1. TAX AMNESTY SCHEMES IN INDIA HAVE GENERALLY FAILED TO ACHIEVE THEIR OBJECTIVES. CRITICALLY EVALUATE THE FACTORS FOR SUCH FAILURES WHILE KEEPING FOCUS ON PAST SCHEMES OF GOVERNMENT. TO WHAT EXTENT, THE INCOME AND ASSETS DECLARATION SCHEME (IADS) TRIES TO TACKLE THOSE FACTORS?

Tax amnesty is corrective financial instrument that provides a short-period opportunity for default taxpayers to pay a defined amount out of total liability, in exchange for forgiveness of a tax liability without fear of criminal prosecution.

There have been nearly eleven amnesty schemes in India since independence. The amnesty schemes declared between 1951 and 1997 attracted many default taxpayers to declare undisclosed income and assets and went scot-free with paying lesser normal taxes with all immunities. Although the money collected was substantial, it was almost half of the real value of assets declared and the tax paid at less than 50% of the normal rate devoid of any interest and penalties.

Such schemes suffered from many deficiencies like lack of tangible coercion for tax evaders, lack of attractive incentives and lack of response from the defaulters. All such schemes appeared as if the government had been expecting largesse from the tax evaders.

The current schemes like Income Declaration Scheme, 2016 attempts to plug some of the loopholes in the erstwhile amnesty schemes. These are as such income declaration schemes and carry reasonable discounts on interest and penalty, but taxes are payable at more than normal rates (@45%). There is also no room for manipulation and payment of less tax like in VDIS, 1997. Despite being handicapped with absence of measures for rewarding the dishonest like that of the earlier schemes, the present schemes are expected to be successful in the long run.

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