

Prospects Towards Revenue Governance

In the current environments or governance of revenues, the business houses can't afford to show profits or maintain true and fair books of accounts. The corporate do not gets any rewards of producing true and fair books accounts and pay Income tax rather faces severe difficulties/embarrassment from governing agencies and chanda/donations elements in the country



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If we see the budget speech by our honourable finance minister on July 13, 2013 for fiscal year 2013-14, the targeted revenue is of 68.5 percent of total budget i.e. Rs.354.5 billion out of total budget of Rs. 517.24 billion. Needless to say, in every country the revenue collection plays a significant role in its fiscal budget for the whole economy.

If we see the current fiscal year 2013 budget of India, our neighbouring country, the occupying revenue stake in total budget is approximately 70% .

We can understand the role of revenue governance in such a situation in any economy; perhaps, one of the vital organum of the government, i.e., Ministry Of Finance (MOF) is there and having responsibility of governance and also happens to be the driver/vehicles for all other ministry of government.

Whether the current revenue governance/administration is satisfactory? Whether the set target of collection of revenue and its basis is up to the mark? I believe, obviously not, the authority set the soft target which can be achieved very easily and reaches towards incentives.

During the working experience as a consultants, auditor, advisor, employees and experiencing through interfacing with various stakeholders like business houses, Banks, Registrar

Of Companies, Inland Revenue Department, Department Of Customs and Nepal Rastra Bank, CIAA (The Commission for the Investigation of Abuse of Authority), Revenue Investigation Agency, found that they are working/governing independently with each other. They have either least or no mandate to shares the common information and platform to have the cross cheques and authentications data/information submitted by the business houses or concerned parties for the mandatory compliances.

The brother agencies have not either sufficient/enough infrastructures or platform to shares any information or having less coordination among them. Just before the announcement of new circulars by the NRB which mandated account payee cheque to be issued by corporate/firm, corporate and individual were having enough room for money laundering/ and opportunity to have the transactions in cash through bank. Anyone used to issue the bearer cheque on the name of any individual/firm/company and the payee used to withdraw the cash from bank with putting the rubber stamp behind the cheques up to maximum limits. By having this, cash were withdrawing in fake name/firm for converting from the accounted money to cash to have enough cash liquidity and charging of expenses to the books of accounts.

Currently, it is believed that the abundance of unaccounted money expensed in election beyond the mandate of election commission. The money definitely comes in circulation/market from out of circulation. In the absence of one universal number like PAN or others through which the monetary transactions in banks could be monitored at national level, even chances of weak control in accounted money through a person cannot be avoided.

A person can have numbers of accounts in his name at different banks and their relatives in same bank for layering to make accounted money of unaccounted.

The banks are not having enough information of individuals/firm/corporate which is not having the accounts in the particulars banks and just withdrawing the cash on bearer cheques. There were no particular governing agencies which have any mechanism to know whether the specific payees are registered anywhere in the concerned authority or not.

The revenue agencies lacks the mechanism to find the answer of the questions is that how business survives for years in losses. The governance and control mechanism can be strengthened even with small initiative with logical analysis of the filled audit reports and financial statements and can be come up with many gap and revenue leakage. But the lack of skilled resources at department level cannot be ignored if we talk of these governance level issues. There are no mandatory provisions of having/getting the PAN and filing income tax returns by an individual directors and owners of the company/firms.

Many company which are registered with ROC (Registrar of Companies) and Income Tax are running their business without compliances of filing the various returns to ROC i.e. defaulters at ROC easily runs their business if they have tax clearance certificates. No services/contracts/tendering process etc required compliances at ROC while entering in any tender process for providing goods and services.

From the above analysis and situations, anyone can guess the faults and negligence side of the corporate/firm. But is this correct to say that they are only responsible or faults at this front? Definitely no, what I have observed is the lack of governance mechanism, lack of promotion/encouragement to show the profits and having

corrects books of accounts.

In the current environments or governance of revenues, the business houses can't afford to show profits or maintain true and fair books of accounts. The corporate do not gets any rewards of producing true and fairs books accounts and pay Income tax rather faces severe difficulties/embarrassment from governing agencies and chanda/donations elements in the country. The bank loan is being sanctioned more on the basis of collaterals but less on the basis of business growth and profits of the organisations . Revenue department starts scrutinising and calling for revenue investigations more to firms/business houses which comes forward to show profits and pay or affords to pay revenue/corporate tax. The reasons corporate tax/income tax has less contribution to the GDP (Gross Domestic Products) of the country. The growth of indirect taxes like VAT, excise and customs is more than Income Tax and the reason; burden shifted from corporate to the last consumers/ end users of the products/services but not remain on the corporate them self. The reforms in growth of Income tax (Direct taxes) are more important than indirect taxes.

Corporate are even being billionaires not willing to go for converting their numbers of private limited to Limited company and not seeing the possibility of going for initial public offers. Out of many reasons, one of the main reason is not having sound mechanism of revenue governance systems.

In the recent budget speech , FM said that the government will work on identifying new areas for taxation in 2013/14. What I believe is that even without having tax system reform which is mentioned in the speech seems like subjective and ambitious statements but having the strong mechanism of making the business registered in tax office as a mandatory by getting business information through electronic medium among the various regulatory agencies and stakeholders would be good steps towards good governance & tax administration.

But Only information sharing will not suffice the purpose rather mandatory annual/quarterly information submission as returns by Banks to Inland Revenue Departments, CIAA, Revenue Investigation Departments, ROC to Inland Revenue Departments and vice versa, Customs Departments

to Inland Revenue Departments, NRB to income tax and vice versa, and optimum skilled resources to analyse and correlate the data for further uses shall contribute in achieving the objectives of good governance of revenue.

Although it is evident through some of the cases on casual basis that the income tax department explores the data of company/firm/person and match making with the financial statement/information submitted to the department as well as banks and found various irregularities/differences in data submitted to both place.

Mandatory provision of having PAN card to individual having income equal to or more than taxable income limit and filing of Income tax returns. The PAN Card and income Tax returns can be made compulsory reference number for various economic transactions like availing bank loan, opening of bank accounts etc. Compulsory having of individual PAN Card and filing of income tax returns by an individual director and owner of the company and business houses may be in place.

There can be information access system in place though cloud system among concerned regulatory authority for getting/extracting the information in need for strict governance of the financial/economic transactions.

The effective uses of Credit Information Bureau, Nepal and its internal control mechanism should also be in place. Currently name and address is being used in for identification which can be linked with universal identification numbers (PAN Number) and can be identified in further economic transactions with banks and other agencies. These small steps towards revenue governance above do not required big reforms but believing to have a big impact of governance.

नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्थाको विदेशमा बसेका सदस्यहरूलाई सूचना

यस संस्थाको कार्यकारिणी समितिको मिति २०७० आश्विन १ गते बसेको बैठकको निर्णयानुसार विदेशमा रहेका सदस्यहरूको पेशागत प्रमाणपत्र नवीकरणका सम्बन्धमा देहाय बमोजिम हुने व्यहोरा सम्बन्धित सबैलाई जानकारी गराइन्छ ।

क) कुनै सदस्यको ठेगाना संस्थाको अभिलेख अनुसार विदेशमा रहेको छ भने ती सदस्यहरूको पेशागत प्रमाणपत्र नवीकरण गरिने छैन ।

ख) कुनै सदस्यको ठेगाना नेपालमा नै रहेको र कम्तीमा विगत एक वर्ष देखि निज विदेशमा रहँदै आएको भनि संस्थालाई औपचारिक वा अनौपचारिक रूपमा कुनै पनि माध्यमबाट जानकारी प्राप्त भएमा ती सदस्यहरूको पेशागत प्रमाणपत्र नवीकरण गरिने छैन।

तर, (क) र (ख) मा जुनसुकै कुरा लेखिएको भएतापनि सम्बन्धित सदस्यले आफू रहँदै आएको देशको पेशागत प्रमाणपत्र सहित आफू विदेशमा पूर्णकालिन सेवामा नरहेको वा लेखाव्यवसाय बाहेक अन्य पेशा व्यवसायमा संलग्न नरहेको र आफ्नो घोषणा भन्दा फरक प्रमाणित भएमा अनुशासन कारवाहीको लागि तयार छु भनि घोषणा गरेमा निजको पेशागत प्रमाणपत्र नवीकरण गरिने छ ।