

## Paradise challenge

The largest ever leak of financial data — a trove of 13.4 million corporate records from Bermuda's Appleby and Singapore's Asiaciti, featuring 19 global tax havens which help the global rich and powerful to come up with complex offshore structures to dodge tax — underlines yet again the severe challenges in combating tax evasion. The [Paradise Papers](#), the new set of papers on offshore finances, being investigated by The Indian Express in collaboration with the International Consortium of Investigative Journalists (ICIJ) and *Suddeutsche Zeitung*, Munich, shows a link to 714 Indian names, including prominent individuals and corporates, and raises questions on the legitimacy of some of these offshore transactions and beneficiaries. This comes on top of the previous ICIJ expose on British Virgin Islands and the Panama Papers last year besides the HSBC leak, all of which forced governments worldwide to strengthen efforts to combat tax evasion and forge pacts to plug loopholes in tax treaties, share information and carry out policy changes.

In the wake of these exposes, and after the 2008 financial crisis, there has been a visible resolve to tackle the “dark side of capitalism”, as a British official once described it. The data leak which reveals the global trail of many Indian corporates in tax havens has to be viewed against this framework. For sure, not all these offshore structures are illegal. Many large Indian firms have global operations now and may, like their global peers, take recourse to “aggressive” tax planning. But as the ongoing investigations show, this could be a grey zone and some of them may have to pay a price for this secrecy. There is a larger message from this expose to the government, individuals and corporate firms. To begin with, there must be a tighter regulation of cross-border flows. That doesn't mean unleashing a raid raj and using the revelations which flow from the data leak as a weapon to crack down and create an atmosphere of distrust which can dampen business sentiment.

As more Indian companies extend their global footprint, we could see more such complex offshore structures being designed, making it imperative for firms to balance their tax planning and comply with the rules. This also underlines the need for systemic reform, especially the urgency of simplifying India's taxation laws, at a time when the government has been tom-tomming the surge in the country's ranking in the ease of doing business.

After the Panama leaks, the government was quick to form a multi-agency group to probe all cases of Indians who had set up such offshore structures and launch prosecutions in some cases. It is welcome that the government has swiftly responded this time by announcing a multi-agency group to probe the Paradise papers. As the government gets ready to celebrate the ‘anti-black money day’ on November 8, to mark a year after demonetisation, it is worth recalling what Finance Minister [Arun Jaitley](#) had said last year after a similar expose — that there are “no holy cows”. That promise will be on test this time too.

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