What is compliance ??

Compliance means playing by the rules!

Are all stakeholders playing by rules?

...and under GST?
• Introduction
• The Objective of Study
• The imperative to undertake study
• Fighting Corruption
  • International Framework
  • Legal Framework: India
  • Tax Agreements
  • Economic Incentives
  • Preventive Vigilance
  • Social Infrastructure
• Lacunae in Anti-Corruption Strategy: Private Sector Compliance?
• Way ahead
• Conclusion
Why this project?

- Poor image of the country
- Indian Ranked 70th in Corruption Perceptions Index in 2015
- Poor perception regarding the department
  - Undermining functional competence
  - Legitimacy as enforcement agency
- “India’s economy today is a standing monument to the corruption and inefficiency of four specific departments namely, Customs, Central Excise, Income Tax and the Enforcement Directorate. It is the evasion of the taxes and the failure of these departments to check illegal activities that has crystallised into the large percentage of black money in the economy.”

  (N. Vittal, 2001)
Why this project?

Complaint Received

- Banks: 5363
- CBDT: 2084
- CPSE: 1460
- Defence: 604
- Finance: 2235
- Food & Consumer Affairs: 4986
- Govt. of NCT of Delhi: 3139
- Health & Family Welfare: 1143
- Human Resource Development: 1377
- Information & Broadcasting: 1018
- Insurance: 680
- Labour: 641
- Petroleum: 2741
- Posts: 738
- Power: 596
- Railways: 12394
- Steel: 1601
- Telecommunication: 3379
- Textiles: 527
- Urban Affairs: 3079
### Why this project?

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Inquiries against other employees
Impact of Corruption

- Political
- Economic
- Social
- Environment
- Issues of National security
Current Approach towards Corruption

- Lack of Balance
- Focussed on demand side
- Supply side often ignored
- Bribery in context of indirect taxation
Objectives of the Study

- To study Anti-Corruption Framework & Compliance
- steps taken to reduce corruption
- and prevent leakages of revenue
- discussions on alternative and balanced approaches
- to make Anti-Corruption efforts more effective.
  (esp in GST Scenario)
Fighting Corruption

Legal framework

- Indian Penal code, 1860: dishonest misappropriation of property (Section 403), Criminal breach of trust (Sec. 406), Cheating (Sec. 415)

- Prevention of Corruption Act, 1988
  - applicable only to Public Servants
  - does not expressly seek to punish corrupt acts of private parties
  - Section 8, 9 (dealing with persons accepting gratification to use their influence on a public servant in the conduct of an official act) and Section 12 (dealing with abetment, pursuant to which a person offering a bribe could be punished)

- Prohibition of Benami Property Transactions Act, 1988
Fighting Corruption

- The Prevention of Money Laundering Act, 2002
- The Central Vigilance Act, 2003
- Whistle Blowers Protection Act, 2011
- Right to Information Act, 2005
- The Lokpal and Lokayuktas Act, 2013
Fighting Corruption

- Other measures-
  - Tax agreements
  - Economic incentives (Reward scheme)
  - Preventive vigilance
  - Social infrastructure for fighting corruption
Lacunae in the Anti-Corruption Strategy

- Corruption not defined in any law
- All laws focus on public officials
- Corruption is the result of unholy alliance between Netas (Politicians), Babus (Bureaucrats), Dadas (People with muscle power), and Lalas (Businessmen). While the anti-corruption measures focus only on bureaucrats and to certain extent politicians, the other two actors are largely untouched.
- No specific provision at present in Indian Law which prohibits a private person from offering a bribe or engaging in other corrupt practices
- “collusive corruption”
Lacunae in the Anti-Corruption Strategy

- Incorruptible governments can be constructed only using incorruptible citizens as their bricks and mortar.

- The lack of compliance culture of Anti-Bribery policy of business fuel the supply side of corruption and creating demand among vulnerable thus leading to un-ending cycle of erosion of national wealth

- Need for strong deterrent measures on supply side
Two reports by UNODC in 2016

Reports says -

- private sector corruption is apparently no longer confined to isolated cases of unethical business practices - for instance, Enron or Satyam
- corruption in privately controlled enterprises in India became pervasive as the working of the country's economy was liberalised since the early-1990s
- India has no specific legislation addressing corruption in the private sector

Not only netas and babus: Private sector is new fountain head of corruption
Way Ahead

- Corporate Integrity and Culture of Compliance
- The coverage of private sector by Anti-Corruption Legislations
- Role of private sector in reducing corruption in the country
- Role of Industry Associations/ Bodies in reducing corruption in the country
- Distinct treatment of commercial bribery v/s small payments
- Strong and Independent Institutions
- Special Courts for Corruption Cases
• Corruption breeds culture of corruption
  • important to understand different kinds of corruption, implications and develop smart responses
  • punishment of corruption is a vital component of any effective anti-corruption effort but engagement of citizens equally important

• Biggest Challenge lies ahead ...
  • In the form of GST ..will impact whole Taxation landscape of the country
  • dual control over the indirect tax administration and tax-payers
  • multiplicity of authority and more points of contact
  • Central Govt officials dealing with revenue collection- under the vigil of the CVC and consequently under the radar of the CBI
• no uniformity in the organization structures of the State Anti-Corruption bodies.

• can lead to wide-spread resentment in all stakeholders if there is variation in vigilance administration for different set of officials (those belonging to Centre & States) performing same function.

• GST is not only an indirect tax reform but has far reaching consequences for direct taxation and whole business ecosystem of the country this lacuna if not plugged can give a major setback to all the anti-corruption measures undertaken thus far.

• recommended that the central government take a lead in supporting the states in setting up robust vigilance administration having balanced preventive, punitive and participative (surveillance & detection) aspects.
Any thoughts and inputs ??

Thanks for patience !