

Tax Terrorism

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In news

Recently, Prime Minister stated that India has moved from tax terrorism to tax transparency.

What is Tax Terrorism?

- The term 'tax terrorism' was first used by the current Prime Minister to describe the adversarial approach adopted by tax authorities under the UPA.
- It was primarily used in the backdrop of a clarification in the nature of the amendment to the Income Tax Act by Finance Act 2012 to **retrospectively tax Vodafone**.
- It is alleged that the **political executive frequently modifies the Tax Acts, sets higher and has kept higher taxation rates for evasion of tax, sets unreasonable revenue collection targets and even uses tax agencies as a political tool**.
- In order to achieve these predetermined targets, the **Tax administrators implement the tax laws harshly, launch prosecutions for minor tax evasions** or procedural violations, send out bulk notices without adequate legwork, conduct frequent surveys to harass the businessmen.
- These **overzealous acts of the Tax Collectors** have allegedly earned them the title of Tax Terrorists.
- The most common canard to allege Tax Terrorism is that Revenue authorities issue notices at discretion without any groundwork.
- Examples of tax terrorism: Denying all refunds or pass adverse adjudication orders in the name of realising the target of revenue