

ARTHAPRAJNA



"When prosperity comes, do not use all of it."

Fin-Glory

FROM THE EDITOR'S DESK

Greetings from PIM family!

“Without continual growth and progress, such words as improvement, achievement and success have no meaning.”

-Benjamin Franklin

A warm welcome to you all to the 4th issue of volume 13th of ARTHAPRAJNA. This issue has an alternate assortment of articles that gives a bird's eye view of the information and realities to our perusers.

The first article talks about the Tax Evasion in the Fin-Fact column. Tax evasion is an illegal attempt to defeat the imposition of taxes by individuals, corporations, trusts and others. It is worth reading article in this era, characterized by high rate of tax evasions.

You can find a brief description of Social Security Tax in Fin-truth section. Fin-unit column portrays subject of Security and privacy of data. This bulletin has Fin-term column as usual.

Fin personality has brought out an inspirational story of Mr. Nevadan Nempe, an young entrepreneur, the creator of Areca tea with an intension to motivate those who have the dream to achieve big in life and aspiring for success.

In the end, we have a Fin-quiz for you to answer and be the winner. The answers for the previous issue is included in the last page along with the name of the winner. We look forward to your valuable feedback and replies at arthaprajna@pim.ac.in

Warm regards,

Naveen R Bhat.

Chief Editor,

Arthaprajna-2021

FIN-FACT

TAX EVASION

Tax evasion is an illegal action in which an individual or a company tries to avoid paying tax liability. It involves hiding or showing false income without proof of inflating deductions, not reporting cash transaction etc. Tax evasion is serious offense that comes under criminal charges and substantial penalties.

There are many methods that people use to evade to pay taxes in India that range from false tax return and smuggling to fake documents and bribery. The penalties for this are high, from 100% to 300% of the tax for undisclosed income.

Rooting for taxes is never an easy task because most people question that the concept of giving away part of their earning to the government but the fact is that taxes are an important source of income to the government. This is the money invested in various developmental projects that are meant to improve the country's status. But the country has been facing a massive problem with tax evasion. People who should be paying taxes have found ways not to pay them and, as a result, it may be said that the income of the country has been suffering. So, let's take a look at what are the ways in which people are avoiding taxes and what are the penalties for the same.

There are two aspects of not paying taxes when they are due:

- i. Tax avoidance and
- ii. Tax evasion

The difference between the two is that tax avoidance basically finds a loophole that exempts you from paying taxes and is not strictly illegal, while evasion is not paying the taxes when they are actually due, which is absolutely illegal. These are some of the ways in which people may avoid/evade taxes.

Common methods of Tax evasion:

- *Failing to pay the due*

This is the simplest way in which someone may evade taxes. They simply don't pay it to the government, not even when the dues are called for. A person engaged in this sort of tax evasion won't willingly or unwillingly pay the tax before or after the due date.

- *Smuggling*

When certain goods move from one location to another across international or state borders a tax or charge may be payable in order to move the goods. However, some individuals may move these goods in surreptitious ways in order to avoid paying those taxes that evade the tax altogether.

- *Submitting false tax returns*

In some cases when an individual files taxes he/she may submit false or incorrect information in order to either lessen the tax that they are supposed to pay or not pay it at all. This is also tax evasion since incomplete information is provided and they may actually be paying less than what they should.

- *Inaccurate financial statements*

The taxes that are payable by an individual or an organization may be decided on the financial dealing that have taken place during the assessment year. If false financial documents or account books are submitted and once that show incomes less than what was actually earned, the tax may come down.

- *Using fake documents to claim exemption*

The government may have provided certain exemptions and privileges to certain strata or members of society in order to ensure they have a bit more financial freedom to progress. In some cases, members who actually don't qualify for such privileges will get documents

created to support their claim of being a part of that group thus claiming exemptions where they are not suited.

- *Not reporting income*

It could be said that this is one of the most common methods of tax evasion. In this case, an individual doesn't report any income that they receive during a particular financial year. Not having reported any income, they don't pay any tax thus, successfully evading tax altogether. The simplest example of this would be a landlord who has kept his tenants but has not informed the authorities that he has rented the house and is actually receiving an income from it.

- *Bribery*

There may be a situation where there a certain amount due in taxes which an individual may not be willing to pay. In such a case he or she may actually offer a bribe to officials to not to make them pay the tax and to disappear the same.

- *Storing wealth outside the country*

We all have heard tales of Swiss bank accounts. Offshore accounts (outside the country) are maintained and information about dealing in these accounts are not disclosed to the income tax department thereby evading any and all taxes due on that wealth.

Penalties for Tax Evasion: -

There are various penalties that the income tax department can impose on anyone who is found guilty of evading or avoiding taxes. These penalties can also apply to companies that either fail to report and pay their own taxes or fail to deduct taxes at source [TDS] when they are supposed to.

Some of these may be:

- Collecting 100% to 300% of the tax when income is not disclosed.

- In case of failure to pay the tax due - the assessing officer may impose a penalty amount but it cannot exceed the amount due in taxes.
- If an individual fails to file tax statements within the time allotted - then a penalty of Rs.200 per day may be charged for the non-filed statements.
- In case someone has concealed details of their income or any fringe benefits that are taxable, the penalty can range from 100% to 300% of the tax amount due.
- In case a person or a company fails to maintain their accounts properly as directed by section 44AA penalty of Rs.25,000 may be levied.
- If a company fails to get itself audited or fails to provide a report of said audit, then a penalty of Rs. 1.5 lakh or 0.5% of the sales turnover, whichever is less, may be charged.
- If a report from an accountant is not provided as directed then a fine of Rs. 1 lakh may be levied.
- In case, an organization fails to deduct tax where it is supposed to while making payments then the penalty could be payment of the tax due.

These are just some of the penalties that can be levied by the Income Tax department and, in some cases, it can be a hefty sum to pay, so best thing to do is to ensure that all taxes are paid when they are due.

By:



**Naveen R.Bhat
2nd MBA**

FIN-TRUTH

SOCIAL SECURITY TAX

Social Security tax refers to the tax imposed on both employee and employer to help shoulder social security costs. During the course of an individual working life, a certain amount is deducted from their income and put into a pool of funds for social security payments. The money is not set aside for each individual, true with money taken out of a

paycheck for a retirement account. The social security tax ensures that money is available for individuals once they reach the age of retirement/ are forced to prematurely leave the workforce.

Social security tax and self- employment: -

For those who are self-employed, both the employee and employer; portion of social security tax must be paid individually. They must pay the full social security tax rate, calculated as self-employment taxes on the schedule SE form that must be submitted by all the self-employed workers.

However, the upside of self-employment is it requires paying both sides of tax is that - an above the line deduction can be made on tax form 1040. It enables a self-employed worker to adjust their income and reduce the self-employment tax by up to 50%.

Tax rates: -

There are varieties in social security taxes. They operate primarily as a sort of flat tax with every working individual paying the same percentage of amount no matter how much their earnings are. Exception to the rule is - the self-employed worker, who must pay the full social security tax – both the employer and employee portion – as discussed above.

In general, employees pay flat 6.2% tax, which is withheld from their paycheck. The employer then pays the remaining 6.2%.

Starting in 2018, all self-employed workers are charged a single flat 12.4% tax. However, it is limited up to a certain dollar amount (which is 6.2% up to the maximum wage base for the employee portion and 6.2% of the wage earnings base from the employer side).

By:



FIN-TOON



By:



Heera Sanam
2nd MBA

“Hold on, the market is shifting again!”

FIN-UNIT

DATA SECURITY AND PRIVACY

Data privacy or information privacy is a branch of data security concerned with proper handling of data – consent, notice and regulatory obligations.

There are two drivers for data privacy is one of the most significant issue in our industry

- Data is one of the most important assets of a company with the rise of the data economy. Companies find huge value in collecting, sharing and using data. Companies such as Facebook, Apple, Google and Amazon have all built empires on the top of data economy. Transparency in how businesses request consent, accept by their privacy policies and

manage the data that they've collected is vital to build trust and accountability with customers and partners who expect privacy.

- Secondly privacy is right of an individual to be free from act of surveillance. To safely exist in one's space and freely express one's opinions behind closed doors is critical to living in a democratic society.

Conclusion

Data privacy is important for numerous reasons. As a customer you need to be aware that personal data is being stored and used by a whole host of companies and make sure that not to share more information. Privacy is after all a fundamental right.

As a company, data privacy is even more important. Customer have to meet legal responsibilities about how you collect, store and process personal data and non-compliance could lead to a heavy fine. If you fall victim to a hack, consequences in terms of lost revenue and lacks customer trust could be even worse.

By:



FIN- PERSONALITY

NIVEDAN NEMPE

Nivedan Nempe, a young researcher an, entrepreneur, a philanthropist and 'The creator of Areca Tea' was born in the southern part of India, in a village called Mandagadde, located in the district of Shivamogga, Karnataka. He did his schooling from the Govt. Primary and High School of Mandagadde and pursued a Bachelor degree in Pharmacy from the National



College of Pharmacy in Shivamogga.

An impressive paper presentation at the International Pharma Conference held at Gulbarga, The Swinburne University of Technology for higher education in Goods Manufacturing and Management Technology opened its doors for him for his higher studies. After having completed his post-graduation at the Swinburne, his job as a Business Development Consultant took him across Australia, New Zealand, Hong-Kong, Bangkok and Singapore. Nivedan also had a stint as a consultant in Dubai but the love for his motherland and an ambition to serve his country brought him back to India and to the village where he was born.

Areca farming is the source of livelihood of about five lakh families in Malenadu region. Nivedan thought of alternate products that can be created out of arecanut, other than the conventional use in paan and supari. Having a pharmacy background gave him insights about the chemical properties of arecanut. His studies showed that it contains tannins and antioxidants. He did his own research, and after a few months of hard work, introduced a new member to the tea family, which was Areca Tea. It has been certified by leading laboratories to have a wide range of health benefits. Apart from antioxidants, it has been found to control cholesterol. It is beneficial for diabetic patients.

Areca Tea, launched in January 2016, has become a popular brand and has received well in India and abroad. The product is being exported to West Indies, Russia, Gulf countries, parts of the UK and also Australia. Areca Tea is currently featured in various flavors such as mint, ginger, lemon and tulsi. Nivedan is a recipient of the Make In India Excellence Award, instituted by All India Technical Management Council, Government of India for the Innovative product of the year in 2015-16.



Apart from 'Areca Tea', he has come up with Organic Cosmetic Products of bathing soaps and also paper fresheners made from arecanut husks. Nivedan said that the product is leading well in the market, with a great demand for customized paper fresheners from various organizations and film industry.

The profit from the sale of paper fresheners is contributed to the Indian Army Welfare Fund. Nivedan has also applied for a patent for a value-added product prepared out of sugarcane, which will be a lifesaver for sugarcane growers too.

When the pandemic hit and most companies started making sanitizers. Nivedan once again proved his mettle by making a sanitizer from areca. His hand sanitizer contains 70% alcohol, areca nut extract, orange oil for perfuming, and gelling agent. It also came as a big blessing to the areca growers during the lockdown.

No wonder his Areca Tea bags have an international market. The best news about him is, the head office is in his village, Mandagadde. Well, a big lesson for people out there who say there is no life in villages.

By:



Bhavya
2nd MBA

FIN- WINGS

MICROFINANCE

Microfinance is a source of financial services for an entrepreneur and small businesses. The two main mechanism for delivery of financial services to such clients are:

1. Relationship based banking for individual entrepreneur and small businesses and
2. Group based models where several entrepreneurs come together to loans and other services of model.

Microfinance is an offer to people who are interested in purchasing equipment or vehicle of high value that are required for carrying out their business activities.

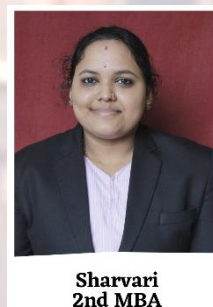
How microfinance is helping poor household: -

Micro finance is helping low-income households to stabilize their income flows and save for future needs. In good times, micro finance helps families and small business to prosper and at the time of crisis it helps them to cope and rebuild.

There are six ways Asian Development Bank (ADB) is using the power of micro finance to the field of poor communities across the region:

- i. Supporting microfinance institutions to ensure funds to low-income borrowers
- ii. Empowering women by financing micro, small and medium-sized enterprises
- iii. Delivering access to education as well as finance for rural women
- iv. Helping to rebuild post-conflict communities and revive livelihood of women
- v. Leveraging microfinance to help businesses and livelihood outside capital cities
- vi. Nurturing small businesses to help diversify economies

By:



FIN-QUIZ

**CLICK HERE TO
ANSWER**

ANSWER FOR THE PREVIOUS QUIZ

- | | |
|-----------------|----------------------|
| 1) 1992 | 9) Nirmal Sitharaman |
| 2) Eleventh | 10) Alfred Marshall |
| 3) NABARD | 11) Roshani Malhotra |
| 4) Tata Motors | 12) Injeti Srinivas |
| 5) NBC | 13) TP Rajendran |
| 6) Disney World | 14) TCS |
| 7) Clairol | 15) -7.7% |
| 8) State Farm | |

WINNER**PANCHAMI NAYAK****2nd MBA**

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