



Anti-corruption Framework and compliance

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What is compliance ??

Compliance means playing by the rules!

Are all stakeholders playing by rules?

...and under GST?

Project Report : Contents

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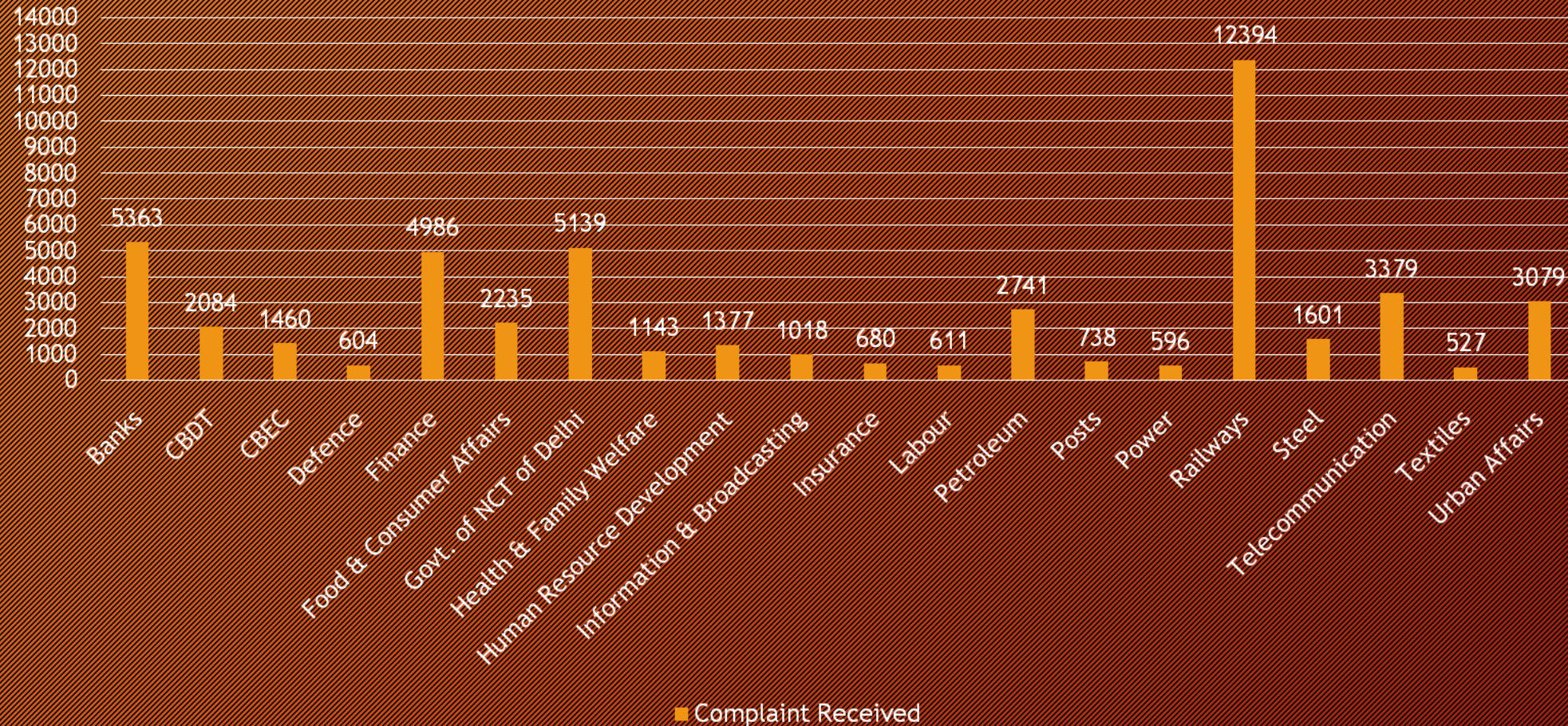
Why this project ?

- 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



Why this project ?

S.No	Department/ Sector	Received	Disposal	Pending
1	Railways	339	130	209
2	Banks	904	554	350
3	Finance	0	0	0
4	Telecommunication	164	49	115
5	Urban Affairs	77	45	32
6	Petroleum	86	34	52
7	Food & Consumer Affairs	15	4	11
8	Central Board of Direct Taxes	19	3	16
9	Central Board of Excise & Customs	476	153	323
10	Health & Family Welfare	61	17	44
10	Commerce	34	13	21

Departmental Inquiries against officers

Why this project ?

S.No	Department/Sector	Total Received	Disposal	Pending
1	Railways	1487	838	649
2	Banks	4006	2709	1297
3	Finance	7	4	3
4	Telecommunication	703	360	343
5	Urban Affairs	36	11	25
6	Petroleum	248	105	143
7	Food & Consumer Affairs	382	179	203
8	Central Board of Direct Taxes	330	70	260
9	Central Board of Excise & Customs	1069	446	623
10	Health & Family Welfare	103	39	64

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

UNODC : Private Sector Corruption

- Two reports by UNODC in 2016
- Reports says -
 - ❖ private sector corruption is apparently no longer confined to isolated cases of unethical business practises - 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

THANK
YOU



No ...

- 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...

- 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 !