

## Q.) Case Study 2018

Dr X is a leading medical practitioner in a city. He has set up a charitable trust through which he plans to establish a super-speciality hospital in the city to cater to the medical needs of all sections of the society. Incidentally, that part of the State had been neglected over the years. The proposed hospital would be a boon for the region.

You are heading the tax investigation agency of that region. During an inspection of the doctor's clinic, your officers have found out some major irregularities. A few of them are substantial which had resulted in considerable withholding of tax that should be paid by him now. The doctor is cooperative. He undertakes to pay the tax immediately.

However, there are certain other deficiencies in his tax compliance which are purely technical in nature. If these technical defaults are pursued by the agency, considerable time and energy of the doctor will be diverted to issues which are not so serious, urgent or even helpful to the tax collection process. Further, in all probability, it will hamper the prospects of the hospital coming up.

There are two options before you:

- (1) Taking a broader view, ensure substantial tax compliance and ignore defaults that are merely technical in nature.
- (2) Pursue the matter strictly and proceed on all fronts, whether substantial or merely technical.

As the head of the tax agency, which course of action will you opt and why?

### **A general framework that needs to be followed while answering most of the case studies include following steps**

1. Comprehend and note the facts of the case study.
2. Give a small Introduction.
3. Identify Stakeholders and their interests in the given scenario.
4. Mention the ethical dilemma in front of the decision-maker.
5. List the possible actions that you can take, together with their benefits and drawbacks.
6. Choose the line of action that you will opt and mention its advantages and also the values it will help secure.
7. Give additional steps that you will take to minimize the drawbacks of the chosen line of action.
8. Provide your closing remarks.

## Facts of the case study

1. Launching of a super specialty hospital in a neglected region
2. Major irregularities in the tax paid by the doctor
3. My role as head of the tax investigation agency
4. Cooperation from the doctor
5. Other technical issues with compliance that holds up the coming of hospital

## Solution

## Introduction

The case study focuses on the problem that tax officers frequently have to face while dealing with defaulters.

## Stakeholders involved and their interest

1. The doctor who wants to build a super specialty hospital
2. The people from the region who will benefit from the hospital
3. I, as the head of tax investigating agency, with the duty to ensure tax compliance
4. Countries economy in general which is facing rampant tax evasion
5. Countries health sector growth which is restricted due to complicated rules and regulations

## Ethical dilemma for me as a Head of Tax Investigating Agency

As a head of Tax investigating Agency, my dilemma is whether I should stick to the highest level of professionalism, or should I also think about the overall health of the people of the region as a matter of public service

As an impartial officer do I have to ensure 100% compliance of the tax collection as a matter of duty, or should I be compassionate with the people and cut some slack for the doctor.

## Actions that could be taken, along with their benefits and drawbacks

### Option 1

The first option before me is to take a broader view and ensure substantial tax compliance and ignore defaults that are merely technical in nature.

#### This option has the following merits

- It will help the doctor to launch his hospital with less trouble. Thus, it will help him to fulfil his duty of catering to the health needs of people
- It will benefit the people of the region to get treatment in time and save lives. Which will help them in their goal of self-preservation.

- Mere technical issues should not be the reason to forego the larger benefits of building a hospital. Thus, cost benefits should be taken into consideration when taking a decision.

#### **The demerits of going for the first option are that**

- It will set up a wrong precedent for the other tax officers. Thus, compromising on professionalism.
- It will be an excuse for other taxpayers to evade tax in the name of a humanitarian cause. Which will impact the integrity of citizens.
- It will be a missed opportunity to fix the technical issue in tax processes. Hence preventing the improvement of efficiency of the system.
- Besides just being cooperative in payment of tax after being found guilty does not make a person a law-abiding citizen

### **Option 2**

The second option before me is to pursue the matter strictly and proceed on all fronts, whether substantial or merely technical.

#### **This option has the following merits**

- Taxpayers will feel that the state is impartial. This will increase their confidence in the rule of law and sense of fair play.
- Fixing the technical issue will help in streamlining the tax compliance processes. Thus, it will help in increasing citizen satisfaction.
- It will demonstrate the importance of compliance to the tax officers. Which will infuse correct work ethics in them.

#### **The demerits of going for the second option is that**

- It may demotivate the doctor to launch his hospital. Thus, reducing his potential to serve the people better.
- It will lead to delay in bridging the gap between regional disparities related to health services. Thus, failing to meet the commitment to public service.
- It will put more lives at risk due to the inaccessibility of specialty hospitals. Thus, compromising on the right to life and health.
- It will burden the people with the high cost of treatment outside their region thus compromising on the value of social justice.
- It will lead to loss of human touch in the working of the tax authority. Thus, making it a mechanical institution rather than an institution with people with compassion.

#### **Chosen line of action with the advantages and the values it secures**

- I will choose the first option over the second option i.e. I will take a broader view and ensure substantial tax compliance and ignore defaults that are merely technical in nature.
- I chose first option as it is more humane, less mechanical, more committed to public health and safety, more inclined to values of social justice. It also helps to safeguard the right to life and good health for the people as enshrined in the Constitution.

- But at the same time, I will make sure that while a temporary relaxation is provided, the remaining tax amount is collected once the technical issues are fixed. In this way, there will be fair play as far as tax compliance is ensured. At the same time, the efficiency of the tax authority is improved.

## Conclusion

- The fundamental objective of Tax Authority is to enhance the tax collection but at the same time make the process of collecting taxes citizen-friendly. By taking the first option I will ensure that the concerned person engages with the tax authority in the future with confidence and trust.