

CORRUPTION AND BLACK MONEY

MODULE 3

INTRODUCTION

- Black money is both an economic and a social problem. In the latter context, it is perceived as a problem with adverse sociological effects on society, like social inequalities, social deprivations, etc.; in the former context, it is perceived as a parallel economy, an underground economy or an unofficial economy that is the consequence of the economic policies of the government and has damaging effects on country's economy and nation's planning development.
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CONCEPT

- Its illegitimate source is bribe, smuggling, black-marketing, selling commodities at prices higher than the controlled prices, taking pugree for house, shop, etc., selling house at a high premium price but showing it at much lower price in the account books, and so on.
- It is possible to convert black money into white money and vice versa. For example, when a person manages to get the receipt from the shopkeeper by paying sales-tax for a commodity but does not purchase it actually, he generates black money as reimbursement is made to him against the receipt.
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MEASURES TO CONTROL BLACK MONEY

- Over the past 50 years, the government has at various times announced several schemes offering opportunities to bring black money overboard. Some of these schemes are: introducing the scheme of special Bearer Bonds, demonetizing high denomination currency notes, stringent raids, and scheme of voluntary disclosures.
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SAME FORMS

- In July 1991, the Union Finance Minister proposed a new scheme—National Housing Bank scheme, black money back into the legitimate operations of the national economy. The scheme offered possessors of unaccounted money an opportunity to deposit any amount of money (with a minimum limit of Rs. 10,000) with NHB without disclosing the source of funds.
- The withdrawals were to be made after stating the purpose for which the money was proposed to be used. These people were taxed at the rate of 40 per cent while the balance amount was channeled back into the open economy. In 1997-98 budget, amnesty was proposed for legitimizing black money by payment of 30 per cent as tax.
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CONCLUSION

- Unless this problem is tackled, the menace of black money will continue to increase. It has been suggested that the problem of black money and parallel economy can be contained by reducing taxes in some areas, giving incentives for voluntary disclosure of income, over-hauling the economic intelligence unit, curbing administrative corruption at various levels, exempting tax on money spent on house construction, doing away with control policies, and so forth. Isolated attempts may not yield much but a package of mutually reinforcing measures, along with a strong political will and the commitment of political elite may prove to be successful to a large extent.

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