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ELITE CLASS DEVIANCE AND CRIME ACCOUNTABILITY: A STUDY OF THE WANCHOO COMMITTEE REPORT (1971)

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I. ABSTRACT

The Wanchoo Committee Report (1971), also known as the Report of the Direct Taxes Enquiry Committee constituted under the chairmanship of Justice K.N Wanchoo, was a major turning point in the Indian government's attitude towards black money and tax compliance. Formed into a scenario where high taxation rates, tax evasion, and unaccounted wealth were pressing issues, the Committee made a thorough review of the direct tax system. It coined the important term "parallel economy," pointing out the role of hidden income, corporate sector activities, benami transactions, and international financial systems in the growth of black money. The report focused on more than individual tax evaders and pointed to structural issues like policy failures, administrative deficiencies, and social tolerance of tax evasion. The report differentiated between tax evasion and tax avoidance, scrutinized tax arrears and abuse of exemptions, and proposed structural changes like taxpayer identification, mandatory audits, enhanced enforcement powers, and faster dispute resolution. This paper will discuss the Wanchoo Committee Report in the context of elite class deviance and crime accountability, suggesting that the report was one of the first to acknowledge economic crime as a challenge to governance. The report's recommendations are still valid in today's legal system dealing with benami properties, money laundering, and financial disclosure.

II. KEYWORDS

Wanchoo Committee, Black money, Parallel Economy, Tax evasion, Elite class deviance.

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III. INTRODUCTION

The issue of black money and tax evasion has been a serious concern for fiscal governance in India for a long time. Crime is generally perceived as the manifestation of physical violence or theft. However, economic crimes perpetrated by individuals and corporate bodies in positions of power can have serious repercussions on public finances, trust in institutions, and democratic accountability. Such phenomena, generally referred to as elite or white-collar deviance, function through financial manipulation, income concealment, and exploitation of loopholes in regulations.

As a result of increasing concerns about unaccounted income in the late 1960s, the Government of India formed the Direct Taxes Enquiry Committee in 1970 under the chairmanship of Justice K. N. Wanchoo. The Wanchoo Committee Report of 1971 was one of the first comprehensive efforts to investigate the causes of black money, tax evasion, and administrative deficiencies in the direct tax system. One of the most important aspects of the report was the introduction of the idea of a “parallel economy,” which brought attention to the existence of financial activities that were not regulated by official authorities.

The Committee not only made a distinction between tax evasion and tax avoidance but also examined tax arrears, abuse of exemptions, corporate manipulation, and international avenues of capital flow. The Committee made it clear that economic crime should be viewed as a systemic governance problem rather than a personal behavioral issue. The recommendations made by the Committee were aimed at institutional development, enforcement, tax policy reform, and mechanisms to improve transparency.

This paper will discuss the Wanchoo Committee Report in the context of elite economic deviance and crime accountability, analyzing how the report’s findings transformed the discourse on economic crime in India and how it still impacts the current discourse on black money, regulatory policies, and financial transparency.

A. Research Objectives

The present study seeks to examine the issue of elite class deviance and crime accountability through the analysis of the Wanchoo Committee Report, 1971. The specific objectives of the study are as follows:

1. To examine the background, objectives, and major findings of the Wanchoo Committee Report, 1971.
2. To analyse the relationship between black money, tax evasion, and elite class deviance in the Indian economic and legal context.
3. To evaluate the recommendations made by the Wanchoo Committee for controlling tax evasion, tax avoidance, and black money.
4. To study the role of tax administration and legal reforms in ensuring accountability for economic crimes committed by powerful individuals and corporate entities.
5. To assess the contemporary relevance of the Wanchoo Committee Report in present-day Indian taxation and financial regulatory frameworks.

B. Research Questions

The present study seeks to address the following research questions:

1. To what extent did the Wanchoo Committee Report reconceptualise economic crime and black money as systemic governance failures rather than merely individual acts of deviance?
2. How did the Wanchoo Committee analyse the relationship between elite class deviance, tax evasion, and the growth of the parallel economy in India?
3. Whether the recommendations made by the Wanchoo Committee were effective in strengthening tax administration and improving accountability for economic offences?
4. How far do the recommendations and observations of the Wanchoo Committee continue to influence contemporary legal and policy measures relating to black money, tax evasion, and financial transparency in India?

C. Research Methodology

The present study adopts a doctrinal-cum-historical analytical methodology to examine the issue of elite class deviance and crime accountability through the Wanchoo Committee Report, 1971. The research is primarily based on doctrinal analysis of primary legal sources, including the Wanchoo Committee Report, relevant provisions of the Income Tax Act, 1961, judicial decisions, parliamentary debates, and government reports relating to black money and tax administration in India.

The study also relies upon secondary sources such as books, journal articles, research papers, and criminological literature relating to white-collar crime, elite deviance, and taxation policy. A historical and analytical approach has been adopted to examine the socio-economic conditions that led to the constitution of the Wanchoo Committee and to analyse the continuing relevance of its recommendations in the contemporary legal and regulatory framework governing black money and financial accountability in India.

IV. MEANING AND DEFINITION OF CRIME

Crime generally refers to conduct that violates a rule or law established by the State and is punishable by legal sanctions. Crime is viewed not only as a wrong between the private parties but also as an offense against society due to its impact on public order and the well-being of society. Contemporary criminology views crime as a legal and social phenomenon.

According to James Fitzjames Stephen, "Crime is an act forbidden by law and which is at the same time revolting to the moral sentiments of society".²

Sir William Blackstone, in his work *Commentaries on the Laws of England*, provided a classical definition of crime. He described crime as "an act committed or omitted in violation of a public law either forbidding or commanding it." He further explained crime

² "Crime: Meaning, Definition, and Essential Elements under Indian Law", *Theory of Abrogation*, 13 October 2025, available at: <https://theoryofabrogation.com/4404-2/> (last visited on 26 February 2026).

as a “violation of the public rights and duties due to the whole community, considered as a community, in its social aggregate capacity.”³

According to Jerome Hall, there are some necessary elements of the definition of crime. Firstly, there must be some harm or injury to social interests. Secondly, the harm must be prohibited by penal law. Thirdly, the prohibited harm must cause some result from the intentional or reckless act of the person. Finally, there must be a legally prescribed punishment or threat of punishment for such behavior.

V. ELITE CLASS DEVIANCE MEANING AND DEFINITION

Elite class deviance is the kind of illegal, unethical, or harmful acts performed by individuals or groups who hold economic, political, or institutional power. Unlike conventional street crime, elite deviance is usually part of professional, corporate, or governmental work and may include financial chicanery, rule-breaking, abuse of power, or information concealment. Such acts are not necessarily criminal in nature but can cause considerable social and economic damage.

Criminological literature views elite deviance as a structural issue since powerful individuals have the capability to exploit loopholes in the law, stall enforcement, and reduce accountability. The issue of elite deviance underscores the interplay between power, inequality, and the selective application of the law in society.

David R. Simon explains elite deviance involves "actions committed by elites and/or the organizations they head that lead to physical, financial, or moral harm."⁴

³ Subhashini Parihar, “Definition of Crime and Its Essential Elements – Indian Penal Code”, WritingLaw, available at: <https://www.writinglaw.com/crime-ipc-definition/> (last visited on 26 February 2026).

⁴ “Elite Deviance and White-Collar Crime,” Subcultures and Sociology – Grinnell College, available at: <https://oldsitecopy.haenfler.sites.grinnell.edu/elite-deviance-and-white-collar-crime/> (last visited on 26 February 2026).

Sutherland defines white-collar crime which is a subset of Elite class deviance as "crime committed by a person of respectability and high social status in the course of their occupation". This definition later formed the basis for Elite class deviance.⁵

William Chambliss views crimes of the powerful (elite deviance) as interconnected criminal behaviors by state and economic elites, causing widespread societal harm.⁶

A. Theories Explaining Elite Class Deviance

- 1. Rational Choice Theory:** Rational choice theory suggests that white-collar crimes, a form of elite deviance, are carried out by elite offenders following a cost-benefit analysis where rewards, such as profit, outweigh low risks of detection and lenient punishments for those who are powerful. In elite settings, white-collar crimes, such as fraud, are considered normative, and elites feel they can get away with them, linking it with elite deviance.⁷
- 2. Differential Association Theory:** According to Edwin Sutherland, white-collar crimes constitute a form of elite deviance, where learning criminal skills and pro-violation attitudes from intimate elite groups, where favorable definitions of crime are present, drive elite deviance. Learning is applicable in white-collar crime, rather than pathology, and is applicable to learning among elites of high social status. Elites associate themselves with deviant subcultures, where white-collar crimes, such as embezzlement, become normative, directly leading to elite class deviance.⁸

⁵ Edwin H. Sutherland, *White Collar Crime* (Dryden Press, 1949), available at: <https://www.byarcadia.org/post/crimes-of-the-powerful-and-elite-deviance> (last visited on 26 February 2026).

⁶ Eleni Chatzi, "Crimes of the Powerful and Elite Deviance," Arcadia, available at: <https://www.byarcadia.org/post/crimes-of-the-powerful-and-elite-deviance> (last visited on 26 February 2026).

⁷ *Theoretical Perspectives on White-Collar Crime, Business Case Studies* (2025), available at: <https://businesscasestudies.co.uk/theoretical-perspectives-on-white-collar-crime/> (last visited on 4 March 2026).

⁸ *Differential Association Theory, EBSCO Research Starters* (n.d.), available at <https://www.ebsco.com/research-starters/social-sciences-and-humanities/differential-association-theory> (last visited 4 March 2026).

3. **White Collar Crime Theory:** The theory of white-collar crime, developed by Edwin Sutherland, points out the major type of elite class deviance as white-collar crime, which includes respectable individuals with high social status, such as individuals involved in fraudulent activities and embezzlement, and these behaviors have been learned and accepted due to the influence of the elite. This directly points towards the elite deviance defined by David R. Simon, which includes the harm caused by the economic domination of elites by evading accountability due to their influence and lack of sanctions, and this would include unethical business practices and damage to society as a whole.
4. **Conflict Theory:** Conflict theory points out the connection between white-collar crime and elite deviance as the power elites make laws to safeguard their own interests and criminalize the activities of the lower class, while at the same time decriminalizing their own activities, such as white-collar crime. The influence of the elites helps them to set norms for deviance, which results in state-corporate crime with minimal sanctions.⁹

VI. BACKGROUND OF THE WANCHOO COMMITTEE

The Wanchoo Committee, also known as the Direct Taxes Enquiry Committee, was constituted by the Government of India in March 1970 with the objective of examining issues of tax evasion, black money, tax avoidance, and tax arrears in India.¹⁰ The Committee was headed by Justice K. N. Wanchoo, a former Chief Justice of India.¹¹

The formation of the Committee was necessitated by the serious concerns expressed in Parliament about the inefficiency of the tax administration system in India and the growing problem of unaccounted income/black money in the economy. The

⁹ Conflict Theory, SparkNotes (2024), available at

<https://www.sparknotes.com/sociology/deviance/section5/> (last visited 4 March 2026).

¹⁰ Direct Taxes Enquiry Committee, Final Report (Ministry of Finance, Government of India, 1971).

¹¹ Kailas Nath Wanchoo, available at: <https://www.scobserver.in/judges/kailas-nath-wanchoo/> (last visited 4 March 2026)

Government decided to form a Committee of Experts to examine the issues and suggest reforms in the legal arena.

A. Composition of the Committee

The committee consisted of the following members:

1. Justice K. N. Wanchoo – Chairman
2. M. P. Chitale – Chartered Accountant
3. S. Prakash Chopra – Chartered Accountant
4. P. C. Padhi – Former Chairman of the Central Board of Revenue
5. D. K. Rangnekar – Economist and Editor of Economic Times
6. S. Narayan – Secretary to the Committee

The committee functioned under the Ministry of Finance, Department of Revenue, and submitted its final report in December 1971.

The Committee submitted its Final Report in December 1971, which turned out to be a very important document on taxation reforms in India.

B. Objectives and Terms of Reference

The Wanchoo Committee was given several important tasks by the Government. The main objectives of the Wanchoo Committee were:

1. To recommend effective measures for detecting and preventing black money.
2. To examine methods of tax evasion and tax avoidance.
3. To suggest measures to reduce tax arrears and to improve collection.
4. To examine exemptions and deductions under tax laws and suggest modifications or withdrawals.¹²
5. To recommend improvements in tax administration and assessment.

¹² Direct Taxes Enquiry Committee, Final Report (Govt. of India, Ministry of Finance, Dec. 1971), available at <https://the1991project.com/sites/default/files/2023-07/1972%20Wanchoo%20Committee%20Report.pdf> (last visited 4 March 2026).

The terms of reference for the Wanchoo Committee were not restricted to merely detecting tax evasion; it was a wider assignment in terms of examining the overall structure of direct taxation in India.

C. Economic Context Leading to the Committee

In the latter half of the 1960s and the early 1970s, there was a rapid increase in the rate of tax evasion and the creation of black money in India. The reasons for this can be summarized as follows:

1. Very high rates of taxation, sometimes even touching 90%.
2. Extensive government regulations.
3. Lack of proper enforcement of taxation laws.
4. Inefficient management of taxation.

All of this led to a situation where taxpayers felt compelled to avoid paying their taxes and living outside the official financial system of the country.

The government felt that the problem warranted serious investigation, which led to the formation of the Wanchoo Committee.

D. Methodology Adopted by the Committee

The committee took a holistic approach in dealing with the issues of tax evasion and black money. The methodology followed by the committee was:

1. Sending questionnaires to economists, experts in taxation, and government functionaries.
2. Investigating the work of the Income Tax Department.
3. Investigating how other countries deal with taxation.
4. Collecting statistical data related to taxation.

By conducting an extensive investigation in dealing with issues of tax evasion and black money, the committee tried to pinpoint the weaknesses in the Indian taxation system.

E. Importance Of the Wanchoo Committee Report

The Wanchoo Committee Report is said to be a milestone in the development of tax policy in India. The committee offered an in-depth study on the causes of black money and tax evasion and presented a list of reforms that could be made to better the tax system.

Some of the suggestions made by the committee were implemented and helped shape legislative and administrative reforms in India, including better tax investigation and tax evasion laws. The report has thus been instrumental in shaping the tax administration framework in India.¹³

VII. BLACK MONEY AND TAX EVASION

The second chapter of the Wanchoo Committee Report (1971) discusses the issue of black money and tax evasion in India. The Committee stated that the creation of black money was posing a grave challenge to the Indian economy. Black money was posing challenges for the proper functioning of the tax system.

The Committee stated that the concept of black money was not defined under any specific law. However, it generally refers to the income that is not disclosed or is earned through undisclosed sources. Income that is not disclosed in the records is not taxed.

The Committee stated that tax evasion and the creation of black money are related concepts. Tax evasion generates black money, while the creation of black money also promotes tax evasion.

Tax evasion is the illegal and deliberate act of concealing income, falsifying financial records, and misrepresentation of financial transactions in order to evade tax. It is a deliberate and conscious breach of tax laws and hence amounts to an offense under tax laws of any country.

¹³ “Wanchoo Committee Report on Black Money”, available at: <https://indianliberals.in/forum-of-free-enterprise/wanchoo-committee-report-on-black-money-h-p-ranina.pdf> (last visited 5 March 2026).

A. Meaning and Nature of Black Money

Wanchoo Committee has clarified that black money can be generated from a number of sources and can assume many forms. Generally, black money refers to:

1. Income received, but not disclosed for taxation
2. Income received from illegal sources
3. Income that is partially concealed by manipulating the accounts
4. Wealth accumulated without disclosure in the books of account

Further, the committee has clarified that black money can be in the form of:

1. Cash in hand
2. Investment in gold, jewels, and precious stones
3. Investment in land and buildings purchased with black money
4. Investment in business assets that are not disclosed in the books of account

Thus, black money is a parallel economy that operates independently in the real world.

B. Growth of the Parallel Economy

The Wanchoo Committee has cautioned that with the growth of black money at a rapid rate, a parallel economy has emerged, which operates on its own and is not connected to the conventional economic system.

The committee noted that economic activity has been carried out outside the conventional framework and has been unrecorded. This parallel economy has been maintained by:

1. Secret deals and cash transactions
2. Under-reporting of income
3. Illegal commissions and kickbacks
4. Smuggling and foreign exchange violations

The presence of such an underground economy not only affects the revenue base of the government but also affects economic planning.

C. Causes of the Black Money and Tax Evasion

The Wanchoo Committee identified various factors that contributed to the creation of black money in the country. One of the key factors that contributed to the creation of black money was the high rate of taxation. In some cases, even a 90 percent-plus tax rate (equivalent to 97.75 percent) with the addition of income tax, surtax, and wealth taxes provided a strong incentive to conceal income. This encouraged taxpayers to evade income tax so that they could reduce their tax burden. The high tax rates provided an incentive for people to evade taxes. From the perspective of Rational Choice Theory, such conduct may be understood as a calculated decision in which influential taxpayers considered the economic benefits of concealment to outweigh the risk of detection and punishment. =

The second key factor identified by the Wanchoo Committee was the complexity of the tax laws. This complexity allowed taxpayers to take advantage of the loopholes in the tax laws. The committee also identified that government controls, licensing, and regulations provided opportunities for illegal transactions. In the context of Conflict Theory, these structural weaknesses reflected how economically powerful groups were often in a position to exploit legal and administrative loopholes more effectively than ordinary taxpayers.

In addition, the Wanchoo Committee identified that the poor enforcement mechanism of the tax department contributed to the creation of black money. The persistence of weak enforcement mechanisms also supports the criminological view that elite offenders are often able to avoid accountability because of their economic influence and institutional advantages.

D. Effects of Black Money

According to the Wanchoo Committee, black money has important economic and social implications. The first important consequence is the loss of revenue, which has a negative impact on the overall development and well-being of society.

Black money causes inflationary problems because, in many cases, black money is spent on excessive consumption and speculation. Moreover, black money causes inequality in society because wealth is concentrated in the hands of a few people.

According to the committee, black money promotes illegal activities like smuggling, corruption, and speculation, thereby damaging the overall integrity of the economy.

E. Extent of Black Money and Tax Evasion

The Wanchoo Committee recognized that it was extremely difficult to ascertain the actual amount of black money and tax evasion in India since this income is intentionally concealed and is not officially recorded. The committee relied on earlier studies and statistical data to gauge the actual extent of this evil. The committee cited an estimate made by an economist named Nicholas Kaldor, which stated that the loss in income tax revenue due to tax evasion was estimated to be around ₹200-₹300 crores in the financial year 1953-54.

The committee also made an estimate of this issue and concluded that the amount of income being evaded from taxation had increased manifold over the years. The committee estimated, based on available data, that the amount of assessable non-salary income in India during the financial year 1961-62 was ₹2,686 crores, while the actual amount of income being assessed during this period was only ₹1,875 crores. This showed that a huge amount of income was still not being taxed. The committee estimated that during the financial year 1965-66, the amount of income being evaded from taxation was around ₹1,200 crores. This showed that this evil of black money and tax evasion had reached alarming issue in India.

F. Suggestions Given to Control the Problem of Black Money and Tax Evasion

The committee recommended the following measures to deal with the problems of black money and tax evasion.

- 1. Reduction in Tax Rates:** The committee recommended the reduction of high tax rates to encourage voluntary compliance and discourage tax evasion.

2. **Voluntary Disclosure Schemes:** Taxpayers should be given the option to disclose their concealed income and pay tax on the same with certain penalties.¹⁴
3. **Compulsory Maintenance and Audit of Accounts:** Businesses must maintain proper books of accounts and be subjected to compulsory audit to ensure transparency in financial dealings.
4. **Introduction of Permanent Account Number:** The committee recommended the introduction of permanent identification numbers for taxpayers, which later came to be known as PAN in India.
5. **Strengthening Search and Seizure Powers:** The Income Tax Department should be given more power to deal with tax evasion and seize assets of those indulging in such activities.¹⁵
6. **Coordination Between Banks and Tax Authorities:** Coordination between banks and tax authorities will help in detecting concealed income and thereby curb tax evasion.

The analysis done by the Wanchoo Committee on the issue of black money and tax evasion is considered to be of utmost importance in understanding the problems being faced by the tax system in India. The identification of the problems and their solutions, which were recommended, served as the basis for many such reforms that were undertaken to enhance the administration of direct taxation in the country.

VIII. TAX AVOIDANCE

Tax avoidance takes place when the taxpayer makes financial transactions in such a manner that he or she avoids or minimizes the payment of taxes while still being within the boundaries of the law. However, such activities are against the true spirit of the law.

¹⁴ Supra note 11 at 12.

¹⁵ Ministry of Finance, Department of Revenue, Government of India, "Measures to Tackle Black Money in India and Abroad" (White Paper, 2012), available at https://dor.gov.in/files/inline-documents/Measures_Tackle_BlackMoney.pdf (last visited March 5, 2026).

The Wanchoo Committee has pointed out that many rich and corporate taxpayers often enter into complex financial transactions to minimize their income for taxation. This can be done in the following ways:

1. Diverting income to family members
2. Transferring assets to spouses or minor children
3. Creating trust
4. Restructuring corporate business for tax benefits
5. Manipulating capital gains and business income

Although such activities are technically within the law, they undermine the whole concept of fairness in taxation and burden honest taxpayers

IX. MAJOR METHODS OF TAX AVOIDANCE

The Wanchoo Committee also pointed out that several methods of tax avoidance have been employed by taxpayers. Some of the methods include the following:

A. Tax Avoidance through Hindu Undivided Families (HUF)

The most important tax avoidance, which the committee recognized, was the tax avoidance done through Hindu Undivided Families (HUF).

According to the Income Tax Act, HUF is considered a separate taxable unit. This section of the income tax act has been widely used for tax avoidance, as individuals would declare their income for many HUFs, thereby reducing their tax liability.

The Wanchoo Committee recognized that the tax laws were being misused by the wealthy, as they would evade tax by distributing their income among many family members, yet controlling the assets themselves. This practice may also be understood through Sutherland's Differential Association Theory, which explains that deviant practices are often learned and normalized within influential social and professional groups. The repeated use of HUF arrangements among wealthy families contributed to the normalization of tax avoidance practices within elite economic circles.

The committee recommended the tightening of the laws regarding HUF taxation to curb the practice of tax avoidance.

B. Clubbing of Income of Spouse and Minor Children

Another form of tax avoidance was the practice of gifting assets to spouses and minor children with the objective of taxing such income at lower rates.

The Wanchoo Committee noted that such gifting was often not for valid business reasons but with the sole intent of tax avoidance.

In order to prevent such tax avoidance, the committee recommended that provisions of clubbing of income under the Income Tax Act should be strengthened to tax the income of the original owners of assets.

This recommendation was reflected in Section 64 of the Income Tax Act, 1961, which specifically addresses the issue of clubbing of income.

C. Tax Avoidance through Trusts

Another area which was looked into by this committee was tax avoidance through charitable trusts and private trusts.

For example, it was found that individuals had entered into trusts and had transferred assets which had the capability to generate income, and yet they had managed to control these funds. This had enabled them to lower their tax liabilities.

While trusts can be used for charitable purposes, it was noted by this committee that trusts were being misused as a tool to avoid tax.

The Wanchoo Committee had suggested that there should be stricter control over trusts and their transactions.

D. Tax Avoidance by Companies and Partnerships

Corporate bodies were also found to be involved in tax avoidance, and the strategies included:

1. Manipulation of intercompany transactions
2. Transfer of profits between companies
3. Excessive deduction and allowances
4. Structuring of partnerships to avoid tax payment

The committee highlighted the need to review the tax payment process for firms and companies, such that artificial means of avoiding tax payment are not created.

For instance, the committee recommended the need to establish strict rules on the taxation of corporate bodies and the income generated by partnerships.

E. Capital Gains and Casual Receipts

Another area that the Wanchoo Committee examined is capital gains and casual receipts, which in some ways offered possibilities of tax avoidance.¹⁶

There were also attempts to treat income that is otherwise taxable as capital gains, which are subject to differential treatment. Similarly, there were attempts to treat receipts as casual or non-recurring to avoid taxation.

Clear legal definitions and provisions of regulations in this area are also proposed.

X. COMMITTEE RECOMMENDATIONS TO PREVENT TAX AVOIDANCE

In order to curb the practice of using the provisions of the law for the purpose of tax avoidance, the Wanchoo Committee has made the following recommendations:

1. **Strengthening Anti-Avoidance Provisions:** The tax laws should be strengthened in the sense that loopholes are plugged in the laws, which are used by taxpayers to reduce their tax liability.
2. **Clubbing of Income:** Income given to spouses or minor children should be included in the taxable income of the person who has given the assets.

¹⁶ Supra note 11 at 73.

3. **Regulation of Trusts:** Tax laws with regard to trust should also be strengthened in the sense that it is not used for the purpose of tax avoidance.
4. **Revision of Corporate Tax Provisions:** Tax laws with regard to corporations should also be strengthened in the sense that corporations are not able to manipulate their profits or take advantage of the loopholes in the law.
5. **Clearer Legislative Framework:** The tax laws should also be framed in a clear and simple manner in order to avoid the practice of tax avoidance.

However, it is also recognized in the Wanchoo Committee that although tax avoidance is technically legal, it is against the spirit of the taxation laws since it enables a taxpayer to evade his or her fair tax responsibility. Accordingly, it is important to include provisions in law that prevent tax avoidance.

The recommendations provided in this chapter were instrumental in shaping future Indian tax laws and in strengthening them to prevent tax avoidance.

XI. TAX ARREARS

The Wanchoo Committee has given significant attention to the issue of tax arrears in its report, and tax arrears have been defined as taxes that have been levied but have not been paid over a significant period of time. The committee noted that the growing tax arrears have become a major issue for the government, causing the efficiency of the tax system to suffer.

The huge tax dues not only result in the loss of government revenue but also give the impression that tax laws are not being enforced properly.

A. Causes Of Tax Arrears

In the report of the Wanchoo Committee, the accumulation of tax arrears in India was attributed to the weaknesses in the administration of the Indian tax system. The first factor was the delay in the procedures for assessing the taxes, as the complex procedures often delayed the determination of the tax liabilities. Another factor was the large number

of appeals made by the taxpayers, which delayed the recovery of the taxes for many years.¹⁷

The Wanchoo Committee further observed that the failure of the recovery mechanism and the inadequate power of the tax authorities made the recovery of the arrears difficult. Another factor was the shortage of well-trained personnel in the Indian tax department, which contributed to the accumulation of the tax arrears. In addition, the failure of the taxpayers to pay the taxes was attributed to the deliberate avoidance of the tax payments by the taxpayers.

B. Administrative Weaknesses in Tax Recovery

The Wanchoo Committee observed that there were various administrative shortcomings in tax recovery. These were:

1. Absence of trained staff for tax recovery
2. Insufficient monitoring of tax recovery officers
3. Deficiencies in record-keeping and accounting methods
4. Inadequate coordination among various departments

It was observed that strengthening administrative mechanisms was crucial for better tax recovery.

C. Legal Powers for Recovery of Tax Arrears

The committee studied the legal provisions relating to the collection of unpaid taxes under the Income Tax Act. The committee observed that although there were some provisions, they were not being utilized effectively.

Some of the important legal provisions available for this purpose were:

1. Attachment of property belonging to the taxpayer
2. Recovery proceedings similar to those in the recovery of land revenue

¹⁷ Id at 89.

3. Prosecution of tax defaulters

However, it was observed that these powers had to be exercised more effectively along with administrative procedures

D. Effects of Tax Arrears

The Wanchoo Committee also emphasized that tax arrears have important implications for the government as well as the entire fiscal system. The first effect of tax arrears is the reduction in the revenue generated by the government, which limits the resources available for developmental programs. Tax arrears also have an adverse impact on the reputation of the tax system, as the long period of tax recovery gives the impression that tax rules are not strictly followed.

In addition, the presence of tax arrears may also promote tax evasion, as taxpayers may think that tax payments can be delayed without any adverse consequences. According to the committee, tax arrears may also have an adverse impact on the entire fiscal system, as the tax revenue may not be realized in the current financial year.

E. Suggestions to Recover the Tax Arrears

In order to solve the problem of tax arrears, several reforms were recommended by the Wanchoo Committee.

- 1. Strengthening Recovery Machinery:** The Wanchoo Committee recommended that the recovery machinery in the Income Tax Department should be strengthened by appointing officers who are responsible for recovery.
- 2. Better Supervision and Control:** It was recommended by the committee that there should be better supervision and control by senior officials in order to solve tax arrears.
- 3. Provisional Attachment of Property:** The Wanchoo Committee suggested that tax authorities should have the power to provisionally attach the properties of taxpayers in order to recover tax arrears.

4. **Improved Accounting and Monitoring Systems:** The committee recommended that there should be improved accounting and monitoring systems in order to solve tax arrears.
5. **Prosecution of Persistent Defaulters:** In cases where taxpayers deliberately did not pay tax, stronger steps should be taken to prosecute them in order to solve tax arrears.

F. Importance of Effective Tax Recovery

The Wanchoo Committee has stressed that “for the integrity of the system of taxation, it is essential that taxes be recovered efficiently.” If the taxpayers feel that taxes not paid would not be recovered effectively, it may lead to widespread evasion of taxes.

Therefore, it is essential to effectively enforce tax laws and recover taxes to ensure a fair and efficient taxation system.

The Wanchoo Committee’s examination of tax arrears also underscored the necessity of both administrative and legal reforms to strengthen tax recovery in India. In this regard, it is important to note that the committee’s examination of tax arrears and its recommendations to strengthen tax recovery also contributed significantly to the development of a more efficient tax administration in India.

Many of the recommendations of this committee have also implemented to improve the efficiency of the Income Tax Department and to ensure timely collection of taxes.

G. Review Of Exemptions and Deductions

In the Wanchoo Committee Report, the exemptions and deductions provided under the direct tax system are discussed. In their report, the committee states that even though certain exemptions are provided for the promotion of economic growth and for providing welfare benefits, the large number of exemptions and deductions has complicated the tax system and has also provided room for tax evasion.

Exemptions and deductions help reduce the tax liability for individuals and businesses. Even though exemptions and deductions are provided for certain valid reasons, they can

also be misused if not regulated properly. In this regard, the Wanchoo Committee has studied the exemptions and deductions provided and has recommended certain changes for the proper functioning of these provisions.

H. Exemptions Under the Income Tax Act, 1961

The committee studied various exemptions provided under the Income Tax Act of 1961, especially those provided under Section 10 of the act, which exempts various incomes from taxation.

Some of the major exemptions considered by the committee were:

1. Agricultural income is not included under central income taxation
2. Casual receipts
3. Gratuity paid to employees¹⁸
4. House Rent Allowance
5. Special allowance paid to employees
6. Income of various provident funds and superannuation funds

According to the committee, though various exemptions were justified, there were possibilities of taxpayers taking advantage of exemptions to avoid taxation.

I. Deductions in Computing Gross Total Income

Besides these, the tax system has also included the aspect of deductions, which helps in reducing the tax liability while calculating the gross total income of the taxpayer.

The Wanchoo Committee studied the aspect of deductions with respect to various heads of income, such as:

1. Salaries
2. Income from house property
3. Business or professional income
4. Capital gains

¹⁸ The Income Tax Act, 1961 (Act No. 43 of 1961), s.10.

5. Income from other sources

The committee observed that certain deductions, such as those with respect to business expenses and depreciation, were being misused to reduce the tax liability artificially.

J. Exemptions Under the Gift Tax, Wealth Tax and Excise Duty

The Wanchoo Committee also examined exemptions in other direct tax legislation:

1. Wealth Tax Act
2. Gift Tax Act
3. Estate Duty Act

Exemptions were allowed for:

1. Self-occupied residential properties
2. Certain investments
3. Insurance policies
4. Gifts up to a certain amount

Although the exemptions provided relief to taxpayers, the committee found that they could be misused to minimize tax liability by entering into artificial transactions.

K. Misuse Of Exemptions for Tax Avoidance

The committee concluded that there were too many exemptions and deductions, which had led to tax avoidance and complexity in the tax system. The tax system had encouraged individuals to arrange their financial affairs in such a manner that they could benefit from the exemptions and deductions without meeting their actual purposes.

This had led to tax avoidance and had undermined the tax system because it had allowed individuals to avoid paying taxes in full.

L. Recommendations Given by the Wanchoo Committee

To overcome these issues, the Wanchoo Committee has made several recommendations, such as:¹⁹

1. Reviewing and rationalizing exemptions to ensure only necessary provisions are included in the tax system.
2. Reviewing exemptions frequently used for tax avoidance and either removing or amending them.
3. Simplifying tax laws to reduce their complexity.
4. Enforcing stricter monitoring systems to avoid the misuse of deductions.
5. Reviewing exemptions to ensure they are only granted for valid economic or social grounds.

The above-mentioned recommendations of the Wanchoo Committee were made to improve the fairness, simplicity, and effectiveness of the direct tax system.

The Wanchoo Committee has analyzed the exemptions and deductions made in the income tax system, and it has been found that there must be a balance between the exemptions and the income tax system. Though some exemptions are necessary for the economic and social development of the country, excessive or inefficient exemptions can undermine the income tax system and lead to tax avoidance.

The Wanchoo Committee has made several recommendations to improve the integrity of the income tax system and to ensure the equitable distribution of the tax burden.

XII. TAX ADMINISTRATION

The Wanchoo Committee Report, however, has emphasized the aspect of tax administration, which, according to the committee, is an important factor for ensuring the effective implementation of tax laws. The committee found that even if tax laws are

¹⁹ Supra note 11 at 111.

made, they would not be able to serve their purpose if the administrative machinery for their implementation is inefficient or disorganized.

Accordingly, the committee made an in-depth study of the structure and functioning of the Income Tax Department and suggested reforms for its improvement.

A. Historical Background of Tax Administration

The Wanchoo Committee found that the Indian system of tax administration developed during the colonial period, and there had been significant changes in this system since India gained independence. With the expansion of the Indian economy and the complexities of tax laws, the responsibility of the Indian tax administration has increased substantially.

The Wanchoo Committee, however, found that administrative reforms had not kept pace with these developments. Consequently, the Indian tax administration had to face several issues, such as:

1. Shortage of trained personnel
2. Insufficient supervision and coordination
3. Delays in assessment and recovery procedures

These issues affected the efficiency of the Indian tax system.

B. Organizational Structure of the Income Tax Department

The committee studied the organizational structure of the Income Tax Department, which comes under the Central Board of Direct Taxes (CBDT), which is part of the Ministry of Finance.

CBDT is responsible for:

1. Formulating policies regarding direct taxes
2. Supervising the implementation of tax laws²⁰

²⁰ Id at 127.

3. Issuing instructions and guidelines to tax officials

Under the CBDT, there is a chain of tax officials:

1. Commissioners of Income Tax
2. Assistant Commissioners
3. Income Tax Officers
4. Administrative staff

According to the committee, it is essential to have an organizational structure to run the department efficiently.

C. Investigation and Intelligence Mechanisms

The importance of investigation and intelligence units in tax administration was emphasized by the Wanchoo Committee to curb tax evasion and black money.

To strengthen the investigation and intelligence units, the committee suggested:

1. Setting up investigation units
2. Improvement in data collection and analysis
3. Better coordination between government agencies

This will help tax officials to identify suspicious transactions and detect tax evasion.

D. Audit and Internal Control Systems

The committee has also laid emphasis on the role of internal audit and supervision in the administration of taxation.

A good audit system will ensure:

1. Proper assessment of taxes
2. Proper administration of procedures
3. Early detection of irregularities and errors

The committee has recommended the need to enhance the internal audit systems and introduce better supervision of tax officials to ensure accountability in the department.

E. Training and Personnel Development

The Wanchoo Committee has recognized the need for efficient tax administration, which depends on the efficiency and integrity of tax officials.

The committee has recommended:

1. Better recruitment procedures
2. Specialized training programs for tax officers
3. Better pay scales and service conditions

The training institutions like the IRS training academy were considered important for the development of efficient and professional tax administration.

F. Facilities and Equipment

The committee noted the absence of proper facilities and the need for the tax offices to be equipped with the latest technology and facilities to function efficiently.

The committee recommended the improvement of:

1. Office facilities
2. Record-keeping facilities
3. Availability of statistical and research data
4. Availability of technological facilities for tax administration

Such facilities would enable the tax authorities to discharge their duties more effectively.

G. Taxpayer Assistance and Public Relations

The Wanchoo Committee highlighted the need for tax administration to discharge its duty not only to enforce tax laws but also to assist the taxpayer in the discharge of their duty.

The committee recommended the following:

1. Providing guidance to the taxpayer on tax procedures
2. Improving communication between the taxpayers and the tax authorities

3. Arranging public education on taxation

Such measures would encourage the taxpayer to comply with tax laws and would also prevent any conflict between the taxpayer and the tax authorities.

According to the Wanchoo Committee, it is essential to have an effective tax administration to ensure the success of any taxation system. The committee made recommendations regarding improvements in the structure, investigation, training of employees, and assistance to taxpayers. The committee's recommendations were made to ensure an efficient tax administration in India.

Some of the recommendations made in this chapter were implemented in the administrative reforms of the Income Tax Department.

XIII. SUMMARY OF SUGGESTIONS OF WANCHOO COMMITTEE

The Wanchoo Committee made several recommendations to develop a direct taxation system in the country and to curb the issue of black money and tax evasion.²¹

One of the main recommendations made by the Wanchoo Committee was the reduction of the excessively high tax rates, as it was one of the primary reasons for tax evasion. A low and reasonable tax rate would help in encouraging voluntary compliance.

The Wanchoo Committee also recommended the strengthening of the powers of the tax authorities, particularly in the context of search and seizure, in order to detect the undisclosed income and assets. In addition, the Wanchoo Committee also recommended the compulsory audit of the accounts of businesses in order to promote transparency in financial transactions.

Another important suggestion was the improvement in the administration and coordination of the different agencies of the government, which included banks and

²¹ Rajya Sabha Debates, "Discussion on the Wanchoo Committee Report and Taxation Issues," Parliamentary Debates, Vol. 81, 1 September 1972, pp. 178-232, available at: https://rsdebate.nic.in/bitstream/123456789/463330/1/PD_81_01091972_23_p178_p232_17.pdf (last visited on March 9, 2026).

financial institutions. In this way, the authorities could detect the amount of income that was being concealed and, therefore, evade taxes.

The Wanchoo Committee also suggested that the exemptions and deductions provided in the tax laws should be reviewed and rationalized, as this had led to a weakening of the tax system, allowing people to evade taxes. However, exemptions that had some genuine purpose should only be continued.

Lastly, the Wanchoo Committee also suggested strengthening the administrative machinery of the Income Tax Department, which included the training of officers and the provision of assistance to taxpayers. All these suggestions were considered necessary in order to improve the system of tax compliance and the enforcement of tax laws in the country.

XIV. CASE LAWS

A. Commissioner of Income Tax v. Durga Prasad More (1971)²²

In the case of CIT v. Durga Prasad More, the assessee had claimed that certain properties had been transferred to his wife and that the income from the properties should be assessed in the hands of the wife rather than the assessee. The Income Tax Department suspected that the transfer of the properties was merely for the evasion of tax liability, and the income was under the control of the assessee. The matter was taken to the Supreme Court, and the main issue in the case was whether the tax authorities were bound to accept the legal form of the transaction. The Supreme Court held that the tax authorities were entitled to examine the surrounding circumstances of the transaction and determine its real nature rather than merely accepting its apparent legal form.

The Court further held that where a transaction appears to have been designed to conceal income and evade taxes, the authorities are entitled to look beyond the formal documentation and apply the test of human probabilities. The judgment significantly

²² CIT v. Durga Prasad More, (1971) 1 SCC 626.

entrenched the doctrine of substance over form and formally strengthened the application of the 'test of human probabilities' in Indian income tax jurisprudence.

B. McDowell & Co. Ltd. v. Commercial Tax Officer (1985)

In the case of *McDowell & Co. Ltd. v. Commercial Tax Officer*²³, the appellant company had arranged for purchasers of liquor to pay excise duty directly to the excise authorities for obtaining distillery passes required for the removal of liquor from the warehouse. The company thereafter excluded the amount of excise duty paid by the purchasers from its taxable turnover while calculating liability under the Andhra Pradesh General Sales Tax Act, 1957. The tax authorities challenged this arrangement, contending that the excise duty formed part of the company's turnover and that the arrangement was adopted to avoid tax liability.

The Supreme Court had to determine whether such an arrangement constituted legitimate tax planning or a colourable device for tax avoidance. The Supreme Court held that tax planning is legitimate only when it is within the framework of the law, but any colorable device to evade tax cannot be permitted. The judgment is highly critical of artificial schemes to evade tax and emphasizes the need to look at the substance of transactions rather than the mere form of the practice.

Sumati Dayal v. Commissioner of Income Tax (1995)

In the case of *Sumati Dayal v. Commissioner of Income Tax*²⁴, the assessee claimed that she had received substantial income from Jackpot and Treble winnings at licensed Turf Clubs in Bangalore, Madras, and Hyderabad over a period of time. The assessee relied upon certificates issued by the race clubs and related documents to support her claim. However, the Income Tax Department doubted the genuineness of the winnings and

²³ (1985) 3 SCC 230.

²⁴ *Sumati Dayal v. Commissioner of Income Tax*, (1995) 214 ITR 801 (SC).

contended that the alleged race winnings were in reality undisclosed income introduced in the guise of prize money.

The matter ultimately reached the Supreme Court, where the issue was whether the documentary evidence produced by the assessee was sufficient to establish the genuineness of the transactions. The Supreme Court applied the “test of human probabilities” laid down in *CIT v. Durga Prasad More* and held that the alleged winnings were improbable and unrealistic in the ordinary course of human conduct. Accordingly, the tax authorities were justified in treating the amount as undisclosed income.

C. R.K. Garg and Ors. Vs Union of India (1981)

In the case of *R.K. Garg v. Union of India*²⁵, the constitutional validity of the Special Bearer Bonds (Immunities and Exemptions) Act of 1981 was challenged in the Supreme Court of India. The Act was introduced in the Indian Parliament by the Government with the objective of unearthing the black money in the Indian economy and bringing the unaccounted assets into the mainstream of the Indian economy by giving an option to citizens to invest their unaccounted income in bearer bonds without disclosing their identity and the source of income. The petitioners in the case challenged the Act in the Supreme Court of India, stating that the Act was in violation of the “right to equality” under Article 14 of the Indian Constitution, as the Act gave immunity from prosecution and taxation of income to individuals who had black money in their possession.

The Supreme Court of India held the Act to be valid and observed that economic legislation needs to be appreciated more by the judiciary. The observation of the Supreme Court was that the Government was trying to bring the black money into the mainstream of the Indian economy, and hence the Act could not be struck down. The rationale for the judgment was that the government was trying to bring the black money into the mainstream financial system, and hence the Act could not be struck down merely because

²⁵ (1981) 4 SCC 675.

of the grant of certain immunities. This judgment is important for understanding the latitude that the legislature has in economic and taxation matters.

D. State of Maharashtra v. Natwarlal Damodardas Soni (1980)

In the case of the State of Maharashtra v. Natwarlal Damodardas Soni²⁶, the Anti-Corruption Bureau raided the residence of the respondent and recovered 100 gold bars with foreign markings kept in a jacket in a steel trunk. The respondent claimed that the gold was not his, and also that the search was carried out by the police without authority. Even though the respondent was convicted, the Bombay High Court acquitted the accused on the ground that the prosecution had not sufficiently proved the illegal import of gold. In the Supreme Court, the accused was convicted on the ground that though the search was illegal, the gold was not inadmissible as evidence, and the fact that the gold had foreign markings and was pure was a circumstance that proved the respondent had the gold in conscious possession.

XV. SUMMARY OF THE KEY RECOMMENDATIONS OF THE WANCHOO COMMITTEE

The Wanchoo Committee provided several important recommendations to improve the direct taxation system in India and limit the increase of black money and tax evasion. The main recommendations of the committee regarding the direct taxation system in India are as follows:

- 1. Coordination between Banks and the Income Tax Department:** The committee recommended that banks and the Income Tax Department should be coordinated to identify concealed income. The committee also recommended that any financial transaction above ₹5,000 should be documented and that the taxpayer identification number should be linked to the bank accounts to monitor the financial activities of the taxpayers.

²⁶ State of Maharashtra v. Natwarlal Damodardas Soni, (1980) 4 SCC 669.

2. **Changes in Income Tax Return Forms:** The committee recommended that the income tax return forms should be provided with additional information for taxpayers who earn more than ₹15,000. The income tax return forms for taxpayers who earn more than ₹15,000 should be provided with details regarding income that is exempt from taxation and personal expenses.
3. **Stringent Provisions under the Stamp Act:** The committee noted that property transactions were often used as a means of concealing black money. It recommended the implementation of stricter provisions under the Stamp Act, including the imposition of penalties for undervaluation of property and periodic valuation of the market value of land and buildings.
4. **Measures to Address Foreign Exchange Violations:** The committee noted the role of illegal foreign exchange transactions in facilitating tax evasion. It recommended the implementation of stricter regulations to address foreign exchange violations. Subsequent developments in this area led to a series of reforms in the regulation of foreign exchange, resulting in the enactment of the Foreign Exchange Management Act of 1999.²⁷
5. **Tax Treaties for Exchange of Information:** The committee noted the need for India to enter into tax treaties with foreign countries with a view to exchanging information regarding cases of tax evasion.
6. **Reduction of Excessively High Tax Rates:** The committee noted that high tax rates led to evasion. It therefore recommended reducing these high rates in order to encourage voluntary compliance.
7. **Introduction of Permanent Account Number (PAN):** The committee recommended that a permanent account number be introduced in order to track financial transactions and identify cases where income has been concealed. This led to the introduction of the Permanent Account Number (PAN).

²⁷ Wanchoo Committee Report (Direct Taxes Enquiry Committee, Govt. of India, 1971), available at <https://www.scribd.com/document/696854384/WANCHOO-COMMITTEE-REPORT> (last visited March 10, 2026).

8. **Compulsory Audit of Business Accounts:** The committee recommended that business accounts be compulsorily audited in order to verify income declaration.
9. **Strengthening Search and Seizure Powers:** The committee proposed strengthening the search and seizure powers of the tax authorities in order to detect undisclosed income and assets.
10. **Improvement of Tax Administration:** The committee stressed the need for strengthening the administrative machinery of the Income Tax Department through better training of officers, strengthening of investigation machinery, and better coordination of government agencies.

XVI. CRITICAL EVALUATION OF THE WANCHOO COMMITTEE REPORT

The Wanchoo Committee Report of 1971 is considered to be one of the first attempts to study and deal with issues related to black money, tax evasion, and issues related to tax administration in India. The committee's report included an extensive study on black money, tax evasion, and their impact on Indian taxation. The committee's recommendations included some major changes to improve the direct taxation system. The recommendations made by the committee, which included improving tax administration, lowering excessively high tax rates, and improving investigative mechanisms, reflected a pragmatic approach to dealing with the structural issues faced by the Indian taxation system.

In criminological terms, the report represented an early recognition of elite class deviance as a systemic governance issue rather than merely an individual moral failing. The committee's analysis of concealed wealth, abuse of legal loopholes, and institutional weaknesses reflected concerns similar to those raised in White Collar Crime Theory and Conflict Theory regarding the ability of economically powerful groups to influence and evade regulatory mechanisms.

The Wanchoo Committee has made important contributions, especially by emphasizing the importance of developing stronger administrative mechanisms, which included improving training for tax officials, coordination between financial institutions and tax authorities, and improving powers for search and seizure. These recommendations have played an important role in developing later events regarding taxation in India.

The Wanchoo Committee also made significant contributions through their emphasis on the need to strengthen the existing administrative mechanisms, including the need to provide better training to tax officers, greater coordination between financial institutions and tax authorities, and the need to strengthen the search and seizure powers of tax officials. The recommendations of the Wanchoo Committee played an important role in the developments that followed in the tax administration system of India.

The report, however, cannot be said to be completely free from criticism either. Some scholars have criticized the report for the following reasons: first, although the Wanchoo Committee report was able to identify the causes of black money, the recommendations were more administrative in nature rather than structural. The report did not sufficiently address the overall economic issues, including political corruption, inefficiency of the system, and the role of the informal economy, which also contributed to the growth of black money.²⁸

Despite the above limitations, the report of the Wanchoo Committee stands out as a landmark report in the history of fiscal policy in India. It laid the groundwork for the debate that would take place in the future regarding tax reform. It still serves as an important reference point for policymakers, scholars, and researchers engaged in the study of tax evasion and black money in India.

²⁸ I. S. Gulati, "Wanchoo Report: A Critique," (1972) 7(28) *Economic and Political Weekly* 1314, available at: <http://www.jstor.org/stable/4361576> (last visited on April 5, 2026).

XVII. CONTEMPORARY RELEVANCE OF WANCHOO COMMITTEE

Although it is to be noted that the Wanchoo Committee Report was prepared in 1971, many of the problems identified in this report are still pertinent in the current Indian economic and legal scenario. Issues such as tax evasion, generation of black money, and problems in tax administration are still being faced in India. Observations of the Wanchoo Committee regarding the existence of a parallel economy that functions beyond the formal financial system are of significant importance in understanding the issue of unaccounted wealth in India.

Many of the recommendations of the Wanchoo Committee are still being reflected in the current Indian tax reforms. For instance, it is to be noted that in its report, the Wanchoo Committee stressed the need to strengthen tax administration, information-gathering techniques, and coordination between financial institutions and tax authorities. Such principles are still being followed in current initiatives in India, such as the introduction of the Permanent Account Number (PAN) system and strict compliance measures in the Income Tax Department.

The concerns raised by the committee regarding black money also influenced the later government initiatives taken to control unaccounted income. These initiatives include the introduction of the voluntary disclosure scheme, demonetization of high-denomination currency notes in 2016, and legislative initiatives on benami transactions and money laundering. These initiatives are reflective of the fact that the basic issue identified by the Wanchoo Committee Report, namely, the presence of substantial amounts of unaccounted wealth in the economy, still remains a major concern for the government.

Moreover, the recommendations of the Wanchoo Committee Report on the need for balancing stringent enforcement with reasonable tax rates continue to influence contemporary tax policy initiatives. The contemporary initiatives on tax reform, such as simplification of tax laws and rationalization of tax rates, are reflective of the fact that an effective and reasonable tax system is critical for promoting voluntary compliance among taxpayers.

In conclusion, it is evident that despite being presented more than five decades ago, the Wanchoo Committee Report remains highly relevant for understanding the challenges faced by India regarding tax evasion and black money.

XVIII. SUGGESTIONS AND RECOMMENDATIONS

Although several recommendations of the Wanchoo Committee were implemented in the Indian taxation system, the issues of black money, tax evasion, and elite economic deviance continue to remain major concerns in India. In light of the continuing relevance of these problems, the following suggestions are proposed:

- 1. Strengthening Enforcement under the Benami Transactions Law:** The implementation and enforcement mechanisms under the Prohibition of Benami Property Transactions Act, 1988 (as amended in 2016) should be strengthened through improved investigation procedures, inter-agency coordination, and faster adjudication of benami property cases.
- 2. Effective Implementation of the Prevention of Money Laundering Act, 2002:** Authorities responsible for enforcing the Prevention of Money Laundering Act, 2002 should be provided with greater technological and investigative support to detect complex financial transactions linked to unaccounted wealth and economic offences.
- 3. Use of Technology and Data Integration:** There should be greater integration of banking data, income tax records, corporate disclosures, and digital financial transactions in order to identify suspicious financial activities and concealed income at an early stage.
- 4. Strengthening Accountability of Corporate Entities:** Stricter disclosure norms and compliance requirements should be imposed upon companies and financial institutions to ensure greater transparency in financial reporting and to reduce opportunities for tax evasion and fraudulent transactions.
- 5. Public Awareness and Voluntary Compliance:** The government should promote greater public awareness regarding tax compliance and financial accountability

through educational initiatives and simplified tax procedures, which may encourage voluntary compliance and reduce dependence on coercive enforcement measures.

6. **Specialized Economic Offence Mechanisms:** The establishment of specialized courts or dedicated mechanisms for economic offences may help in ensuring speedy adjudication of cases relating to tax evasion, money laundering, and financial fraud involving influential individuals and corporate bodies.

These suggestions aim to strengthen the present legal and administrative framework relating to economic offences and reflect the continuing relevance of the concerns identified by the Wanchoo Committee regarding elite economic deviance and accountability.

XIX. CONCLUSION

The Wanchoo Committee Report of 1971 marks an important milestone in the development of India's taxation system. The report's comprehensive analysis of the causes and effects of the generation of black money and tax evasion underscored the imperative need for reforms in taxation policy and administration.

The recommendations of the Wanchoo Committee Report have had an impact on significant events in the Indian taxation system. For instance, the report's recommendations led to the improvement of tax investigation mechanisms and the introduction of voluntary disclosure schemes.

The menace of black money still persists in India. However, the Wanchoo Committee Report laid the groundwork for various reforms that sought to address the challenges and complexities of taxation in India. The report's analysis of the generation of black money and tax evasion provides valuable material for researchers and legal experts interested in the subject of taxation in India.

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