch. The list was obtained by French newspaper Le Monde and contained the names of several prominent businessmen, diamond traders, celebrities and politicians. The number of Indian HSBC clients is roughly double the 628 names that Indian Government received

informally from the French authorities in 2011. Indian Government said it will probe this matter. The balance against the 1195 names stood at Rs. 25,420 Crore (nearly \$ 4 billion). Further, Swiss authorities also denied disclosing anything regarding clients' identification as Indian Government's appeal was based on stolen documents.

Figure 7.2



Source: The Hindu, November 02, 2014.

Further, the BJP government who promised to disclose the names of HSBC account holders before last Lok Sabha election was expressed its inability to divulge the names. This made upset many people including Mr. Ram Jethmalani who persisted for more than five years to finally convince the apex court to set up a specialized team for recovery of black money. BJP leader Subramanian Swamy also supported former Union Minister Ram Jethmalani is of the view that Double Taxation Avoidance Agreement (DTAA) was not for bringing black money back but to cause problem for honest businessmen. Of the total of 628 accounts, investigations revealed that 532 account holders traced 412 belonged to those who did not enjoy Non-Resident Indian (NRI) status, as they had stayed in India beyond 180 days for three successive years, during the relevant period, 320 have admitted to ownership of account and 75 have handed over their account details. 289 accounts amazingly appeared to have zero balance, another 174 have given consent to share transactions details and 140 accounts ultimately seized from further operation. For these 428 actionable cases the net amount of peak balance was about Rs 4,500 crore.

8. Suggested Measures for Restricting Black Money

Number of commissions and committees had been set up so far with a view to raise the government's revenue collection restricting corruption, illicit money generation and finally curbing the underground economy to grow further in India. A report titled "White Paper" on Black Money by Ministry of Finance (May 2012) recommended number of measures as given. It is found that higher rate of taxes creates disincentives for the tax payers and they opt the way of tax evasion and it generates black money. Though the punitive taxes are very high hence it has no effect on the tax evaders. Further, the higher cost of transaction and complicated rules and regulations are the other disincentives which compel to evade taxes and move towards the underground economy. In the liberalization, privatization and globalization (LPG) regime since 1991, the government has consecutively relaxed some compliances and rules thereby tremendous revenue is earned. On the other hand, some government's sectors created lots of nuisance to move towards underground economy in this regime also. Such as long waiting period in case of receiving permits and licenses acted as an incentive to switching to illegal means and create black money by some authorities. One side, the applicants were unhappy for long waiting period and high transaction costs with complicated legal compliance and on the other hand, authority was too happy to earn all the unaccounted money. Further, abolishing licensing and permits etc. caused easy entry of

some people who misappropriated it and accumulated black money. Some sectors of Indian Economy are highly sensitive and more prone to underground economy and creation of black money. For example, gold trading has become a great source of creating black money which encouraged crimes such as gold smuggling even before and after the reforms are initiated. Real estate sector is another source of corruption and black money generation. Parking illicit funds into the real sectors is very common to the players in this field. On the contrary, huge amount of transaction taxes in the form of stamp duty is evaded by showing under values of the sold properties. The promoters, developers and builders are rampant to receive payments from the customers in cash instead of receiving through any formal channel where the transactions are not recorded; hence the unaccounted money is generated on the part of real estate agents. Unless the real estate transaction process and tax structure is simplified, this prime source of black money cannot be prevented. The reforms and renovation are required in the Urban Land Ceiling Regulation Act, Rent Control Act and Property Title Certification systems. In this connection, other sectors need reforms are Share and Equity trading market, Mining Permits and some non-profit organizations. Credible and effective deterrence reforms are necessary and can be implemented by creating databases with the help of information technology with a view to facilitate transparency, simplification of processes, elimination of bureaucracy and discretionary regulations. India has Double Taxation Avoidance Agreements (DTAAs) with 92 nations which include all the popular tax havens. Now if an Indian entity tries to stash illicit money to other countries not in the list of 92, the government has to expand its agreements to those countries strengthening its international enforcement.

Restrictions can be implied on circulation of currencies of highest denominations i.e. 1000 and 500 for a limited period of time and retrieving these currencies from circulation in the market with a grace period may cause accountability of unaccounted money and enhance taxable money. Yoga guru Ramdev Baba also suggested the replacements of most direct and indirect levies by banking transaction taxes and de-monetization of currencies of highest denominations i.e. 1000 and 500 as preventive measures to creation of black money. Public awareness programs are to be launched. Unless the public support, the reforms, deterrence and compliance cannot bring solution to prevent black money in the long run. The government already has taken some serious measures by strengthening KYC (Know Your Customer) process for investments through P-Notes to stop 'round-tripping' of illicit funds and in case of misappropriation of invoices of export-import bills cross-checks of the values are initiated at the both ends.

9. Conclusion

Black money, as illicit money is called in India, is a significant part of Indian life. It is quite possible that Indian money has fled to tax havens over the years or has returned to India disguisedly through respectable investments. Huge amounts of cash travel across India during election seasons to bribe voters, to bear campaign expenses. Till now, it is not yet clear that how big Indian illicit economy is, but we accept unanimously that it is very big. A report by UK based NGO 'ONE' on corruption and black money has once again triggered debate on how this menace is adversely impacting human lives across the world. On rampant corruption in India witnessed mega scams like Coal gate, 2G Spectrum, Common Wealth Games, besides several others. The report says that the economy is losing \$ 1 trillion every year through a web of corrupt activities that involves shady deals for natural resources. The most significant part of the findings of NGO is that corruption, tax evasion and corporate malpractices are leading to monetary losses to the scale that could wipe out poverty in a few years.

USA has settled their Swiss Bank accounts and top billionaires in the countries paid to the country 50 per cent of their money which includes Gates and Bloomberg. Italy and Germany received \$ 6.4 billion and \$ 5.7 billion

respectively from Swiss Bank. Even France also received \$ 1.7 billion from Swiss Bank. It is not at all wondering that why our government is not recovering black money like the other nations. Because our government is not only facing legal obligations, there are number of influential politicians, industrialists, bureaucrats, celebrities having huge deposit in Swiss Bank and exposing them is a tough job for the government. The housing prices in US have become doubled after 2000, but housing prices in India rose almost ten-fold. Declarations by the politicians of their assets show a huge preference for real estate over all other assets. Most of the black money never leaves India, and much of that does come right back. Some sensible opinions forwarded that why our system provides such loopholes which made such large scale outflows and round-tripping possible. Again some arguments came front that the government should take on ending the black economy is to make it more difficult for people to bring black money back to India. The temptation to evade taxes is as old as civilization. If the governments succeed to reduce capital flee to tax havens through new rules and disclosures, be sure new routes will be springing up very soon. In fact, there are ample of complexities to bring black money back to India. These include identification of the beneficiaries receiving funds from abroad, identification of resident or non-resident account, either of the cases regulations are followed or not and finally if, at all traced that money is stashed in foreign country, bring it back through overcoming all legal treaties is not a easy game for the Indian Government. Non-resident Indians having foreign bank accounts can maintain the same, even after returning back to India and maximum \$ 1,25,00 can be deposited to that accounts yearly. These are not black incomes, until its source is illegitimate. Secondly, as the actual figure of black money stashed in abroad is dubious to the government, how it will approach to foreign authorities to repatriate full amount as we are promised to retrieve even a single penny. Indian Government should step into retrieving black money very carefully and sensibly. Thirdly, if we assume that if, India Government divulges the entities of account holders at all; at the first instance it will lose supports from the foreign countries if the so called tax treaties are valid in reality. Conversely, on rampant expedition for retrieving black money would makes the beneficiaries more alert and they can move the fund to another place showing the concerned accounts having zero balance. Already government has found some suspicious accounts with zero balance.

If anybody is accused of evading taxes, the penalty may be charged up to 300 per cent of the evaded tax amount. Apart that, rate of interest at the rate of 15 per cent per annum on unrecovered balance amount is to be charged by the income tax authorities. It is well perceived that the person who deliberately bears the risks of punishment and evade the taxes with a view to stash illicit money in abroad must not be a naive player in this game.

Finally, the progress of retrieving black money is very slow. Is India Government willing to retrieve black money being part and parcel of the largest coalition in the world with the same mission in true sense? Or, it wants to remain stuck in legal obligations as of now. We have to decide upon these issues as soon as possible, otherwise retrieving the black money is not only difficult, impossible too. Keeping all these in mind, it can be commented that repatriation of black money is more intrinsic to legal intricacies than it concerns to the matter of economics. India Government should emphasize to retrieve the black money from our domestic economy first than to recover from abroad. The mission of retrieving black money completely under the root of corruption will not be fruitful unless domestic economy is focused and taken care of.

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