

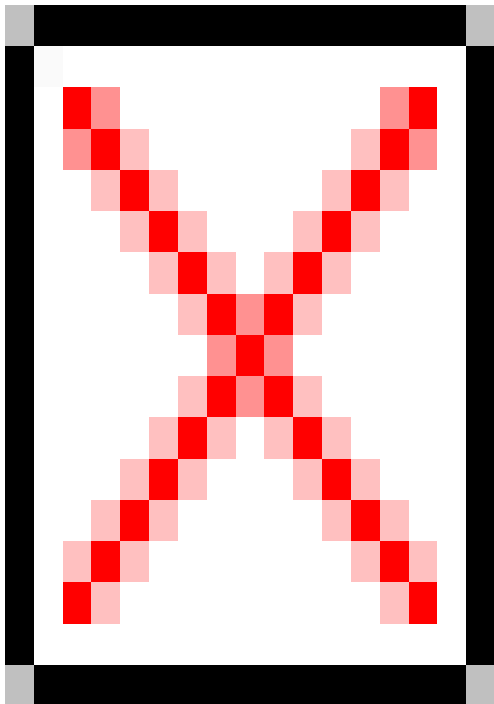
Making People Pay - The Economic Sociology of Taxation

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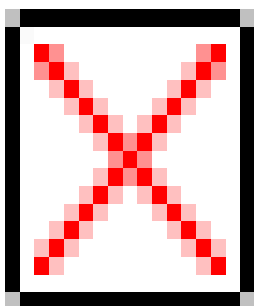
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By N Nityananda, CA



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novels and fictions are so gripping that readers once they start seldom stop till the last page. That cannot be said about books on Economics and more so on taxation!! Here is a well researched and multidimensional book on taxation, which makes an interesting reading of a dry (?) subject like taxation.

The book starts of with the question in every taxpayer's mind – Why should I pay taxes? The author has illustrated various justifications of the taxpayers for the tax evasion and dodging. The reasoning ranges from a fundamental issue of absence of reciprocal benefit from the state to the intolerable fact of tax evasion perceived in their surroundings. It is in this constant dilemma of a citizen, the book 'Making People Pay' – the Economic Sociology of Taxation is to say the least – is the light at the end of the tunnel. The credibility of this book is higher as the author is a scholar on the subject and he has alongside direct experience in the tax machinery of our vast country.

The system of taxation has traveled a long way from the historic approach of a smooth process akin to a bee collecting honey from a flower to a world of legal complexity, administrative heterogeneity and political inconsistency. But has it taken the entire tax paying population alongside is a difficult question to answer. The book rightly analyses that the economic models are unable to capture the behaviors of taxpayers.

The chapter on Indian and global tax history makes an interesting reading. The evolution of taxation through a series of wars far and wide, colonialism and tax revolts are well captured. Today we read in newspapers about the crores of rupees of taxes paid by Bollywood and cricket stars. The book compares this trend with the tax regime during ancient India, particularly of 324 BC (Mauryan Kingdom), when dancers and actors paid good amount of taxes compared to the businessmen. The pilgrim taxes and taxation used as a tool of discrimination amongst religions by rulers of both ancient and medieval India.

Then comes the relationship and conflicts of ideology between Politics and Economics. Author has analyzed the dilemmas in public policy, as there is an inevitable conflict of ideology between the political commitments and long-term desirability of such commitments for the country. He has also critically analyzed the link between black money, voluntary political funding and public policy compulsions.

The heart of this book is the analytical discussions on the subjects of tax evasion and tax enforcement. The author displays his vast knowledge and experience while dissecting the causes and consequences of tax enforcement, particularly income tax raids. This may be the first such study in the world that has analyzed the sociological and economic aspects of the invasion to private lives by an enforcement agency. From the how and why of tax evasion to the interviews of those who were raided by the investigation wing of the department adds value to the reader. The study has results which are astonishing, to say the least 73% of the respondents say that the IT raid helped in organizing their business better and 84% say that they are more systematic in recording and maintaining the accounts and 53% say that they have achieved better financial results after the raid only. Only 15 to 32% complain of losing their business to losing their customers on account of raids. The research by the author also points out the 76% of the respondents agree that in recent years there is better tax compliance. But it is surprising to find that many taxpayers openly admitted that they evade their taxes even after an income tax search.

The book clearly showcases the modus operandi followed by tax evaders and the reasons for tax evasion as perceived by them. These facts are not collected from any official records, but from the data gathered from the taxpayers themselves. The author has also delineated the expectations of the taxpayers from the government, tax system and tax officials. His analysis of the fiscal challenges for the developing economies in the context of globalization and tax competition is scholarly and academically stimulating.

The book has its own share of humour with cartoons by gifted cartoonist Mr.Sajjive Balakrishnan. One cartoon depicts how 'Speech is Silver' to a taxman and 'Silence is Golden' to a taxpayer!!! The forewords written by the SSN Murthy, Chairman CBDT and M N Venkatachaliah, former Chief Justice of India are very inspiring and informative.

When I started reading the book, I was engrossed and when I completed the reading, I felt more enriched and rewarded. It is a must read to all citizens – young and old. The details can be found at <http://makingpeoplepay.blogspot.com>.