

# MRA Essay Competition



## First Runner-Up

Name : Tejasvi Soopaul

School : Forest Side SSS Girls

Title : Why is it important to be a compliant taxpayer?

In the words of Arthur Vanderbilt, "Taxes are the lifeblood of government and no taxpayer should be permitted to escape the payment of his just share of the burden of contributing thereto ." The issue of tax has always caused much concern, be it to the taxpayer or to the authority. Throughout post civilisation up to the present era, the levy of taxes has always been a bitter pill to swallow by all those who are liable to payment. By the layman's definition, tax is a compulsory contribution to the government, which is normally imposed on workers' income and on goods and services. Based on empirical research, to be tax compliant, individuals need to possess the fundamental knowhow of taxation. This essay highlights the importance of being a compliant taxpayer.

The question that is to be equally answered is - why is important to be a tax payer after all? In other words, what is the prime idea of the imposition of taxes. The concept of civilisation answers this question. In the earlier centuries, when the kings and queens have believed or were made to believe that they held their powers from God (divine Power) and were throughout to be the all-powerful, taxes were levied on crops at very high rates. The idea is to finance the expenses of the kingdom and more specifically, the wars raging at that time, between kingdoms. It looks obvious that one cannot expect to obtain the advantages of a more comfortable life merely by assuming the State will provide for all the expenses related thereto. Over the centuries, the salient feature of all governments, has been the betterment of the life of all citizens.

The most obvious reason why one must abide by the tax laws is because the government is responsible for providing the people with several services that the people need. Taxation makes up the majority of our government's income, since states and their functional equivalents throughout history have used this money provided to carry out many functions. One of which is health care; the government should build hospitals and provide different health services to the public. In communication and transportation, it is still the responsibility of the government to establish linkages of communication and transportation to the different places throughout the country. In defence, it should provide security to the people by providing the armed forces the armaments as well as establishing national defence programme. In food security; still it should ensure the production of sustainable food for the people. In sanitation, the government must establish proper sanitation for a clean environment. In the maintenance of the natural resources; it is the responsibilities of the state to utilize, ensure and protect the natural environment. In energy, the government is responsible for the sustenance of energy supply for the country's use. These are just among the many functions of the government. To deal with these, the government needs a huge amount of money to cater for all these expenses. The above-mentioned services need fund to run. The funds for paying the workforce such as the doctors, the teachers, the soldiers and the other professionals that are hired for their services. How is the government going to produce funds for this? The answer is through the method of taxation.

In addition, the contribution of the share of the taxes of all taxpayers is an act of charity, compassion and empathy towards non-workers. These include, children below 10 years old, people exceeding 65 years old and those with disabilities. Such individuals are dependent on the government for any kind of assistance. Elderly people have toiled day and night for the betterment of the economy and hence, it is the duty to reward them after retirement. For example, in Mauritius, people aging between 60 to 89, are eligible to a pension of Rs 5000, while a child under 10 years is given an allowance of Rs 1400.

# MRA Essay Competition



## First Runner-Up

Name : Tejasvi Soopaul

School : Forest Side SSS Girls

Title : Why is it important to be a compliant taxpayer?

Besides, the basic invalidity pension is Rs 5000 . Therefore, to pay such individuals, the government must look for funds. This is where taxes come into play.

Furthermore, in a society free of any inequalities, it appears most absurd for some to be tax compliant, while others try to find ways and means to either evade or use loopholes to restrict the payment of taxes to its strict minimum. Such a behaviour can only be described as most despicable and worthy of severe reprimand and punishment. In a society where the concept of taxes, in general, is well explained and understood, does it not appear most unfair and immoral for anybody to attempt to discriminate the true extent of his income to be spared of the obligation of meeting his civic duty? Donald Trump, for instance, according to the Cable News Network (CNN) Politics, explicitly acknowledged that he declared a \$916 million loss in his 1995 income tax returns to avoid paying federal income tax for years. Trump said that the tax evasion shows that he is a successful businessman. Also, he admitted being smart for doing so . On the contrary, even though Swedes pay a lot of excise duty, they have the confidence that things are done in all fairness .

Another good reason for a taxpayer to be compliant is to forge out his own peace of mind. As a matter of fact, one cannot claim to be at peace when one really knows that one is having to manipulate one's accounts either of evading taxes or skipping them altogether. When one's credibility is fraught with suspicion, one leaves traces of fraud which stick to one's reputation and squarely ruins it altogether. Is one prepared to forsake one's peace of mind only to avoid the payment of, at times, a paltry sum of money? Certainly, no one wants his or her prestige to be at risk. Also, despite being legal, tax avoidance is also subject to challenge. Arguably, the basis is that it is morally wrong to seek to avoid taxes as it defeats social responsibility . And is it right for the father figure to teach his siblings and children about ways and means of being dishonest? The question is put to one and all!

The reluctance to meet one's obligation towards the Revenue Authority is often based on the lack of proper assessment tools to ensure the income of every person is a true and faithful disclosure of such income. Are there reliable means to quantify the income of self-employed? How many times have we not heard about the sum of money generated by the "Dholl Puri" industry or the "Boulet" industry? They are the ones who are millionaires of the country. Similarly, big companies often make use of the loopholes in the law to benefit of low tax payments. On the other hand, employees with a fixed income based on a documentary evidence by way of a payslip consider themselves to be eternally mowed. The day this unfairness in the assessment procedures is abated, then possibly the reluctance to the tax payment will be diluted to some extent.

Forbye, it is important for the taxpayer to settle his dues honestly on time. The collection of taxes is a heavy burden for the authorities and is quite costly. Now, imagine how these costs increase significantly when the taxpayer tries to evade taxes. Imagine the additional resources that again must be mobilised to chase those people who try to be smarter by concealing their true revenues. Imagine the huge costs that must be incurred to bring these law breakers to face justice out of nothing else but purely egoistic behaviour on their part. Imagine the huge costs that must be borne for the setting up of other organisational framework such as the Financial Intelligence Unit, the Assets Recovery Unit and others of the same nature to track those who earn hefty amount but do not want to contribute

# MRA Essay Competition



## First Runner-Up

Name : Tejasvi Soopaul

School : Forest Side SSS Girls

Title : Why is it important to be a compliant taxpayer?

proportionally to their income. Isn't it imperative, ergo, for taxpayers to be compliant? Nevertheless, in 2007, the Mauritius Revenue Authority has launched the e-filing through smart applications facility for individual taxpayer. Hence, compared to the old traditional method, taxpayers will be prompted in their respective payment thereby saving time. Also, it helps to facilitate the task of individuals.

Today, almost every country is governed by the rule of law - meaning laws are there to be complied with. Ignorance of the law is no excuse. If therefore, the law provides for payment of taxes, in all fairness, aggrieved or not, the citizen must abide by the law. Anyone in contravention thereof, is likely to be inflicted with such punishment and penalties again provided for by law. For instance, in United Kingdom, new penalties for professional advisers who help their clients to evade taxes have come into force since 1<sup>st</sup> January 2017, as a part of a bid by the government to tackle abuses of the excise system. Accountants, bankers, lawyers and other advisers can be fined by up to the value of the tax they helped their client evade, up to a maximum of £3,000. Also, Her Majesty's Revenue and Customs (HMRC) can name and shame taxpayers who have committed offences greater than £25,000. Being tax compliant is also being law compliant. It also implies the respect one has towards the rule of the constitution. On a legalistic standpoint, no one is above the law and one must therefore comply and not complain.

Moreover, the provision of comfort to the taxpayers is the wisdom assigned to our law by the concept of the rule of law itself. One is innocent until proven guilty. On this same basis, the law provided a panoply of opportunities for aggrieved taxpayers to appeal against assessment of taxes which they deem unreasonable or abusive. There is, for instance, the Tax Appeal Tribunal which is versed with the authority to review cases referred to it for ill or improper assessment. Similarly, cases may even be referred to the Supreme Court and eventually to the Queen Privy Council for seemingly unfair assessments. Based on the above guarantee of our laws, it appears undue for anybody to abstain from being a tax-abiding citizen.

Last but not least, in Mauritius, at the end of each month, the emoluments of employees, especially for those earning above Rs 22,692, are affected by the Pay As You Earn (PAYE) system. One knows that the salary received after the deduction of taxes causes a financial shortage in one's household. As a result, people are forced to develop a personal budget. When talking about compliance, we think of moderate consumption. In other words, one will be able to engage himself or herself in an informed spending, that is, one is able to restrict oneself only to one's priorities instead of unnecessary expenditures. Hence, being tax compliant is crucial for a wise spending.

It can be concluded that it is fundamental that every individual pays his fair share of taxes. It is a way of ensuring that people have comfortable livelihoods. Even though many people think that they should not pay taxes, that money is useful for the stability of any nation. Taxes are the main revenues of the government and just like a father must work and get pay to support the family, taxes support the growing and the maintaining of the country. The payment of taxes is one of the basic civic duties of every inhabitant. In the words of Arun Jaitley, the Finance Minister of New Delhi, "Paying taxes in due time is the responsibility of every citizen and honouring honest taxpayers would bring in much needed change people's attitude regarding tax payment".