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FROM TAXPAYER TO TREASURY: THE MISSING LINK OF TRANSPARENCY IN INDIA

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Abstract:-

The gap between tax collection and public understanding of its use is the main subject of this paper's analysis of India's fiscal transparency problem. Even though the Indian government raises a significant amount of money through direct and indirect taxes, individuals still don't have easy access to information on how this money is allocated across states and sectors. The method of income distribution between the Union and the States, the structure of tax collection, and the trends in public spending are all examined in this paper.

It also draws attention to the difficulties in tracking public money, such as the absence of real-time transparency, technical complexity, and fragmented data. Despite the existence of institutional mechanisms like the Consolidated Fund and the Comptroller and Auditor General's (CAG) audit as well as constitutional measures to guarantee accountability, their efficacy in fostering public knowledge is still restricted.

The article makes the case that democratic accountability and public confidence are undermined by the lack of clear and easy-to-use fiscal reporting. The report makes recommendations for changes including streamlined budget disclosures, digital transparency tools, and stronger legislative requirements for fiscal transparency by contrasting India's framework with international best practices. In the end, the article highlights the necessity of ensuring that public funds are not only accounted for but also clearly traceable in order to close the gap between taxpayers and government.

Introduction:-

As a developing welfare state, India's main source of revenue is taxes. Through a variety of direct and indirect taxes, citizens make contributions with the expectation that these revenues would be used for public growth and welfare. The unclear use of this money, however, continues to be a source of concern for taxpayers. Even if the government releases financial

statistics and budget documents, the general public still has limited access to and understanding of this information.

In this regard, it is important to remember that, in the same way that the government presents a comprehensive Union Budget to Parliament, which clearly outlines tax rates, exemptions, and proposed allocations, a comparable structured and citizen-friendly disclosure mechanism can be introduced to reflect the actual utilisation of collected taxes. Information on the amount of money collected in a particular fiscal year, how much of it was spent across states and sectors, and what percentage, if any, is left over and carried over for later use might all be included in such a process.

Additionally, a few developed countries have implemented advanced fiscal transparency frameworks that allow individuals to monitor governmental spending using user-friendly and straightforward systems. Increased accountability and confidence in government have been facilitated by these mechanisms. On the other hand, despite the substantial tax contributions made by Indian residents, there is still a dearth of comprehensible, up-to-date information about how public funds are being used. Since taxes place a financial burden on residents, it makes sense and is essential to acknowledge their right to know how these money are being used.

Literature Review-

In scholarly debate, the idea of fiscal transparency has been widely acknowledged as a necessary condition for democratic accountability and effective government. Transparency in public finance, according to academics, improves efficiency, lowers corruption, and increases public confidence in political institutions.

The literature that is currently available in the Indian context emphasises that although the nation has a thorough institutional framework for financial management, including the Finance Commission, parliamentary oversight, and audit by the Comptroller and Auditor General (CAG), these mechanisms mainly function within governmental and institutional domains. They continue to have little effect on accessibility and public awareness.

Fiscal data in India is widely scattered among Union and State budget papers, ministry-specific reports, and audit results, according to a number of studies. These papers' technical nature further limits the general public's capacity to use them, which limits meaningful citizen

involvement.

Comparative research has shown that nations including the United States, the United Kingdom, and Australia have put in place open budget programs and digital platforms that make fiscal data accessible in real time and with ease. These methods improve accountability and participatory governance by allowing citizens to monitor government expenditures.

According to the literature, India has made great strides in managing its finances, but it still lacks a comprehensive and easily accessible system of fiscal transparency that meets the informational demands of the people.

Statement of Problem -

Indian residents frequently lack access to clear and understandable information on the use of public finances, despite being the main source of government funding. Although budget documents include comprehensive forecasts, there is a lack of openness in the organised and easily available reporting of actual spending.

The current fiscal reporting system is characterised by lack of real-time transparency, technological complexity, and fragmentation. As a result, residents are unable to respond to basic enquiries about tax income collection, distribution, and use.

In addition to undermining accountability, this lack of openness erodes the democratic ideal of informed public engagement. It brings up significant legal issues about individuals' rights to knowledge about public finances and the degree to which the state must provide openness.

Research Objective –

- To critically examine the framework of tax collection in India
- To analyse the constitutional scheme of revenue distribution
- To evaluate public expenditure patterns
- To identify gaps in fiscal transparency
- To explore the legal dimensions of the right to fiscal information
- To suggest reforms for enhancing transparency and accountability

Research Methodology –

This research adopts a **doctrinal and analytical methodology**, relying on:

- Constitutional provisions
- Government reports and budget documents
- Judicial precedents
- Secondary sources including scholarly articles and policy papers
- Comparative analysis of international practices

The study is qualitative in nature and focuses on critical evaluation rather than empirical data collection.

What is Fiscal transparency?

Publication of information about how governments raise, spend, and manage public resources is referred to as fiscal transparency. More precisely, it refers to the release of excellent information on how governments manage public assets and liabilities, generate taxes, borrow money, spend it, and make investments. Public reporting on the condition of public finances in the past, present, and future is part of fiscal transparency. In every nation, regardless of development level, fiscal policies have a significant influence on social, economic, and environmental results.

Budget transparency and fiscal transparency are frequently used interchangeably. But in theory, fiscal openness is more comprehensive than budgetary transparency. It encompasses all public assets, liabilities, and contingent commitments in addition to revenues and expenditures approved in a yearly budget; in other words, it covers all stocks and flows, even though stocks are frequently absent from budget papers (apart from debt).

Fiscal transparency also encompasses "quasi-fiscal activities" that are carried out outside of the government sector by public corporations, the central bank, or (occasionally) private corporations. These are fiscal activities that are funded by the corporations themselves rather than by the government, such as public corporations' subsidised lending or service delivery, or businesses that develop natural resources building public infrastructure.

According to the RBI (2001), "fiscal transparency is important because fiscal soundness is one of the core requirements for financial stability and transparency is needed for markets to be

able to assess fiscal soundness accurately.” The RBI has used the IMF revised 'Code of Good Practices on Fiscal Transparency' in 2001 as the benchmark to evaluate the degree of fiscal transparency in India. The IMF fiscal code for fiscal transparency was based on the following four principles: (i) clarity of roles and responsibilities within government and between government and the rest of the economy, (ii) public availability of information on fiscal outcomes. (iii) open and transparent budget preparation, execution and reporting, and (iv) assurances of integrity, including those relating to the quality of fiscal data and the need for independent scrutiny of fiscal information (RBI, 2001).

Tax Collection Framework in India –

The Indian tax system is set up by the constitution to preserve a balance between the Union's and the States' budgetary authority. In order to guarantee that both levels of government have distinct and independent sources of funding, the Seventh Schedule of the Constitution precisely defines the topics of taxes. According to this paradigm, taxes fall into two general categories: direct taxes and indirect taxes. Both types of taxes are essential for generating income.

Individuals and legal businesses are subject to direct taxes, such as income tax and corporate tax, which are levied based on their earnings. Because these taxes are progressive, those with higher incomes must pay a bigger portion, which promotes equality in the tax system. Despite its significance, problems including tax evasion, a comparatively small tax base, and difficulties with compliance sometimes limit the efficacy of direct taxes. Despite the introduction of changes like digitisation and faceless assessment to improve efficiency and transparency, there is still a large knowledge vacuum on the real amount of money collected through these methods.

In contrast, customers are ultimately responsible for paying indirect taxes, which are imposed on products and services. By combining several indirect taxes into a single system, the Goods and Services Tax (GST) represented a major overhaul of the Indian tax system. However, the dual model used by GST, which involves both the federal government and the states, complicates the process of collecting and allocating income. The public finds it challenging to completely understand the total tax structure and its contribution to government income due to the system's complexity, which is further compounded by the existence of many tax slabs and compliance requirements.

The absence of publicly available, simplified, and real-time statistics on total tax collection is a major issue with the tax collecting architecture. Although official papers provide aggregate data, they are sometimes presented in a technical way that is difficult to comprehend. Because citizens are unable to fully understand the extent of their joint contribution, this leads to a gap between taxpayers and the state.

Distribution of Tax Revenue-

Constitutional rules, especially those concerning the division of the divisible pool of revenues, regulate how tax income is distributed between the Union and the States. The Finance Commission, which considers variables including population, income levels, fiscal capacity, and regional imbalances, is a key player in determining the parameters for such allocation. This system is designed to support balanced regional development and guarantee fair resource distribution among states.

Even though this system is organised, the distribution procedure is still quite unclear to the average person. Although official reports include thorough computations and explanations, the public cannot readily access or comprehend these. As a result, people are frequently ignorant about the amount of money allotted to their individual states as well as the criteria used to determine such allocations.

The intricacy is further increased by the contrast between horizontal devolution, which deals with the distribution among States, and vertical devolution, which relates to the allocation of funds between the Centre and the States. The public is not sufficiently informed about these ideas, despite the fact that they are widely acknowledged in academic and policy circles. A sense of inequity and inefficiency in the distribution of resources is exacerbated by this ambiguity.

Furthermore, the utilisation of centrally sponsored programs and conditional grants frequently restricts states' ability to employ money in accordance with their unique requirements. The issue is made worse by the lack of easily accessible information on how funds are used by states, which makes it challenging for local residents to evaluate the efficiency of public spending.

Public Expenditure and Utilization of Tax Revenue–

The stage when money gathered from citizens is actually used for public welfare, development, and governance is represented by public expenditure and the use of tax income. As the main source of funding for the government, tax revenue is distributed among different sectors based on economic needs and policy goals. Public spending in India may be roughly classified as either developmental or non-developmental. Infrastructure, education, healthcare, and welfare programs are all included in developmental expenditures as they are critical to both economic expansion and raising living standards. However, interest payments on public debt, war spending, pensions, and administrative expenses are all considered non-developmental expenditures. Interest payments can take up a sizable amount of tax income, which limits the amount of money available for new development projects.

India's federal system is reflected in the way tax income is used, with the Union government allocating money to the States and then to local entities for implementation. Although this approach guarantees decentralised control, it also makes it challenging to monitor the precise movement and use of cash at various levels. In order to help economically disadvantaged groups and preserve economic stability, subsidies and direct benefit transfers also make up a sizable portion of state spending. However, their efficacy is occasionally impacted by problems including inefficiencies, delays, and improper targeting.

Even while the government releases comprehensive information on spending through budget documents and reports, this information is frequently technical and dispersed, making it challenging for regular people to comprehend how their taxes are being used. This discrepancy between tax collection and its apparent use emphasises the need for improved fiscal information sharing and more openness.

Constitutional and Legal Framework –

The Indian Constitution offers a thorough framework for financial governance, guaranteeing the systematic and responsible use of public monies. All government revenue is attributed to the Consolidated Fund, from which expenditures are authorised by law. This framework is intended to guarantee that legislative supervision and control over the use of public money.

By examining government finances and reporting any anomalies, the Comptroller and Auditor

General (CAG) play a critical role in upholding financial accountability. Despite being crucial for institutional monitoring, CAG reports are sometimes quite technical and difficult for the general public to acquire. Because of this, their ability to raise public awareness and involvement is still restricted.

From a legal standpoint, judicial interpretation has strengthened the idea of transparency. The Supreme Court has established that individuals have a right to knowledge about how the government operates by recognising the "right to know" as an essential component of freedom of speech and expression. This idea may be applied to financial issues, implying that individuals have a right to know how public monies are collected and used.

There is still a vacuum in the practical application of these constitutional and legislative rules, especially when it comes to the proactive and user-friendly disclosure of fiscal information.

Issues and Challenges in Fiscal Transparency-

Fiscal transparency in India still faces a number of obstacles despite having a well-organised system of financial administration and several institutional protections. The fragmented form of fiscal data is one of the main problems. Reports, web portals, and different government offices all include information about tax collection, allocation, and spending. It is challenging for individuals to have a thorough grasp of public finance due to this lack of cohesion. Data is not presented in a cohesive or cohesive way, even when it is theoretically available.

The intricacy of financial documentation is another significant obstacle. Financial statements, audit results, and budget reports are frequently written in technical jargon that is difficult for the general public to comprehend. Because only those with specialised knowledge can successfully comprehend such material, this poses a considerable barrier to accessibility. Because of this, a significant portion of the population is still unable to interact meaningfully with financial data.

Transparency is further restricted by the lack of real-time tracking systems, in addition to structural and accessibility problems. The majority of financial information is made available through yearly or periodic reports, which don't give a current view of continuing spending. This delay limits individuals' capacity to track how funds are being used over time and diminishes the information's significance.

Additionally, proactive fiscal information sharing is not given much attention. Although there are ways for individuals to seek information, there isn't a complete structure that guarantees the regular and easy distribution of financial data. In a democratic setting, where accountability should be on-going and available, this reactive approach to openness is insufficient.

Comparative Analysis: Countries Practising Fiscal Transparency-

Several nations have effectively established mechanisms that improve public accountability and budgetary transparency, according to a comparative study of global trends. In the US, individuals may follow federal spending in a comprehensive and organised way thanks to digital systems that make government expenditures accessible. These technologies offer visual aids and searchable databases that simplify complicated financial data.

In a similar vein, the UK has implemented open data projects that release comprehensive data on government spending across all ministries and industries. This information is accessible to citizens in an easy-to-understand manner, which fosters openness and public involvement in governance.

Additionally, Australia offers a good example of fiscal openness by making budget data available on easily accessible internet platforms. Citizens may interact with financial information without the need for specialised expertise thanks to the use of visual aids and simple summaries. This strategy boosts public confidence in governmental institutions while simultaneously increasing openness.

High degrees of fiscal transparency are frequently acknowledged in nations like Estonia and New Zealand. By making sure that financial data is both accessible and connected to performance results, these countries include transparency into their governance frameworks. This enables citizens to evaluate not just the amount of money spent but also its efficacy.

These examples show how the use of technology, streamlined reporting, and a dedication to citizen involvement can greatly improve budgetary transparency. In contrast, India's strategy is still mostly document-based and places little focus on information accessibility and user-friendliness.

Need to Reform:

The problems with the current system show that extensive adjustments are required to improve India's fiscal transparency. The creation of a centralised digital platform that compiles data on tax collection, distribution, and expenditure would be one of the most crucial stages in this approach. Accessibility should be prioritised in the design of such a platform so that individuals can readily explore and comprehend financial data.

Budget documentation must be made simpler and presented in a more user-friendly manner in addition to using technology solutions. In order to help individual's link financial information to their own context, this may involve the use of summaries, visual aids, and region-specific statistics. Accessibility can be further improved by making such material available in regional languages.

Enhancing budgetary transparency also heavily depends on legal reforms. Transparency may be prevented from being left up to administrative judgement by establishing explicit requirements for proactive financial information disclosure. The state's accountability can be strengthened by acknowledging budgetary transparency as a part of the larger right to knowledge.

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Promoting public engagement and awareness is equally crucial. In order to hold authorities responsible for the use of public cash, citizens must be encouraged to interact with fiscal data. Public outreach activities, educational initiatives, and systems for participation and feedback

can all help achieve this.

Recommendation –

Adopting a more open and citizen-centric approach to budgetary governance is crucial to addressing these issues. The creation of a centralised digital platform that compiles data on tax collection, distribution, and expenditure would be one of the best strategies. Citizens should be able to access and comprehend financial data with ease because to the platform's user-friendly design. Accessibility can be further improved by adding visual aids, condensed summaries, and region-specific information.

Additionally, budget records must be made simpler and presented in a way that the general public can understand. This might entail making information available in regional languages, using info graphics, and publishing succinct explanatory reports. Increased public participation and knowledge will be made possible by making budgetary data easier to comprehend. Transparency may be strengthened through institutional and legal reforms. It is possible to guarantee that citizens are routinely informed without the need for formal requests by establishing explicit duties for proactive disclosure of fiscal information. To enable improved tracking and reporting of budget utilisation, efforts should also be undertaken to enhance collaboration across various governmental levels.

Lastly, fostering public engagement and understanding is crucial to developing an accountable culture. In order to keep authorities accountable for the use of public money, citizens should be encouraged to interact with fiscal information. India can progress toward a public finance system that is more inclusive, transparent, and accountable by putting these policies into practice.

Conclusion-

Fiscal transparency is crucial to democratic governance because it allows the public to comprehend and assess how the government is operating. Even though India has created a thorough system for tax collecting and public spending, there is still a big problem with the lack of easily accessible and understandable information on how public funds are being used. Bridging this gap requires a shift towards a more transparent, accessible, and citizen-centric approach to fiscal governance. By ensuring that financial data is not only available but also

understandable, the state can strengthen accountability and build public trust.

Ultimately, transparency in public finance is not merely a matter of administrative efficiency but a reflection of democratic values. Ensuring that citizens are informed about how their tax contributions are utilized is essential for promoting accountability, enhancing governance, and strengthening the relationship between the state and its people.

