Lately, the issue of black money and corruption has appeared into the forefront following a sequence of scandalous activities regarding finance. Generation of black money and it is stashing abroad in tax havens has predominated discussions and debate in public fora recently. Everybody is anxious over the issue especially after the publication of few expert reports relating to vast estimates of unaccounted property abroad. After noisy turmoil in Parliament, the Government of India has been pursuing new policies and principles on the issue of black money and corruption in public life and has constituted several committees and teams to look over the matter. This paper explains various facets and dimensions of black money, tax evasion and their critical relationship with the policy and administration in India. An attempt has also been made to discuss the causes leading to the generation and estimates of black money and tax evasion and present the strategies adopted by the Government to tackle the issue.

Keywords: Black money, Tax evasion, Unaccounted wealth, Corruption, Scandalous activities

1. Introduction
Black money and tax evasion eating away the social and moral framework of Indian economy are undermining the socio-economic objectives and are responsible for manifest and lavish consumption. Black money and tax evasion foster concentration of economic power in the hands of undesirable groups in the country. With the liberation of restriction and relaxation of foreign exchange control, fresh opportunities have emerged for tax evasion; globalization has decreased the cost of these sophisticated methods and thus, has facilitated generation of black money. It is possible that the black money procreated by the Indian is being routed back to India (Ministry of Finance, May 2012, Para 2.8.5). A multi-pronged strategy can settle the issue of generation of black money and its illicit transfer outside the country by both the Central and State Governments in a coordinated manner.

2. Review of Literature
Review of literature plays a vital role in research methodology. Through this, a researcher knows limitations of existing work or may assist to extend prevailing study. In addition, it helps in rationalizing the results of the study when compared with previous results. Black money and tax evasion have induced many empirical studies. A brief review of the literature is presented here.

Vijay Kumar Singh (2009) in his study on “Controlling money laundering in India-Problems & Perspectives” showed that controlling black money in India is a complicated task only due to poor implementation of laws enhancing the sophisticated crime in the economy and thus creating black money.

Sukanta Sarkar (2010) conducted a study on “The Parallel Economy in India: Causes, Impacts & Government Initiatives”. He opines that the main reason behind the generation of black money and tax evasion in India is the political system. The Government here has more focused on making committees rather than implementing it. He concluded that laws should be effective to control black money and tax evasion in the country.

CA Lalit Mohan Agarwal (2012) edited the “White Paper on Black Money” and observed that violation of laws made by the Central and State Governments beget criminal activities which, in turn, lead to a generation of black money in Indian economy.

Mr. Nishant Ravindra Ghuge and Dr. Vivek Vasantrao Katfare (2016) in his study “A Comparative Study of the Taxstructure of India concerning other countries” observed that the taxstructure of India lags behind mostly every indicator. Detailed reviews and actions from the government can help simplify the tax structure.

Tax Research Team (2016) in their working paper argued supporting demonetization and analyzed the impact of it on
Indian economy. This paper shows the effect of such a move on the availability of credit, spending, and level of activity and government finances.

Dr. Devarajappa S. (2017) in his study on “Tax Reforms in India: A Study of its Impact on the Revenue of the Government” suggested the necessity of consciousness of the Indian about the taxation rules and laws that will create such an atmosphere in which they will pay their due taxes and will not evade it and thereby feeling proud in discharging their duty to pay the same.

3. Objectives of the Study
The prime objectives of the study are:

- To study the various aspects of black money and tax evasion.
- To study the main reason behind the tax evasion and generation of black money.
- To study the effectiveness of tax laws for the prevention of black money and tax evasion.
- To find out remedial measures to curtail the black money and tax evasion.
- To study the current status of black money and tax evasion in India.

4. Research Design
The study being conceptual and descriptive expresses the author's own opinion and opinion of some reputed authors. The work designs a cross-section for making the issue easily understandable. The study covers several phases. Firstly, it discusses the conceptual settings of black money and tax evasion; secondly, it states the causes and consequences of black money and tax evasion; thirdly, it examines the methods to generate black money and evade taxes; fourthly, it presents the measures adopted to curb black money and tax evasion; fifthly, it deals with the international aspects of India taxation and the last six parts relate to current status of black money in India, concluding observation, suggestion, concluding comment, research opportunities, and acknowledgement respectively.

5. Black Money and Tax Evasion – Conceptual Settings
Generally speaking, the term Black Money stands for money earned by illegal means and kept secret and unaccounted for. It has many synonyms including underground economy, parallel economy, shadow economy, unofficial economy, unaccounted economy, etc. Thus, black money is neither reported to the public authorities at the time of its generation nor disclosed at any point of time during its possession. Black money may be generated either by illegitimately drug trade, terrorism, corruption, or legitimate failure to pay the dues to the public exchequer yielding the generation of unaccounted wealth. There are certain sectors and activities like land and real estate transactions, bullion and jeweler dealings, complex financial market transactions, charitable activities, informal sector and cash economy, self-employed professionals, external trade and transfer pricing, which give birth to the generation of black money.

Tax evasion is an illegal attempt to reduce the tax liability deliberately under-reporting or not reporting taxable incomes or concealing one’s actual position from tax authorities. It is a problem in a developing country like India. The global economic conditions deteriorated sharply during the year 2008 with several advanced economies experiencing their sharpest diminution in the post Second World War period. The associated adverse shocks spreading across developing countries accentuated the synchronized global slowdown. The global environment entered a crisis phase following the growing distress among large international financial institutions and the declaration of bankruptcy of Lehman Brothers. The financial crisis of 2008 and the resultant need for protecting revenues further strengthened the need for coordinated global efforts to tackle the challenges posed by tax haven mediated arrangements for evading tax. Various conventions like United Nations Conventions against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, Multilaterals on Mutual Administrative Assistance in Tax Matters, United Nations Convention against Corruption, United Nations Convention against Transnational Organized Crime Convention, International Convention for the Suppression of the Financing of Terrorism, Financial Action Task Force, and Asia/Pacific Group on Money Laundering are held from time to time to promote, facilitate and support international cooperation and technical assistance in the prevention of and fights against corruption. It will help India get international cooperation in tracing, seizure, freezing, and confiscation of the proceeds of crimes under a wide range of mutual legal assistance clauses, even with countries with which it has no agreement.

National Institute of Public Finance and Policy (NIPFP) opines that Black money is the aggregate of incomes which are taxable but not reported to authorities.

6. Causes and Consequences of Black Money and Tax Evasion
6.1 Causes
The factors responsible for the generation of black money are mainly either through illegal or legal activities.

6.1.1 Illegal Activities
It includes the criminal component of black money involving a host of activities of anti-social in nature as smuggling of goods; forgery, embezzlement, counterfeit currency and other financial frauds (i.e. Chit funds); production/trade of contraband goods (i.e. narcotics, illicit liquor and arms); illegal mining and falling of forests; hoarding and black marketing of price-controlled materials and services; theft, robbery, kidnapping and extortion, human trafficking, sexual exploitation and blackmailing; bribes to public offices to secure favors such as altering land use, regularizing authorized constructions; speed money to circumvent/fast-track procedures, and commission to secure government purchase orders. These illegal activities reflect the
declining social and moral values and are punishable under the various Acts of the Central and State Governments and also the schedule of Prevention of Money Laundering Act, 2002.

6.1.2 Legal Activities
Legally permissible economic activities also create a substantial portion which is beyond disclosure to the public authorities as per provisions of the law to evade taxes. Too much procedural regulations sometimes create an incentive to conceal the actual position and thereby remaining outside the reported and accounted proportion of one's activities.

Increased globalization and economic liberalization have an impact on cross-border transactions resulting in growing opportunities for sophisticated devices to avoid tax payment following the different tax rules of different countries and use of tax havens. Global trade amongst multinational companies has increased misuse of transfer pricing leading to estimations that developing countries like India might be losing significant resources owing to transfer pricing manipulation.

The factors or causes of tax evasion are the high level of tax rates, less respect to the Government and its laws, lenient penal action, and nature of the economy. High tax rates usually make tax evasion more tempting. Tax evasion is more in those countries where there is general apathy on the part of people towards the Government and its laws. Tax evasion by politicians sends wrong signals to the general public relating to non-compliance with rules and laws; lenient penal action also sometimes encourages tax evasion. Usually, countries with relatively poor implementation of regulations tend to have a high share of the unaccounted economy than others performing due to the implementation of the same and sound deterrence. Peculiar characteristics of underdeveloped countries with mostly agricultural-based, much illiteracy, lack of accounting practices, limited monetization, shortage of administrative resources cause breed tax evasion and black money.

6.2 Consequences
People have observed the nexus between tax evasion and black money and its distortion of the redistributive role of tax policy in India's Seventh Five-Year Plan. A reduction in the scale of black money generation can improve the distribution of income and wealth after taxation. In addition, reduction in the extent of tax evasion can generate a high volume of tax revenue and more public expenditure will benefit the poorer section of the population of the society (Planning Commission, 1985-90). The success of an inclusive growth strategy highly depends on the capacity of society to eradicate the evils of corruption and black money from its very foundations. Black money in every sphere of social, economic, and political space of the country has a debilitating effect on the institutions of governance and conduct of public policy in the country. Governance failure adversely affects the interests of vulnerable and disadvantaged sections of society. The effects of tax evasion resulting in black money on Indian economy are indeed disastrous. A few consequences/effects as follows:

- Tax evasion resulting in black money prevents the resource mobilization efforts of the Government. Shortage of funds distorts implementation of developmental plans and forces the Government to resort to deficit financing in case public expenditure is inelastic.
- Tax evasion interferes with the declared economic policies of the government by distorting saving/investment patterns and availability of resources for various sectors of the economy.
- Tax evasion undermines the equity attribute of the tax system. Honest taxpayers willingly bear disproportionate tax burden, feel demoralized and lured to join the tax evaders' camp.
- Tax evasion and black money encourage concentration of economic power in the hands of undeserving groups in the country which, in turn, is a threatening to the economy in its way.
- Evasion of tax consumes time and energy of tax administration to disentangle the intricate manipulations of tax dodgers.
- Unsocial activities like bribery, intimidation, blackmailing, tampering with official records, submitting fake documents, etc. are all abuses degrading social and moral values that ultimately go with tax evasion.

7. Methods to Generate Black Money and Evade Taxes
Black money may be procreated through the crude approach of not declaring or reporting the income or the activities leading to it. Failure to comply with regulatory obligations or tax evasion on income from legitimate activities can create black money. Different kinds of manipulations of financial statements resulting in tax evasion and the generation of black money are elaborated in the following sections.

7.1 Out of Book Transactions
This mode is usually prevalent among the micro and small enterprises and providers of unskilled and semi-skilled services. With a view to evading reporting activities or the income generated, taxpayers may resort to keeping two sets of books of account - one for their own consumption to manage their own business and the other for the regulatory and tax authorities. The second set of books of account kept for the purpose of satisfying the legal and regulatory obligations for reporting to different authorities may be manipulated by omitting receipts or falsely inflating expenses to evade taxes or other regulatory requirements. This category also includes unaccounted assets, investments in shares of listed companies through sham entities, etc.
7.2 Manipulation of Books of Accounts
7.2.1 Manipulation of Sales/Receipts
Manipulation of Sales or receipts is the easiest method of tax evasion. Diversion of sales to associated enterprises located in different tax jurisdictions may give rise to issues related to international taxation and transfer pricing. The associate entity may not report its activities or income at all or may show sales to such a dummy associate entity at a lower price thereby reducing its reported profits. Complex scenario emerges to the dummy associate entity situated in a low tax jurisdiction having very low tax rates. Underreporting of production is another device of artificially reducing tax liability. In fact, suppression of sales or receipts, diversion of sales to associated enterprises (dummy or genuine), the interrelation between unaccounted sales and purchases, artificial determent of revenues, and stamping of incorrect price are the other methods to manipulate sales or receipts thereby creating black money.

7.2.2 Manipulation of Expenses
One can manipulate expenses under different heads that result in under-reporting of income with the help of inflation expenses by obtaining bogus or inflated invoices to foreign entities in the form of advertisement and marketing expenses or commission for purchases or sales. An individual can remit to the account of a foreign taxpayer and can withdraw the money in cash or remit back to India in the form of either non-taxable receipts or accumulate in unaccounted assets of the Indian taxpayer abroad. Besides purchase or raw material cost expenses like labor charges, entertainment expenses and commission result in inflation or untruly booking to lower profits.

7.2.3 Manipulation of Capital
Manipulation of capital is possible either by laundering black money or introducing it in the books of accounts. Manipulation can also take place through shares at a high premium, bogus gifts, and capital gains, purchase of false losses, etc.

7.2.4 Manipulation of Closing Stock
Suppression of closing stock both regarding quality and value is one of the most common methods of understating profit. Undervaluation of inventory is possible in the way of that while expenses are accounted for in the books but, the value added is not done so; thereby artificially lessening the profits.

7.2.5 Manipulation of Capital Expenses
Overvaluation of the fixed asset is an approach adopted to claim higher depreciation and thereby reduce the profit of the business. Increasing capital to enable the businessman to borrow more funds from lending institutions or capital market is also another device.

7.2.6 International Transactions through Associate Enterprises
Inter-corporate transactions between the associate enterprises belonging to the same group in different perspectives are often arranged and manipulated in such a way as to lead to tax evasion. These are possible by arrangements of shifting taxable income to the low tax jurisdictions or tax havens, leading to accumulation of black money earned from India to abroad.

8. Devices Adopted to Evade Taxes
8.1 Income-Tax
One can evade income tax through non-reporting, underreporting and misreporting of income. The measures usually adopted to curb evasion of income-tax include non-reporting or underreporting of taxable income, maintaining multiple sets of books of accounts, knavish changes in books of accounts, keeping transactions out of books, opening and operating bank accounts under assumed frames, doing business in the names of dummies, over-reporting expenses, fragmenting income for reducing tax liability, under-invoicing sales and other transfer pricing manipulations.

8.2 Excise Duties
Evasion of excise duties usually takes place by adopting the malpractices like incorrect valuation of goods flouting the conditions subject to its exemption.

8.3 Value-Added Tax (VAT)
As VAT is only a fraction of the total amount of tax, the incentive for evasion is relatively weak; but despite the self-policing nature of VAT, opportunities exist for evasion and fraud. The devices commonly applied to defraud tax authorities under VAT include use of fake invoices to claim tax credit, tax credit claims on purchases for personal use, over-reporting of sales of zero-rated goods, secret dealings as regards issuance of receipts, formation of fake companies selling receipts to traders to enable them to claim tax credit on inputs. Hence, VAT is as impressionable to evasion and fraud as any other taxes.

8.4 Customs Duties
Evasion of customs duties usually takes place in the form of invoice misclassification, manipulation of documents, and suppression of quantities imported.

9. Tax Havens
The term ‘Tax Havens’ usually denotes to describe any country or locality which levies very low taxes or none at all on foreigners. The most common device is to use tax haven only as a conduit for transactions, the real economic impact of which locates elsewhere. Internationally two high tax rate countries can be channeled through a tax haven company in such a way that any resulting profit in the haven leads to minimization of tax.

A good number of studies on tax havens show that tax havens are typically small countries or jurisdictions with low or nil taxation for foreigners who decide to come and settle there. They usually maintain strong confidentiality or secrecy about their wealth and accounts creating very attractive locations for keeping unaccounted wealth safe and, thus, make them highly desirable for multinational entities willing to reduce their global tax
burdens. The multinational entities consisting of several corporate and non-corporate bodies established organizations in tax havens and artificially transfer their income to such conduit organizations designing low tax regime.

10. Participatory Notes (PNS)
PNS, derivative instruments issued in foreign jurisdictions have drawn the attention of the foreign investors to permit them to earn returns on investment in the Indian market without sustaining the expressive cost and time implications of directly investing in India keeping them outside the direct scope of SEBI and thus raise numerous surmises about the advantageous proprietorship and the substance of funds employed in these instruments.

11. Investment through Complex Derivative Instruments
With the rapid growth of sophistication of derivative instruments, fresh opportunities or scopes for investing and making profits without being subject to taxes and regulations are also opening the door. Such innovative means are sometimes abused by unconscious parties to produce dormant unaccounted income.

12. Measures Adopted to Curb Black Money and Tax Evasion
The Government from time to time takes efforts to restrain tax evasion and governs black money with the help of various means like lowering of tax rates, tax amnesties, advance tax payments, restraining tax or tax deduction at source, presumptive tax for small traders, permanent account number or general register number, survey of income tax, summons and search and seizure, penalties and prosecutions and use of information technology in tax administration.

- **Lowering of Tax Rates:** Low tax rates improve compliance and revenue yield. However, expecting low tax rates that would improve compliance automatically is unrealistic because tax evasion occurs at all levels of income.

- **Tax Amnesties:** Tax amnesties or voluntary disclosure schemes bring concealed money in the open, widen the base of investment, and hence foster economic development.

In India, the Government from time to time proposes tax amnesties with varied characteristics to unearth black money. However, tax amnesties are subject to criticism for the reason that they offer a premium on dishonesty and are unfair to honest taxpayers.

They set precedents and encourage tax evaders in the hope that they will be let off mildly for their past misdoings any time in the future. Honest taxpayers are demoralized. The tax enforcement machinery also loses respect in the eyes of the common men. Also, the Government announces different schemes and bonds like Bearer Bonds, Voluntary Disclosure of Income Scheme (VDIS) to harness black money for generative purposes and to bring back the abundant money transferred outside India through these means (Ministry of Finance, May 2012, Para 2.4.9).

12.1 Advance Tax Payment
Through the regular assessment, tax on income is payable by way of advance payment.

12.2 Tax Deduction at Source (TDS)
Improvement in the percentage share of direct taxes has taken place due to the widening of the tax base and presumptive taxation. It also broadens the scope of TDS. But, TDS scheme suffers from lack of proper monitoring and scrutiny (Planning Commission, 1997-2002).

12.3 Presumptive Tax for Small Trades
The Tax Reforms Committee examines the problems and possibilities of taxing the small business sector and suggests the taxes on it. However, this fails to yield the desired results. In its place, estimated income scheme for retail traders takes place.

12.4 Permanent Account Number (PAN) or General Index Register Number (GIR)
To strengthen the efforts at enforcement the Government makes it obligatory for assesses to quote PAN or GIR on specific transactions.

12.5 Survey of Income – Tax
Income-tax authorities may conduct from time to time a shop-to-shop or house-to-house rope in new assesses. Officials’ doing so is a useful measure; a person failing to comply with the notice under section 133B is liable to pay the penalty under section 272 AA.

12.6 Summons, and Search and Seizure
Under Section 131, an authorized income-tax officer can issue a summons when he/she suspects concealment of income by a person within the jurisdiction to enforce attendance for verifying the authenticity of various types of transactions like capital contributions, business transactions, borrowing of funds, investment transactions and like nature. The authorized income tax officials can carry out search and seizure operations. They can enter and search any building, place or vehicle in the occupation of the concerned person, break the lock and examine any box, locker, almirah, etc. and seize any books of accounts, other documents, money, bullion, jewelers, etc.

12.7 Penalties and Prosecutions
Income-tax Act contains provisions for penalties and prosecutions for various defaults and offenses committed by the taxpayers. Section 273A (4) of the Income-tax Act permits Income-tax Officers to reduce or waive penalties for tax evasion
on the ground of genuine hardships. Furthermore, under section 279(2) of the Act empowers the officers to compound an offense either before or after the institution of prosecution proceedings although these powers are discretionary and nobody can challenge these in a court of law.

12.8 Use of Information Technology in Tax Administration
E-payment of tax is a facility provided to the taxpayers for making tax payments through internet banking facility or internet by using debit or credit cards. A person desiring to furnish a return of income can use E filing, another contrivance through the internet and sign it digitally or manually.

12.9 Legislative Measures to Prevent Generation of Black Money

13. International Aspects of Indian Taxation
Business and investment operations of individuals and companies are growing internationally in scope in the wake of the current wave of globalization and openness sweeping across the countries of the world. Varying tax practices of distinct countries complicate decision-making by multinational enterprises relating to the selection of most profitability on an international basis. International double taxation arises due to overlapping of two tax claims of two or more countries. Mostly, individuals work in countries where they live and companies invest in countries in which they are resident. A person undertaking cross-border activities or maintaining connections in two or more countries is likely to encounter the tax laws of another country. This is how the tax systems of different countries get linked with each other. Taxes are not international because no supranational authority levies these at an internal level.

Two fundamental assignment rules administer the right of nations to impose taxes on foreign income:

- the source rule or the territority rule and
- the residence or domicile rule.

The problem of international tax duplication no longer remains if all the countries follow either the source or the residence rule. In practice, most of them exercise source and residence rules. International tax duplication arises when either of the places or residences extends the tax net to the world income of a taxpayer and the host follows the source rule discouraging international movement of goods. The concerned places follow various methods to reduce or even eliminate double taxation of foreign-source income of their residents like exemption method, foreign tax credit, tax sparing credit, bilateral tax treaties, and multilateral tax treaties.

14. Indian Law on Double Tax Relief
India gives unilateral as well as treaty relief in respect of foreign taxes suffered by Indian residents on their foreign income. Actually, India’s tax treaties contain two alternatives:

- Income arising in the domain of one of the contracting states is not subject to tax by the other such state (exclusion method); rather,
- Income is taxed in both the countries in accordance with their respective tax laws but the country of the residence of the taxpayer allows a credit against the tax charged thereon in the country of the source of such income (tax credit method).

If an Indian resident evidence in support of payment of tax on income accruing or arising in the countries having no agreement for double taxation relief, the individual is entitled to a deduction from the Indian income-tax. India has entered into tax treaties with more than 83 countries, which means that there are agreed rates of tax and jurisdictions on specific types of income arising in a country to a tax resident of another country. Section 91 grants unilateral relief from double taxation to the residents in respect of foreign tax paid abroad. As tax treaties are country-specific, the contours of taxation and concessions granted differ based on the comparative advantage that India enjoys with them. With the globalization of the Indian economy, the necessity arises for a detailed and separate regulation for governing transfer pricing. The absence of such regulations not only results in litigation but a loss of revenue to the exchequer as well.

However, transfer-pricing solutions need to be flexible enough to suit to the growing business of a multinational group taking into account the organization's perception of the risks of adverse tax assessments. The Finance Bill contains necessary legislative changes for transfer pricing notwithstanding the various concessions or exemptions given to non-residents under the income-tax law, but it also advises to follow a stringent and pervasive system of assessment and collection of tax. The non-resident assessee can assess their income either directly or indirectly through the agent for tax purposes. The status of an agent will be either a duly constituted agent or a person treated as an agent. The problem of tax recovery from the non-resident becomes more serious where there is no agent who is liable by the tax authorities for the purpose. In this respect, the income-tax law has contrived two methods:

- Deduction of tax at source;
- Recovery of tax from assets.
The income-tax law deals with particularly the assessment and collection of taxes:

- on profits of non-residents from shipping business;
- on persons leaving India for good.

The provision of income-tax law relates to the assessment and collection of tax from a person, resident or non-resident who may depart from India for the current assessment year permanently (Section 230). In such a case, the total income of that individual for the period from the expiry of the previous year up to the probable date of his/her departure from India is taxable in the same assessment year. Any individual falling under this provision of the income-tax should collect a tax clearance certificate from the foreign section of the income-tax office.

15. Current Status of Black Money and Tax Evasion in India

Recently, the issue of black money and corruption has come into being with the participation of our civil society and parliament institutions. In this connection, two emergent issues have emerged:

- without any sufficient factual basis, a magnitude of black money and unaccounted wealth is stashed abroad every year;
- The Government’s response to applying this issue has not been adequate or considerably negligible.

Recently, the issue of black money and corruption has come into being with the participation of our civil society and parliament institutions. In this connection, two emergent issues have emerged: i) firstly, without any sufficient factual basis, a magnitude of black money and unaccounted wealth is stashed abroad every year; ii) secondly, the Government’s response to applying this issue has not been adequate or considerably negligible.

Most of the sectors in India like real estate, financial market, bullion and jewelry market, non-profit organizations, external trade, etc. generate black money and evade tax for its survival in the market. Apart from this, black money in India persists owing to the existence of DEMONSTRATION EFFECT, which means the way to live a life in terms of others point of view. People of India are very much affected by the lifestyles of other people of the society who are maintaining considerably high status, and in turn, want to be like them. As such, to fulfill these desires or to maintain their status in society they force themselves to generate and use the black money. Corruption in India is a major issue that adversely affects in every field of economy. In India, people are very emotional towards Spirituality, and many such persons make misuse of their emotions and sentiments and referring to themselves as spiritual leaders generate a considerable amount of black money. In India, Manipulation of Accounts sometimes helps to generate a significant amount of black money. Several times, the Government of India has failed to collect the estimated amount of tax from the people of our country and for this, credit has to go to the black money driven an underground economy. Generation of black money stashing abroad in tax havens and recovering such illicit wealth secreted in these accounts is one of the dominant issues. The tax evaders are in the habit of keeping the money away from the deserved. If the Government of India recovers and uses all the black money in the tax havens, all the outstanding liabilities of the country could be discharged and money would be left for spending. Due to the existence of black money, India is facing the problem of shortage of capital that has the direct impact on the upgradation of technology in all sectors of the economy. Impact on growth by moving investments on gold, stones, and jewelers has caused Indian economy to stall on its growth; otherwise, our economy would grow by more than three times. Generation of black income in a country like India also results from other different activities like bribery, kickbacks, smuggling, property deals, and commissions, which enhance the areas and activities of parallel economy.

16. Concluding Observation

Prevention and control of black money is pre-requisite for establishing an equitable, transparent and efficient economy. Black money and tax evasion – the two fiscal maladies are undermining the socio-economic objectives and are responsible for manifest and lavish consumption, reduced savings and increasing gap between the rich and the poor. Even after an uproar in Parliament, the Government of India came out with a White Paper on Black Money in May 2012 (Ministry of Finance, 2012), presenting the different facets of black money and its complex relationship with policy and administrative regime in the country which also reflected upon the policy options and strategies, the Government has been following to address the issue of black money and corruption in public life. Globalization and liberalization of restrictions on the cross-border flow of goods and services, relaxation of foreign exchange control etc. have accelerated new opportunities for tax evasion through tax havens, misuse of transfer-pricing and other sophisticated methods. They have also reduced the cost of these sophisticated methods thereby facilitating generation of black money and its transfer across the border. The fight against generation and accumulation of black money and curbing black money is far more complex and prolonged requiring new strategies and stronger intervention of the state, which, in turn, needs a hardy legal framework, co-extensive administrative setup and a very strong determination to fight the threat. Effective implementation of the tax laws can arrest tax evasion. Relaxation in tax laws, simplification of tax laws, removal of drawbacks in the tax system, proper processing of information available can be the best tool for the betterment of Indian tax compliance. Educating the people about the tax laws is vital as it will create an atmosphere to perform their duties to the nation. The Government of India has announced several schemes offering opportunities to bring back black money overboard but the result is not fruitful. DTC Bill, 2010 is an urgent need for the effectiveness of tax laws for the prevention of tax evasion. Tax evasion and generation of black money have been producing severe impacts on the social and economic system of the country.
17. Suggestion
To unearth black money and curb tax evasion, the following suggestions are put forward:

- In a federal structure and democratic nature of Indian governance, any long-term strategy to deal with black money and tax evasion must ensure public acceptance, broad-based political acquiescence and commitment to implement it that require necessary cooperation between the Central and State Governments.
- A globalized economy needs strong initiatives on the part of the Government, mutual co-operation internationally, institutionalization and expansion of information exchange network at the international level for checking cross-border flow of illicit wealth. India should participate in the global crusade against black money.
- In a fast-growing economy like India, storage, and cross-checking of economic information through a computer and related facilities is essential to generate actionable intelligence.
- Appropriate legislative framework and speedier judicial processes are required to deal with illicit money and tax frauds.
- Social sector schemes involving public expenditure under various programs reportedly suffer from possible manipulations and leakages. Direct transfer to the accounts of beneficiaries can make a solution because it would prevent manipulations like bogus muster rolls, etc.
- The Hon’ble Prime Minister, Mr. Narendra Modi constituted a Special Investigation Team (SIT) soon after assuming office on May 26, 2014, to look into the issue of black money, investigation, initiation of proceedings and prosecution in some high-profile tax evasion cases.
- Mix strategy for curbing generation of black money from legal and legislative activities consists of different pillars such as - a) Reducing Disincentives against Voluntary Compliance (e.g., rationalization of tax rates, reducing transaction costs of compliance and administration, further economic liberalization, etc.); b) Reforms in Vulnerable Sectors of the Economy (e.g. financial sector, real estate, bullion and jeweler sector, cash economy, mining and allocation of property rights over natural resources, equity trading, misuse of corporate structure for generation of black money, non-profit organizations and the corporate sector, etc); c) Creating Effective Credible Deterrence (e.g. integration of databases leading to actionable intelligence by monitoring agencies strategies to strengthen direct tax administration & prosecution mechanism, enhanced exchange of information, income-tax overseas units, efforts to be undertaken at international forums, international taxation and transfer pricing, effective curbing of structuring through tax havens, supporting indirect tax administration, Financial Intelligence Unit, Central Economic Intelligence Bureau, the Directorate of Revenue Intelligence and Enforcement Directorate, Joint Task Force, etc.);
- Supportive Measures (e.g. creating public awareness and public support, enhancing the accountability of auditors, protection to whistleblowers and witnesses, need to join international efforts and use platforms, require to fine-tune relevant laws and regulations, etc).

17.1 Strategies for Curbing Generation of Black Money through Illegal or Criminal Activities
Strategies for curbing the illegal or criminal activities require the active participation of the State Governments. All political stakeholders should commit themselves to pursue these activities. Organized crime exists in many areas and often can get mixed up with unreported legitimate activities in vulnerable sectors. Strict action by either the Governments is required to curb them. Arresting corruption also requires multipronged strategies consisting of both broader reforms as well as the more focused capacity of the building of institutions assigning the responsibility of preventing it. Besides these, there are other criminal activities also like counterfeit currency, drug trade, and terrorism that are the usual sources of black money generation and controlling them is one of the challenges of society. Both the Central and the State Governments should actively draw out long-term strategies to bring them to a halt.

17.2 Strategies for Repatriation of Black Money Stashed Abroad and Issues Related to Confidentiality of Information
Strategies include:

- Repatriation of Black Money stashed abroad requires coordination and cooperation of the other country and to achieve this end, the Government has been sternly working to evolve an environment and create legal mechanisms through global consensus and specific bilateral treaties.
- Voluntary Disclosure Schemes and Tax Recovery is another strategy for bringing back black money stashed overseas.
- Agreement between Countries for Revenue Sharing is also a strategy to arrest black money. India has already taken up this issue with Switzerland. It requires assessing the costs and likely benefits of the steps before taking any policy decision. Thus, India will decide first, as to whether such type of agreement will meet its national objective.
- Efficient tax machinery capable of cross-checking a large number of invoices through an elaborate computer system is pre-requisite for the successful implementation of the VAT. Goods and Service Tax (GST) Act is a right direction in this respect.
- It is necessary to change the attitude of the people towards the Government and its laws.
- The disparity between resources deployed by the multinationals and those available with tax administration, particularly of developing countries requires vast reforms for improving the capacity of tax administration and equipping it with necessary resources to deal with such modern challenges.
Prevalence of high tax rates is the first and foremost reason for tax evasion as it makes the evasion profitable and attractive in spite of the attendant risks.

The public should be aware of the fact that tax evasion is antisocial.

High rates of taxation create a psychological barrier and weaken the capacity and the will to save and invest.

Current high level of taxation leaves the Government with little scope for maneuverability for raising additional resources in times of emergency.

A committee of experts is essential to inquire into the utility of all existing controls, licensing, permit systems, and suggest elimination of such of those, which are of no use.

Changes in law and procedures necessitate ensuring effective administration of the controls required for the health of the economy and with the least harassment to the public.

The Government should provide reasonable grants-in-aid to national political parties and recognize such parties and determine the extent of grant-in-aid to each of them. A donation by taxpayers other than companies to recognized political parties is an allowable deduction from the income subject to limitations.

The criteria for selecting cases for Annual scrutiny should be made uniform throughout the country.

Entertainment expenditure incurred for the betterment of the taxpayers’ business and directly related to its active conduct is also deductible up to the ceilings prescribed under section 37(2) of the Income-tax Act, 1961.

A penalty based on income strikes the small taxpayers more severely and as such, it should be about the tax sought to be evaded instead of concerned income. The current policy of having a statutory minimum for penalties has, on the whole, had a healthy effect and it should, therefore, be allowed to continue.

The Department should completely reorient itself to a more vigorous prosecution policy to instill fear and whole-hearted respect for the tax laws in the minds of the taxpayers. Further, where there is a reasonable chance of securing a conviction, the tax dodger should invariably be prosecuted.

There is a need for complete re-orientation in the Department’s approach to its methods of intelligence and investigation to cope with the increasing techniques of tax evasion. The tool followed at the command of the Department should be thoroughly overhauled and streamlined to tackle the menace of tax evasion efficiently.

Imparting thorough and intensive training to the officers selected to man the intelligence and investigation jobs at the central staff training college is a prerequisite to equip with the necessary expertise for satisfactory performance of their onerous and responsible tasks.

Agricultural income being outside the central tax net offers plenty of scopes for camouflaging black money. There is an urgent need to integrate such income to uniform tax more or less equally with the tax on others to eliminate the scope for evasion of direct taxes of the Union Government. Article 269 of the Constitution is subject to the amendment for inclusion of taxes on agricultural income in the list of taxes levied and collected by the Union. Agriculture should also contribute to the National Exchequer in the same way as other sectors are doing. It is also essential for equity and distributive justice.

Taxation on unexplained expenditure is necessary.

Presentation of audited accounts in prescribed format is compulsory in the cases of business or profession where the sales turnover or receipts exceed the limit. Legal provisions are required to make it obligatory for all permanent account number holders to intimate any change in their addresses to the appropriate authorities. The law will also have to provide adequate measures for ensuring compliance.

The Government should establish a sufficient number of survey circles to ensure comprehensive and continuing task on a rotational basis.

CBDT should lay down every year a program and specify targets for collection, collation, and diffusion information to secure efficient functioning of the establishment and standards of work and performance. The Government should consider the desirability of prescribing a uniform accounting year for all taxpayers. In that case, the accounting year should concur with the budget year.

Stringent legal measures are not sufficient to tackle tax evasion. The public should support the measures taken against black money and tax evasion.

The Government should deny the privileges, which are still available to the tax evaders.

The Department should treat those taxpayers as starred assessee who have been filing correct returns and have been finding prompt and regular in meeting their tax obligations.

The Government should not give the absolute power of work to any person as it may create a monopoly and instead should segregate it among many others.

More involvement of human beings usually brings about corruption, ultimately generating black money.

The transaction cost associated with compliance and administration is one of the disincentives for generation of black money. The reduction of this cost is essential though it is a challenge to the Government of India.

The biggest challenge to the Government of India is to bring back money from abroad. This goal cannot be achieved by the Government alone as it requires coordination and cooperation of other countries as well as authorities to fulfill this. So, the Government needs to evolve an environment and create the legal mechanism through global consensus, coordination, and specific bilateral treaties.

18. Concluding Comment

A multi-pronged strategy is essential to deal with the issue of generation of black money and its illicit transfer outside the country and for bringing back to India. The factors leading to a generation of black money in India along with the various
measures attempted to controvert it make it clear that there is no single remedy to curb, control, and finally, arrest the generation of black money. In fact, both the Central and State Governments necessitate a comprehensive mix of well-defined strategies and put into practice in a co-oriented manner. The effect of black money on the economy of the country cannot be described as calamitous. Now, India is seriously handicapped in its endeavor to march forward. The resources required for development are not adequately appearing for the reasons that business is running on in the ‘black’. Black money is like a cancerous growth in the country’s economy which, if not checked timely will surely bring to its ruination. This paper makes an attempt to present the various aspects of black money and tax evasion and also their relationships with the policy and administrative measures in India. It shows the policy and strategies pursuing in the context of current initiatives or necessitating taking up in the near future to address the issue of black money and tax evasion and corruption in common life. Black money is a curse to any country and grows the underground market. Needless to mention that existence of black money has a significant impact on social, economic and political levels of the Indians which has a significant effect on every organization of governance and conduct of public policy in India. It is not possible to curb, control and finally prevent the generation of black money in near future as well as repatriation of black money rather, it may be possible with pursuance of a comprehensive mix of well-defined strategies and policies patiently and perseveringly by the Central and State Governments and putting them into practice in co-ordinate manner. It is a challenge for the Governments to properly form committees and run them in an efficient and effective manner.

The Government should leave no stone unturned to bring back black money from abroad to convert them into "white" money with a view to putting an end of the generation of the same.

19. Research Opportunities
Research work on black money and tax evasion in India is not sufficient. The basic reason behind this may be attributed to the insufficiency or non-availability of reliable data. The legal framework is not enough, more and more emphasis should be given to morality. Unless a detailed and transparent break-down of total assessed income is brought to light, scientific study of the trend of black money and tax evasion is complex. The extent of black money and tax evasion is only a guess estimate based on certain assumptions. Here, considerable difference of opinion may exist due to lack of adequate and reliable data. Another gap is that the tax-evaded income is not at all lying stored that can be seized by the appropriate authorities. A substantial portion of it may either be converted into assets or spent away in consumption or else which is in circulation in undisclosed business dealings.

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I dedicate this paper to ALMIGHTY GOD who always shows HIS kindness and bestows inspiration in all walks of my life.

References
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