

Name: Kashyap Mistry
PRN: 21070127028
Batch: RA2

BLACK MONEY

What Is Black Money? Black money includes all funds earned through illegal activity and otherwise legal income that is not recorded for tax purposes. Black money proceeds are usually received in cash from underground economic activity and, as such, are not taxed.

Suppose a store accepts cash for its merchandise and does not issue receipts to its customers. That store is transacting in black money, as it would not pay tax on the unrecorded sales. As another example, consider a property buyer who purchases land valued at 200,000. If the buyer only reports 50,000 on the books and pays 150,000 under the table, then there is a black money transaction worth 150,000. The sellers in both examples have earned money from legal sources but evaded taxes. However Black money also has its own advantage, Black money produces the most benefits in societies with the most oppressive laws. For example, many ordinary market economic transactions were illegal in the Soviet Union. People turned to the underground economy to alleviate shortages and obtain banned goods. In many other cases, regimes imposed price controls that made goods unobtainable or sales taxes that made them unaffordable. In short, Black money provided a way to decrease the damage.

In its simplest form, black money is money on which tax is not paid to the government. Furthermore, black money causes the financial health of a nation to be underestimated.