



All Economic ills – one pill TOP Tax system



Optimal taxation

A common tax system for all nations

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I am suggesting new methods, models, and innovative and alternative policies in the areas of **monetary system, budget preparation, banking finance system, public finance, optimal taxation, tax collection, tax compliance, subsidies, money supply, and fiscal policy** to help remove **corruption, tax evasion, economic recession, black money, fake currency, ransoms, robberies and societal inequalities**. In my opinion, the proposed **new economic system** may usher in good governance, 100% tax compliance and corruption free environment. It suggests a single tax called “**TOP Tax**” (**T**ransfer **O**r **P**urchase Tax) for both Centre and States combined in place of present multiple Indirect taxes with different slab rates on different goods/commodities/services and multiple Direct taxes with different slab rates, **relieving 6.9 billion people of the world** from the cobweb of ambiguous and complex tax structures, plethora of tax laws, mandatory and cumbersome accounting, auditing, tax returns and consequent quagmire of all tax related cases. Taxation, tax collection, tax enforcement, tax compliance, allocation of revenues to various ministries or departments and money supply into the economy are unified and integrated in the banking system. **Citizens need not maintain separate account books and submit tax returns annually for paying either Direct taxes on personal incomes or Indirect taxes while running business or industry**. This new economic system involving a new **tax system without multiple taxes, tax laws, tax collection departments, tax tribunals and tax enforcement agencies**, envisages 20 to 30 % more revenues than presently accruing from multiple taxes collected by different tax collection departments/agencies. The availability of resources and capital flows, needed for economic recovery, is the self-priming character of the “TOP Tax system” without Government’s fiscal stimulus packages. This **new economic system** shall be operated at minimum operating cost with **limited paper currency (0.4%) and dematerialised money (99.6%) of the total money available in the economy in the particular country**, thereby totally eliminating black money, tax evasion, fake currency, corruption and extortions.

Under this new taxation system the tax net, cast by banks, will be the broadest with absolutely no tax evasion, making it possible for the lowest tax slab rate and the cheapest prices of commodities/services. The redistribution of revenues from Government to people in the form of welfare schemes, subsidies and various relief funds will become easier without leakages, bribes and misappropriation. Although this new taxation system is a basic model suggested mainly for India, the basic concept of taxation, tax collection and tax compliance methods can be adopted and implemented by all the developed and developing countries alike to **benefit 6.9 billion people of the world in all spheres of their lives in one form or the other**.

This article contains seven parts: ----

- 1. Tax structure and direct benefits of the TOP Tax system.**
- 2. Method of implementation of TOP Tax system.**
- 3. Money supply and monetary policy**
- 4. Operating cost of the TOP Tax system.**
- 5. Comparative study of Tax revenues between present system and the proposed TOP Tax system.**



All Economic ills – one pill TOP Tax system



6. Advantages of TOP Tax system

7. Summary of TOP Tax system

1. Tax structure and direct benefits of the suggested TOP Tax system

Tax structure of suggested TOP Tax system

Present system Direct/Indirect taxes(Centre and States)		Suggested TOP Tax system	suggested slab rate
1.Income Tax 2.corporation Tax 3.capital gains Tax 4.wealth Tax 5.Securities transaction Tax 6.Central Excise duty 7.Customs duty 8.Service Tax 9.Sales tax/VAT by States 10.Stamp duty 11.land revenue 12.Professional Tax 13.State Excise 14.octroi 15.surcharges and other cess 16. Property Tax 17. Gift Tax 18. CST	1	5+6+8+9+10+12+14+15+17+18= Transfer Or Purchase Tax (TOP Tax) States and Centre combined) Slab rate = 4%	4%
	2	1+3+4= Profit tax (Totally avoidable) for States and Centre combined	30%
	3	Corporation Tax by Centre (optional)	20%
	4	Customs duty by Centre (optional)	nil
	5	Excess land tax (States and Centre combined) optional	
	6	State Excise by States	

There will be only one mandatory tax called TOP Tax with single slab rate(4%) for both Centre and States combined in the proposed TOP Tax system. The **Profit tax** in place of present Income tax and capital gains tax will be account basic and totally **avoidable** unlike individual basic and **compulsory** in the present system. For clear understanding please see table number 1 and 2 in page number 6 and 7. **Profit tax** means it will be imposed on person's incomes (if remained any) earned/got through salary, remuneration, business, industry, donations and gifts **after** liberally used on expenditure/spending, various investments, gifts and donations. In the present system, personal Income tax is levied on incomes earned/got through salary, remuneration, business, gifts, donations and sale proceeds (however with some exemptions) **before** used on expenditure/spending, donations and various investments. Under proposed TOP Tax system the Corporation Tax and Custom duty/Import duty can be levied by the Central government as usual to save small scale and domestic industries respectively. Similarly the



All Economic ills – one pill TOP Tax system



excise duty on liquor and wines can be levied by the State governments as under the present system to inhibit heavy consumption and addiction.

Direct benefits of the suggested TOP Tax system

Under proposed TOP Tax system there will be no Income Tax and all other Direct taxes.

Benefits:

So under suggested TOP Tax system, people who have incomes through salary/remuneration/professional income/donation/gift/service/business/industry will benefit as they need not pay Income tax/other Direct taxes and submit Income Tax returns annually. 6.9 billion People of the world will be unshackled from **taxes, tax laws, tax raids, tax tribunals, tax returns, licenses, permits, accounting, auditing and corruption.**

Under present system the different slab rates of Sales Tax (VAT) by the State governments and different slab rates of Central Excise Duty and Service Tax on different commodities and services are leading to complexity and ambiguity for both manufacturers and traders. This also leads to tax evasion and corruption

Under suggested TOP Tax system there will be no Sales Tax (VAT), Central Excise Duty (CENVAT), Service Tax and all other Indirect Taxes.

Benefits:

1. Markets will be fully open without any hurdles like permits, licenses and tax laws. Traders, businessmen, contractors, service providers, small scale industrialists and others need not maintain account books, stock lists, sales lists, etc. No accounting and auditing for assessment purpose will be needed while running business/industry. **The present day trade barriers between manufacturers and consumers; between the states within the country and between the nations will be totally removed.**
2. Therefore all the check posts across the country need to be removed allowing free movement of industrial goods/commodities and agriculture produce from anywhere to anywhere in every TOP Tax System implemented country thus benefitting crores of farmers, traders, industrialists and more **importantly consumers.**
3. The entire truck owners will benefit as they need not pay bribes at check posts. They need not carry way bills while transporting commodities from one place to another place in that TOP Tax System implemented country.
4. The entire farming community will benefit as they can transport their agriculture produce from anywhere to anywhere in the country and sell their produce at market prices.

2.....Method of Implementation of TOP tax system: Basic model (India)

What is required for TOP tax system to be successfully implemented is the strong political will to build the basic infrastructure of providing banking service for every village/suburb/town or colony having a population of around 2000 with the help of private sector banks and institutions.

The Central government should give a permanent account number (PAN) by using biometric method and Iris identification to every citizen above the age of 15 years and make mandatory for every citizen to have only one **Main Savings Account (MSA)** with the same PAN in the bank/service centre situated at the village or colony where he lives in. The PAN and MSA number should be one and same.

Every citizen would be allowed to open any number of **Sub Savings Accounts (SSA)** as he/she wishes to operate business or industry in as many banks by using **(MSA)** number. Under proposed TOP Tax system the accounting and auditing of the corporate or public



All Economic ills – one pill TOP Tax system



companies will be mandatory and compulsory as in the present system for protecting the interests of the investors. Corporate or public companies will be given **Corporate Account Numbers (CAN)**.

The **Main Savings Account (MSA)** should be used for buying of shares, land for agriculture or industrial purpose, plots, flats, gold, jewellery, vehicles, commercial establishments or any other movable or immovable property. The **MSA** shall also be used to receive or pay salaries, professional fees, service fees, remunerations, donations, loans etc. **Main Savings Account** is also needed to get driving licence, passport, voting right, subsidies, funds, monthly ration, pensions, remittances and loans (personal, agriculture, business, educational and industrial) and for getting compensation/exgratia/relief funds in the event of natural calamities like cyclones, earthquakes, floods, famines, accidents, etc.,.

The Sub Savings Accounts (SSA) and also the **Main Savings Accounts (MSA)** can be used for running business, industry, schools, colleges, hospitals, hotels, restaurants, construction, studios, services, or any other type of business. Just like **MSA**, the **SSA** can also be used to receive or pay salaries, professional fees, service fees, remunerations, donations loans etc.

The corporate or public companies will have to operate all cash transactions through the **Corporate Account Number (CAN)** only.

After establishing sufficient number of banks/service centres by the Government (**for example, India**) with the help of private sector banks and financial institutions, all the citizens should be asked to deposit all the currency notes of 1000, 500, 100 and 50 rupees except 20, 10, 5, 2 rupee notes/coins, available with them in these banks in their newly given **Main Savings Account (MSA)** or **Sub Savings Accounts (SSA)** within a stipulated time of 30 days. All presently run savings accounts and current accounts should be converted in to **Sub Savings Accounts (SSAs)** with the same account numbers and can be operated from the same banks. Similarly, people who have money in the fixed deposits/FDRs will have to transfer all their money from these fixed deposits/FDRs to their respective newly given **MSAs** or newly opened/converted **SSAs** within the same stipulated period of 30 days.

After this grace period of 30 days, the Government (**for example, India**) needs to **demonetise** all notes of denomination 1000, 500, 100 and 50 rupee notes except 20, 10, 5, and 2 rupee notes. **From then on, the TOP tax system becomes operational.** Every person shall be allowed to withdraw cash up to maximum of rupees 5,000 per month from his/her earnings or savings available in his/her Main Savings Account only. Thus a family of two can avail cash of 10,000 rupees maximum per month mainly to buy daily necessities like vegetables, milk, fruits, edibles, groceries, and all other small or low valued items. A person's maximum cash withdrawal of 5,000 per month from his/her **Main Savings Account (MSA)** through bank or ATM will be in Rs 20, Rs 10 and Rs. 5 notes only. A person can get some portion of his/her incomes/earnings transferred directly in to **MSAs** of his/her other non earning family members from source of his/her incomes/earnings so that his/her family can withdraw more cash (currency) per month. Every individual's incomes and savings will be in dematerialised form in his/her MSA or SSAs.

Other than cash withdrawals of maximum Rs. 5,000 per month from his/her **Main Savings Account (MSA)**, no person will be allowed to withdraw cash from his/her **Sub Savings Accounts (SSA)**. Every time a person buys high valued items, goods, vehicles, land, plot, flat, gold, jewellery, vehicles or any other movable or immovable property, avails physical or intellectual services or in case he/she lends, donates money to others, then he/she needs to transfer the required money from his/her **Sub Savings Account/Main Savings Account** through cheque, debit card or net banking (online cash transfers). Businessmen, traders, industrialists will have



All Economic ills – one pill TOP Tax system



to make their cash transfers for all transactions through cheque, debit card or net banking (online cash transfer) from their **Sub Savings Accounts/Main Savings Account**. Similarly a person's salary or remuneration or professional fee and all his/her incomes from business or industry will be credited to their **Sub Savings Accounts** or **Main Savings Account** through cheques, debit card or net banking (online cash transfers). All three accounts namely **CAN, SSA and MSA** can be utilised to receive, pay or store incomes/earnings/savings/donations/loans. But cash can be withdrawn only from **MSA** (if available) up to maximum Rs. 5000 per month per person. The remaining available money (dematerialised form) from **MSA** can be used or spent through debit card, cheque or online cash transfer.

For every transfer of amount, a 4% **Transfer Or Purchase tax (TOP Tax)** of that amount will be automatically deducted from his/her **MSA/SSA** account. This 4% tax amount on every cash transaction through **MSA/SSA/CAN** from all banks in a particular State will go to the combined account of State and Centre in that particular State. 30% of this amount from every **State and Centre' combined account (SACCA)** will go to Central government pool account. The remaining 70% will be retained by the respective State governments. This 4% **Transfer Or Purchase (TOP tax)** can be reduced to 2% within 4 years from the adoption of this TOP tax system by reducing 0.50 basis points per year. This will further reduce the prices of the commodities benefitting consumers. All government accounts and banks will have to be exempted from this TOP tax.

Vivid explanation: This 4% **Transfer Or Purchase Tax (TOP Tax)** on each cash transfer, irrespective of the reason for such transfer (purchase, gift, donation, salary/remuneration or any other purpose), operated through **Main Savings Accounts (MSA)/ Sub Savings Accounts (SSA)/ Corporate Account Numbers (CAN)**, and operated by any bank or service centre, will be automatically deducted from that account and transferred to **State and Centre's combined account (SACCA)**. The **TOP Tax** will be the same and uniform throughout the country on all cash transfers made through online/cheque/DD from all accounts towards purchase, gift, donation, and salary/fee/remuneration. So in the suggested TOP Tax system the tax base will be the largest to have the minimum slab rate and the lowest tax component on each commodity/service. People will get commodities/services at the lowest prices than in the present system. Furthermore the total revenues generated from **TOP Tax** from all cash transfers from all accounts will be more than double than the combined revenues of all States and Centre got from present multiple taxes with different slab rates. With limited paper currency and dematerialised money in the TOP tax system, every transaction will be transparent depicting the actual GDP of the country. In literal sense, every purchase, gift, donation and all types of payments will have to be carried through online cash transfers from one account to another account because of limited paper currency. The total revenues got from TOP Tax will be approximately equal to 3x4 % (12%) of actual value of the GDP of that country in the manufacturer, dealer, retailer and consumer chain. As goods, commodities, services, donations, physical and intellectual works change hands in the manufacturer, dealer, retailer and consumer chain dematerialised money will be transferred from one account to another account correspondingly. Thus every cash transfer towards purchase, gift, donation, salary/remuneration or any other purpose will be accounted and within the system eliminating underground/shadow/unreported/hidden transactions operated by physical currency got from black money and fake currency in the present economic system. In the present system the parallel economy, being run by black money and fake currency, is obscuring the real GDP and hampering or lowering the collection of revenues. The TOP Tax system will eliminate the black money and fake currencies at one go and depict the exact GDP of the country. The other salient



All Economic ills – one pill TOP Tax system



feature of the TOP Tax system is the better economic management and austerity. The individuals, who run business or industry, will be relieved from ambiguous tax structures, plethora of tax laws, and mandatory sales lists, stock lists, accounting, auditing and tax returns.

In addition to the **Transfer Or Purchase (TOP)** tax, a **Profit Tax (PT)** of 30% would be levied and automatically deducted once a year on the minimum amount recorded in the financial year of **Main Savings Account (MSA)** and each **Sub Savings Account (SSA)**, if any, of every citizen. The financial year of the MSA of a person begins at the date the Government allots him/her the **MSA**. The financial year of the **Sub Savings Account (SSA)** will begin at the date a person chooses to open his/her SSA. This **Profit Tax (PT)** is an account basic and it is totally irrelevant who owns that account (**MSA/SSA**). The **Profit Tax**, 30% of minimum balance amount recorded in the **MSA** and each **SSA** (if any) of every person, will be automatically deducted on the last day of the financial year of that **MSA** and **SSA** (if any) of each person. The **Profit tax** in the next financial year of that particular MSA/SSA will be levied on the minimum balance recorded of that year **minus** the previous year's taxed amount of that particular **MSA/SSA** ignoring the maximum amount, however huge may be. Thus the deducted **Profit tax**, 30% of minimum balance amount recorded in the **MSA** and each **SSA** (if any) of every person in a particular State, will be transferred to that **State and centre's combined account (SACCA)**. The combined taxes of **TOP Tax** and **Profit tax**, collected in every **State and Centre's combined account (SACCA)**, will have to be shared between that particular State and Centre in the ratio of that particular State getting 70% and Centre 30%. Hence the totally optional and avoidable Profit **Tax** will ensure that the money will be constantly pumped back into system keeping the economic growth at healthy rate. In the present system the huge black money, generated by hidden/shadow accounts, *combined* with huge fake currency is playing havoc with our economy. Besides these two taxes namely **TOP Tax**, and **Profit tax** which can be avoidable, the Central Government shall impose the customs duty (import duty) and Corporation tax as in the existing system. Except these four taxes, the TOP Tax system suggests removal of all other Direct taxes, Indirect taxes and various surcharges levied in the present system.

The following two tables clearly illustrate how totally avoidable Profit Tax is deducted from SSA and MSA of a person on minimum balance amounts recorded in each financial year excluding the previous or last taxed amount.

Example1: It shows how the Profit tax **on minimum balance amounts recorded each year excluding the previous or last taxed amount** will be deducted from each **Sub Savings account (SSA)** operated by a bank/service centre irrespective of the fact that who holds that account.

Year	Minimum balance of the year	Maximum Balance of the year	Profit Tax (PT) on the Min. Amt. – The last taxed amount	Net Profit Tax (PT)Deducted
2007-'08	10,000	50,00,000	30% of 10,000	3,000.00
2008-'09	40,000	70,00,000	30% of (40,000-10,000)	9,000.00
2009-'10	90,000	1,80,00,000	30% of (90,000-40,000)	15,000.00
2010-'11	20,000	2,00,00,000	-	-
2011-'12	1,50,000	5,00,000	30% of (1,50,000-90,000)	18,000.00
2012-'13	1,50,000	10,00,000	-	-
2013-'14	2,00,000	80,00,000	30% of (2,00,000-1,50,000)	15,000.00
2014-'15	1,00,00,000	2,00,00,000	30% of (1,00,00,000-2,00,000)	29,40,000.00
2015-'16	80,00,000	3,00,00,000	-	-



All Economic ills – one pill TOP Tax system



Example: 2 - It shows how the Profit tax on minimum balance amounts recorded in each financial year excluding the previous or last taxed amount will be deducted from each Main Savings account (MSA) operated by a bank/service centre irrespective of the fact that who holds that account.

Year	Minimum balance of the year	Maximum Balance of the year	Profit Tax (PT) on the Min. Amt. – The last taxed amount	Net Profit Tax (PT)Deducted
2007-'08	2,99,000	50,00,000	-	-
2008-'09	3,00,000	70,00,000	30% of (3,00,000)	90,000.00
2009-'10	4,00,000	4,50,000	30% of (4,00,000-3,00,000)	30,000.00
2010-'11	2,00,000	8,00,000	-	-
2011-'12	4,50,000	5,00,000	30% of (4,50,000-4,00,000)	15,000.00
2012-'13	4,50,000	10,00,000	-	-
2013-'14	6,00,000	80,00,000	30% of (6,00,000-4,50,000)	45,000.00

Now it is clearly understood that the **Transfer Or Purchase (TOP) Tax** will be same on cash transfers in all three accounts namely **Main Savings Account (MSA)**, **Sub Savings Account (SSA)** and **Corporation Account Number (CAN)**. The **Profit Tax** is also same in **Main Savings Account** and **Sub Savings Account** except the minimum storage balance in **Main Savings Account (MSA)**. The **Profit Tax** on minimum balance in **Main Savings Account** will be levied from Rs. 3 lakhs onwards. The **Profit Tax** on minimum balance in **Sub Savings Account** starts from zero onwards. In the case of **Corporation Account Number (CAN)**, the Profit Tax will have to be levied in the form of **Corporation Tax** as in the existing system.

Please note that each person will have only one permanent and life time **Main Savings Account (MSA)** but can have as many **Sub Savings Account (SSA)** as he/she can wish. Similarly the Profit Tax will be on account basic and totally avoidable, instead of individual basic and compulsory as in the present economic system. Please also note that the **Profit Tax** on minimum balance recorded in each year in **Main Savings Account** will be levied from Rs. 3, 00,000 onwards. In the present system the Income Tax, accounting, auditing and tax returns are compulsory. So persons who have taxable incomes through salary or business or industry or remuneration need to submit Income Tax returns annually. **But TOP Tax system's Profit tax means it will be imposed on person's incomes got through salary, remuneration, business, industry, donations and gifts after liberally used or spent on expenditure/spending, various investments, gifts and donations. Profit tax of 30% on minimum balance recorded in the financial year of each Sub Savings account (SSA) or Main Savings account** (irrespective of the holder of that account) operated by any bank/service centre will be deducted on the last day of the financial year of that particular **SSA** or **MSA** and will be transferred to State and Centre's combined account (SACCA). The **Profit tax** in the next financial year of that particular MSA/SSA will be levied on the minimum balance recorded of that year **minus** the previous year's taxed amount of that particular **MSA/SSA** ignoring the maximum amount, however huge may be. Please understand that **minimum balance recorded in the financial year of each Sub Savings account (SSA) or Main Savings account** means the money **unused or stagnated** for more than one year. In the next financial year of the **MSA** or **SSA**, the **Profit Tax** will be levied on the **additional unused or stagnated money** over the previous **taxed amount**. That means there will be no **recurring profit tax** on unused or stored money. Once taxed, the unused money can be



All Economic ills – one pill TOP Tax system



spent and recharged/restored **without being re taxed** for the entire life of that account. In the case of capital gains from a sale of any property or asset, a person will have a minimum of 364 days and maximum of 1 year and 364 day's period to avoid Profit Tax from sale proceeds (capital gains) to reinvest. Similarly 4% **Transfer Or Purchase tax (TOP Tax)**, in lieu of present all indirect taxes and various surcharges, will be deducted from every money transfer in each **Sub Savings Account** or **Main Savings Account** irrespective of the fact that whoever holds that account and on what purpose the amount has been transferred (purchase, gift, donation, salary/remuneration or any other purpose) operated by any bank or service centre and transferred to **State and Centre's combined account (SACCA)**. Thus all individuals who earn through salaries, remunerations, gifts, and donations will need not pay income tax and submit income tax returns annually. Thus people will be relieved from the cobweb of present ambiguous and complex tax structures, plethora of tax laws, mandatory and cumbersome accounting, auditing and tax returns, and consequent quagmire of all tax related cases.

How to avoid Profit tax: -----

Every person will have the following options to avoid **Profit Tax** of 30% being deducted from his/her **Main Savings Account** and **Sub Savings Accounts**.

He/she can buy lands up to 20 acres of land, unlimited number of flats, commercial establishments and other properties as he/she wishes. This enables real estate sector grows at faster rate and house rents will come down substantially benefitting families who have no own houses.

He/she can buy unlimited number of shares as he/she wishes .Even though he/she loses a 4% of share value as TOP Tax while transferring cash from his/her account still he/she gets benefited from 30% Profit Tax being deducted. So people will look out for the companies which declare dividends every year. They also study carefully the fundamentals of the company like the book value, EPS, P/E ratio, profits, dividends, reserves, liabilities etc. before buying shares. In this scenario the stock markets will grow at steady rate and there will be no market crashes now and then as we are experiencing under present system.

He/she can lend money to others who are in need. Even though he/she loses 4% of money as TOP Tax while transferring cash he/she gets benefited by getting 4% interest on the loan amount ever year. In the process the loaners (loan takers) will get loans at cheaper rate when compared to present system.

He/she can setup industries, start businesses to avoid **Profit tax**. So in this process huge employment opportunities will be generated. So in the ensuing competition, commodities' prices will become much cheaper.

He/she can transfer cash from his/her **MSA/SSAs** to another one of his/her **Sub Savings Accounts** or to his wife's/her husband's **SSAs** to avoid **Profit tax**. He/she can donate huge amounts to organisations/charitable trusts if he/she wishes. In this process he/she will lose 4% of that transferred cash in the form of **Top Tax**.

He/she can invest in various Life Insurance schemes. At the end of the maturity period they will get only the actual total premium amount paid without any interest. But in case of premature death or hospitalisation due to illness full insured amount will be paid as in the present system.

Vivid explanation: - The TOP Tax system's tax collections (TOP Tax and Profit tax) for Government and tax payments/tax compliance by all citizens will be totally automatic and involuntary just like respiratory system in human body. Every account (MSA/SSA/CAN) is an involuntary taxpaying account. Citizens need not maintain separate account books and



All Economic ills – one pill TOP Tax system



submit tax returns annually for paying either Direct taxes on personal incomes or Indirect taxes while running business or industry. The single tax net (Transfer Or Purchase tax) spreads all accounts and entire nation without bothering about who holds that account. This will put the tax component of goods/services at just one third of tax component of the existing system. Besides that there will be no tax collection expenditure for the Government and absolutely no tax compliance cost for paying either Direct taxes on personal incomes or Indirect taxes while running business or industry. The Transfer Or Purchase tax (4%) will be deducted automatically by computer systems of banks on all money transfers from one account to another account made through cheque, debit card, DD or online transfers irrespective of the fact that who holds that account and for what purpose that money transfers have been made. Thus tax collection and tax compliance will invariably become one and same. This automatic tax payment and tax collection system ensures that there will be no revenue leakages, unaccounted incomes and wealth. There will be no need for Governments to run separate tax collection departments and tax enforcement agencies and departments to see and verify accounts of all taxable citizens. Similarly people need not employ accountants or tax consultants to pay either Direct taxes or Indirect taxes or to submit tax returns. The plethora of tax laws, that are enacted and being used in the present system to enforce tax payments, will not be necessary at all in the TOP Tax system. The millions of tax related legal cases, which are emanated from non compliance of taxes and unaccounted incomes, and choking the judicial systems of all nations, will not be seen in the TOP Tax system. This is how the TOP Tax system works and helps both Government in Direct and Indirect tax collections without tax laws and enforcement, and citizens in paying taxes involuntarily without tax compliance (accounting, auditing, tax returns etc.,) costs.

The collected tax revenues of TOP Tax and Profit Tax by banks will go to Government accounts (SACCA). These revenues will be transferred to various departments/ministries according to the percentages as allocated to these departments/ministries at the budget presentation. This percentage of allocations to various departments/ministries can be changed from time to time depending upon the necessity, need, urgency and emergency of the situation that arise unexpectedly. As stated earlier the revenue generation will be smooth, easy and continuous process at minimum burden on people making it possible for the simplified budget presentation. The collection of revenues from people to Government and transfer of these revenues from Government to people through various ministries/departments/agencies is smooth, hassle free and continuous process without leakages, tax collection, tax enforcement and tax compliance costs.

In the present economic system Direct and Indirect taxes are being paid by citizens based on the accounts prepared by them and there is common financial year for all citizens to submit their accounts and Income tax returns. But in the TOP Tax system, TOP Tax and Profit tax will be on account basic. The financial year of each account SSA/CAN begins at the date it is opened and the financial year of MSA will begin at the date the Government allots MSA to each citizen at the age of 15. It doesn't matter much what the financial year of each account is. The number of accounts that begin or end each day is approximately equal to the total number of accounts operated by all banks in that country divided by 365. The common financial year for the whole nation will become irrelevant, unimportant and redundant in the TOP Tax system. Each individual can have a chosen financial year for his every SSA account.

In the suggested TOP Tax system, most of the money (99.6%) available in the economic system, will be in dematerialised form in the accounts of citizens, Governments



All Economic ills – one pill TOP Tax system

and companies. Only small portion of money (0.4%) will be in physical form (cash) i.e. coins and notes at low denomination. Each individual will be allowed to withdraw restricted amount of money in cash form per month from available earnings or savings in his/her Main Savings Account. People will have to spend or use the remaining available earnings or savings in their accounts through debit card, cheque, DD, or online transfers. The amount of cash withdrawal per each individual should be equal to the total value of the GDP of that country divided by the population of that country above the age of 15 and divided by 12 (months). (For example - India) The parallel economy being run by black money almost equalling the accounted GDP of the country and an estimated Rs. 1, 60, 000 crore fake currency will be totally eradicated with the demonetisation of higher value currency notes (Rs 1000, 500, 100, 50 notes) in the suggested TOP Tax system paving way for corruption free society.

So there will be no generation of **black money** and **fake currency**, and accumulation and stacking of money in physical form (cash) will not be possible. Money will be constantly pumped back into the system so as to avoid Profit Tax. The circulation of money in the economic system will be at constant rate with more cycles while checking **inflation** even at **higher growth rate**. The more cycles or exchange of money more times means money is spread evenly reaching all people. Limited paper currency in this **new economic system** would also arrest illegal activities such as drug trafficking, arms trafficking, ransoms, extortions, money laundering etc,. Once launched into this TOP Tax system prices would continue to decline to reach a minimum level of $\frac{3}{4}$ th and further up to half level of the present prices due to the following factors namely, **low tax component (below 11%), low interest rates (3% per annum), no tax compliance costs and fully open market with more players in the business**. Money will be purely utilised only for exchange of goods, commodities, assets, services, shares, physical and intellectual works. **When the TOP Tax system reaches its final destination, the prices of commodities/goods or services include only the value/cost of manpower (physical/intellectual) where abundant raw materials are available**. In the present system the prices of commodities/goods or services include various components like raw materials cost, tax, profit, interest, corruption, tax compliance cost, man power (physical/intellectual), transport, power (fuel/electricity) and shelf life. The final result of TOP Tax system will be the achievement of perfect equilibrium between demand and supply; development and equality; growth and inflation; real money and credit money (loaned money); revenues and expenditure. The lopsided development among people and regions that is being witnessed in the present economic system will cease to exist. The natural resource and wealth of a country can be equally distributed among the people.

Under present economic system there are only a few players, more referees (license, permit, check posts, way bills, auditing, assessment and inspection) and more spectators. The proposed Top tax system will leave space for more players, a few referees (pollution control board only) and a few spectators. The markets will become so wide open with no permits or licences required (except pollution control board's permission) to run any business or industry except those where absolute necessity is required for permissions from Governments for mining ores, minerals, seeds, pesticides, explosives etc,. Thus everyone can enter into the market and start his/her own business or industry without any shackles thereby reducing unemployment substantially. At the same time, with so many players in the market and high competition, the prices of goods/services will become cheaper, benefitting consumers. This invariably increases consumption leading to more production and growth rate.



All Economic ills – one pill TOP Tax system



The basic concept of the TOP Tax system is that only single tax, in the place of present multiple taxes, will be paid by the people on commodities/services manufactured within the country, apart from the customs duty which is imposed only to save domestic industry or business. The customs duty can be removed on certain goods like cement and steel as and when necessary to check the jacked up prices caused by cartel among these companies and also on agriculture produce when sufficient food grain production is not available for consumption or procurement towards essential buffer stock, because of drought or other natural calamities. So the annual budget presentation, if necessary, will be mainly utilised to distribute and allocate revenues to various sectors, departments and welfare schemes instead of focussing on taxation, tax collection and enforcement on tax compliance.

In the present economic system the budget preparation is massive, multi staged, time consuming and laborious process. There are thousands of different high or very low valued goods or services to be segregated into different groups and taxed by both Centre and States with different taxes at three or more slab rates and, as if these are not enough, there are additional surcharges or cesses on selected goods. These tax structures and slab rates on different goods keep changing every year. With these complicated tax structures and ever changing slab rates every year, the tax compliance by individual manufacturers, dealers and retailers has been difficult, cumbersome and bothersome. Taxes are being collected by different tax collection departments based on the accounts maintained by individuals who run industry or business. There is plenty of room for understatement of production and sales, tax evasion and consequent by-product of black money. But in the suggested TOP Tax system there will be single tax called TOP (Transfer Or Purchase) tax with fixed/stationary slab rate (4%) on all money transfers from one account to another account through cheque, debit card and online transfer/net banking in the purchase chain of consumers, retailers and manufacturers. The Transfer Or Purchase TOP Tax (4%) will be deducted automatically by computer systems of banks on all money transfers from one account to another account irrespective of the fact that for what purpose (purchase/donation/salaries/loans) and by whom these money transfers have been made.

The tax will be only on money transfers from one account to another rather than on the value of good/commodities and services with ever changing slab rates every year at budget time in the present taxation system. So the revenue collections for both Centre and Stated Governments will be instant, automatic, prompt and continuous process throughout the year with no room for tax evasion. There will be absolutely no tax collection expenditure for the Government and tax compliance cost for citizens. The purpose of budget preparation will be only for the allocation of revenues, got from TOP Tax and Profit Tax, to various sectors, departments or ministries. Taxation, tax collection, tax enforcement, tax compliance, allocation of revenues to various ministries or departments and money supply into the economy are unified in this unique TOP Tax system. So the budget presentation will become simple, smooth and time saving. Or even there will be no need for budget presentation each year. The yearly budget presentation can be solely utilised for percentage wise allocation and channelling of those automatically collected TOP Tax and Profit Tax revenues by banks to various sectors like housing, health care, education, drinking water, transport, irrigation, agriculture, environment, sanitation, infrastructure projects, rural development, defence and internal policing. The percentage of funds allocated to various ministries, departments or sectors can be changed every year depending upon the need, necessity and urgency acquired by them. The Government structure and machinery can be



All Economic ills – one pill TOP Tax system



restructured, downsized and fine tuned not only to reduce wasteful expenditure but also to cater to the basic needs of people concerning housing, health care, education, sanitation and drinking water. To say briefly, the Government's entire concentration and top most priority will shift from taxation, tax collection and enforcement to implementation of welfare schemes and development of infrastructure projects.

In this new economic system the total revenues of any country will be approximately equal to 4% (TOP Tax) X 3 = 12% of the total GDP Value of that country while assuming that each commodity or service will change hands at an average of three times in the consumer, retailer, dealer and manufacturer chain. That means at each change of hands of any commodity or service the money will be transferred from one account to another account while leaving no room for tax evasion. There will be additional 5 to 10 % TOP Tax revenues on the resale of the shares, movable and immovable properties, and donations in that country. Furthermore there will be revenues from avoidable Profit tax. In all probability these revenues will be more than 150% of the revenues that are accruing from multiple taxes in the present economic system. Please remember that all these revenues will be collected without any tax collection expenditure on tax collection departments, tax tribunals and tax enforcement agencies

In the suggested TOP Tax system the banks/service centres will become virtually the intermediaries between people and the Government for all tax collections and redistribution of funds/revenues from the Government to people, who should be the natural, eligible and legitimate recipients while eliminating whales, parasites and limpets. Whenever a person migrates or moves to a new place his old address in Main Saving Account (MSA) should be changed with the new address to get monthly ration, subsidies, compensation/ex'gratia/relief funds in the event of natural calamities like earthquake, cyclones, floods, famine, drought, etc., in that particular place and also to get voting right in that particular constituency. In the suggested TOP Tax system the Main Savings Account (MSA) of each person shall be utilised as the de-mat account of that person for holding both movable and immovable properties like shares, lands, plots, flats, gold, silver, jewellery, ornaments, very high valued articles, motor cycles, cars, other vehicles and all other properties/assets. While purchasing or selling, the transfer of ownership rights of these assets/properties from one person to another person shall be made from one person's MSA to another person's MSA through banks/service centres in a digital/electronic form.

Usage of MSAs, SSAs and CANs:-

In the present economic system a person's or a company's money, movable or immovable properties (like vehicles, plots, flats, houses, factories, commercial establishments, lands etc.,) shares, family tree, insurance policies and all other assets are recorded, managed and handled by different departments, agencies or institutions. But in the suggested TOP Tax system money, movable or immovable properties (like vehicles, plots, flats, houses, commercial establishments, lands etc.,) shares, family tree, insurance policies and all other assets are recorded, managed and handled in a single account called **Main Savings Account (MSA) with five folders** in case of individuals and in **Corporate Account Numbers (CAN) with seven folders in case of companies** which issued shares for public. **These accounts MSA's, SSA's and CAN's will be maintained and operated by banks replacing different departments, tax collection and tax enforcement boards, agencies or institutions of the present economic system.**



All Economic ills – one pill TOP Tax system



Thus people's money, shares, all movable and immovable properties will be in only one account (**MSA**) with different folders operated by banks. So money, shares and all other movable and immovable properties can be stored, maintained and used from this single account called **Main Savings Account (MSA)** with **five folders** in case of individuals and **Corporate Account Numbers (CAN)** with **seven folders** in case of companies which issued shares for public. Transfer of money, shares, movable and immovable properties, goods, services, physical and intellectual works are simultaneously transferred from one account to another account while purchasing or buying.

1. Usage of Main Savings Account (MSA) - There will be only one compulsory and mandatory MSA for each person given by the Government. This MSA will have five folders for each specific purpose of an individual.

The first folder (liquid money folder) will be used for storage and usage of money (in TOP Tax system it is called as liquid money) generated through savings/earnings/incomes/donations. This folder of MSA can also be used to run or operate any business or industry owned wholly by an **individual**.

The second folder (immovable property folder) shall be used for registration, storage and usage of ownership rights of all immovable properties like lands, flats, plots, commercial establishments, and etcetera. The ownership rights of these assets will be transferred from one person's MSA to another person's MSA while purchasing/selling/donating of these immovable properties.

The third folder (movable property folder) shall be utilised for ownership rights of all movable properties like vehicles, gold, jewellery, and etcetera. The ownership rights of these properties will be transferred from one person's MSA to another person's MSA while purchase/sale/donation of these movable properties. In the TOP Tax system the movable and immovable properties are called as solid money. These properties (solid money) will have both ownership rights and in physical enjoyment.

Vivid explanation: - In this suggested TOP Tax system the immovable property folder and the movable property folders of Main Savings Account (MSA) of each person shall be utilised as the de-mat account of that person for ownership rights of both movable and immovable properties like shares, lands, plots, flats, gold, silver, jewellery, ornaments, very high valued articles, motor cycles, cars, other vehicles and all other properties/assets. While purchasing or selling, the transfer of ownership of these assets/properties from one person to another person shall be made from one person's MSA to another person's MSA through banks/service centres in an electronic/digital form. So the transfer of assets like lands, plots, flats, gold, jewellery, ornaments and vehicles will take place in physical form upon the transfer of ownership right of that asset in digital form from one MSA (seller) to another MSA (buyer). Larceny, burglaries, lootings and extortions will come to an end, because without the ownership rights of gold, silver, jewellery and other high valued items in the MSAs, they cannot be sold or bought. In literal sense banks will virtually act as custodians for people's money, shares, assets and all movable and immovable properties. The bank branches/ banking service centres will be intermediaries between people and Depository, who should be under full control, governed, monitored and checked by Central Bank of that particular country. In other words bank branches/banking service centres can be called as single window shops where all basic services of the people will be met. TOP Tax system suggests that total land record of the country should be dematerialised according to extent, location, mapping and ownership. The



All Economic ills – one pill TOP Tax system



land belongs to people will be recorded in their respective MSAs. Similarly the land that belongs to Government, Government organisations, companies should be recorded in their respective accounts. In the TOP Tax system the bank branches/banking service centres will act as middle men for people, manufacturers, dealers, sellers and buyers for transfer or trade of money, shares, commodities, lands, flats, plots, vehicles, and other movable or immovable property while buying or selling at absolutely free of cost.

Under the TOP tax system, lands, plots, flats or other properties purchased should be made through main savings account only. If any person buys land, plot, flat or any other property anywhere in India the extent and nature of the property will be credited in his Main Savings Account and the same property will be debited from the seller's Main Savings Account (MSA). Whenever he/she sells any property that is credited in his MSA, the same will be debited from his/her Main Savings Account and the same property will be credited in the buyer's Main Savings Account (MSA). Just like shares there will be no paper documents for properties. Unlike cash transfers the buyer's presence and signature/authentication shall also be needed for any movable or immovable property transaction.

There will be no multiple selling of the same property to different people and unauthorised selling/purchase and illegal occupation of other person's property without his/her knowing/consent will not be possible.

The fourth folder (shares/stocks folder) shall be utilised for storage and usage of ownership rights of shares/stocks, bonds, derivatives etc. The ownership rights of these securities will be transferred from one person's MSA to another person's MSA while buying/selling/donation. The shares will have only ownership rights and called as semi solid money.

The fifth folder (family folder) shall be utilised for family details and called as family folder. Marriage registration and child birth registrations will be made both in husband and wife's family folders of MSAs. Based on the details in the family folders, monthly rations will be computed and transferred every month, in the form of cash, directly into the **wife's MSAs**. Every child will get his/her own MSA account at the age of 15 years. The bank statement of **The fifth folder (family folder)** of MSA of any individual can be utilised as caste and income certificate, voter list, ration card and passport. It can be obtained within minutes from any bank and from anywhere in the country. People need not pay bribes to get these certificates or documents from revenue department and passport offices. All funds allocated towards welfare of SCs, STs and BCs can be transferred directly into the MSAs of these sections leaving no room for leakages, bribes and misappropriation of these funds.

Vivid explanation:- All the details of a person's occupation, educational qualifications, marriage, driving license, passport, his/her life partners name, PAN number (MSA) (and vice versa), children and their age etc, will be recorded in the **fifth folder(family folder)** of his/her **Main Savings account**. The parents should register their child's details in the data record of their **Main Savings Account (MSA)** within three months of their child's birth. Once the child gets the age of 15 years he/she will automatically get PAN and MSA. The total care and welfare of the orphans should be taken by the State governments till the child reaches the age of 20 years.

This system totally and permanently checks the ever increasing problem of illegal migration from Pakistan and Bangladesh changing the demographic proportion of India to an unimaginable level. Once all the citizens above the age of 15 years are given the mandatory **Main Savings account (MSA)** and the TOP Tax system becomes fully operational, no adult will be given **Main Savings Account (MSA)** thereafter. From hereafter every additional Main



All Economic ills – one pill TOP Tax system



Savings Account MSA will be an offshoot of an existing MSA belonging to parents. There will be no question of additional fresh MSA without parent's existing MSA. Similarly existing MSAs will come to cease upon the death of individuals. All the money, shares, movable and immovable properties recorded in the five folders of MSA of the deceased person will be transferred to his/her legal heirs. The total number of MSAs will increase every year depending upon the growth rate of population of that country. TOP Tax system will record; maintain every individual's family record generation after generation. Therefore illegal migrants from other countries cannot enter illegally into India, get Main Savings Account or Sub Savings Accounts and assimilate in Indian population. It will be a lot easier for the government to detect terrorists and militants who cross over from across the border to indulge in unlawful activities.

TOP tax system will be operated solely by banks to provide different services for the Government like taxation, tax collection, tax enforcement; for issuing caste certificates, income certificates, voter lists, monthly rations, subsidies, pensions, calamity relief funds, passports, licences, fees reimbursements, scholarships etc., at absolutely free of cost. TOP Tax system, operated by banks, will also help people in getting all the above mentioned services at single window through their MSAs with five different folders. That means TOP Tax system will replace present system's multiple departments like Income tax department, Central Excise department, CBDT, CBEC, Tax tribunals, passport department, census department, States' commercial tax departments, civil supplies departments, registration departments, revenue departments etc., saving thousands of crores of Government's non-plan expenditure.

2. Usage of Sub Savings Account (SSA):- Every person can open and operate as much number of SSAs as he/she wishes. The SSA will have only one folder called as liquid money folder. This folder shall be used for receiving, storage and usage of money to operate any business or industry by an individual.

3. Usage of Corporate Account Number (CAN): - Corporate companies, MNCs and Public limited companies which **sold/issued shares to the public** will be given **CANs**. Each Corporate Account Number will have **seven folders** for each specific operating/running purpose of the company.

The first folder shall be utilised for storage and usage of money for running that company.

The second folder shall be utilised for having all records of immovable properties like land, buildings, infrastructure and etcetera of that project/plant/business. **The third folder** shall be used for registration, storage and usage of ownership rights for all fleet of vehicles and other movable properties like machinery etcetera required for running of that company. **The fourth folder** shall be used for storage of all shares of the promoters and the public of that company.

The fifth folder shall contain the details and accounts of all the employed manpower of that company. **The sixth folder** shall contain the detailed accounts of all raw materials and other required inputs bought and used for running of that company. **The seventh folder** shall contain the details and accounts of all products manufactured, sales and inventory. TOP Tax system's CAN with seven folders is a new procedure to see that company's financial books were clean, accurate, open and transparent to all share holders so that there can be no room for fraudulent and deceptive financial statements.

Vivid explanation: - The TOP Tax system's Corporate Account Numbers (CANs) with seven folders will make all companies' accounts fully transparent and open to all share holders every day (unlike quarterly, half-year and yearly statements released by the companies in the



All Economic ills – one pill TOP Tax system



present system) for inspection, study and analysis before investing their hard earned money in shares of those companies with sound financial position. The transparent accounting system in CANs with seven separate folders for money, movable property, immovable property, manpower, shares, raw materials and other inputs, and manufactured products and inventory will remove all frauds in accounting, securities, stocks and investment. These CANs with seven folders ensure that there will be no chance of fraudulent business practices of overstating profits, concealing debts, spreading the expenses out over several years, under voicing or over voicing of raw materials, inputs, and manufactured products, under or over stating of stocks, padding up of project cost and diverting of funds at grounding, construction, erection and all stages of project implementation and publication of falsified financial reports. The CANs of TOP Tax system can also check the diversion of funds from one company to another company within the group companies (same promoters). The TOP tax system gives a big boost to stock markets as people start buying huge lots of shares to maintain minimum balance in their accounts in order to avoid Profit tax. There will be no significant effect of TOP tax system on intraday trading and Future options trading because the loser loses extra 4% of the loss amount only in the intraday trading. People will prefer to buy shares on the long term and annual yield basis. They invest in the companies which give handsome dividends year after year.

TOP Tax system's five main objectives are 1) The tax collections from people, 2) the distribution of revenues from governments to people in the form of subsidies, relief funds in the event of natural calamities like earth quakes, floods, famines, pensions, cash transfers towards monthly rations, hospital bills, education bills, et., 3) providing all basic services including registrations of movable and immovable properties, driving licences, air, bus, train tickets, permits, licences, payment of electricity, telephone bills, water cess, house taxes, issue of voter lists and voter slips, birth and death registrations, census figures at every day, every hour, every minute (unlike at every decade in the present system), 4) lending money to borrowers at the lowest PLR (average 3% per annum). All these objectives can be met and carried through banks/service centres to all people at single window, situated nearest to their homes (5) implementation of welfare schemes to BCs, SCs, STs, towards education, self employment and other areas, and monthly pensions to senior citizens (with no or paltry incomes) and physically challenged.

TOP Tax system's main objectives will be carried through banks/service centres at absolutely free of cost. The huge expenditure cost being incurred by the various State Governments and Central Government for tax collections through different tax collection departments will be saved. Thus the huge tax collection expenditure saved can be better utilised for providing free health care service and education to all people of the nation.

All the earnings/savings of an individual deposited in their respective accounts (MSA/SSA) in the form of numerical/digital value can be utilised at any time for buying of movable or immovable property or for any other legally allowed purpose. The unutilised deposits will be disbursed as loans to the borrowers by the banks at the lowest lending rate (average 3% per annum as operating cost). The total profits (an estimated 64,973 crores) got by all the banks/ service centres will be more than enough to operate them and they can meet all the objectives of TOP Tax system i.e. providing all basic services to people at absolutely free of cost at single window.



All Economic ills – one pill TOP Tax system



3. Money supply, real money and credit money

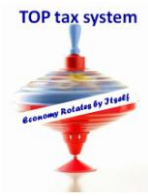
In the present economic system, most of the money in circulation is in physical form (bills/notes). There are reported to be plenty of cases of lootings, robberies, homicides, extortions, ransoms, and bribes across the world in almost all nations because of this huge money in physical form. This physical money, in huge amounts, is being transferred from one hand to other eluding all tax nets in transactions of commodities or goods. The unaccounted GDP is said to be too heavy and varies from country to country depending upon the corruption level that exists in that country. In addition to this **black money** there are also huge amounts of **fake currency** that has contaminated the genuine currency. The combined effect of the black money and fake currency is playing havoc with economies of many countries. Now money is being treated as an income generating asset and wealth instead of using it as a medium in exchange of commodities, goods, services, and shares, physical and intellectual works. The huge accumulation of money in few pockets in the form of **black money** is making the cyclic circulation of money in the economic system to be erratic (some times more cycles per year and some times less cycles per year with stagnation/non usage of money causing economic recession at times. The multiplier effect on the money in banking finance system is decreasing the real face value of the physical currency. Although the individual's earnings are increasing every year, the purchase value of the currency is decreasing and reached almost $1/10^{\text{th}}$ of its face value. TOP Tax system tries to fix this problem by qualitative and quantitative supply of money in economic system so that the purchase value of physical currency at its face value remains high and same for longer period of time. The prices of commodities or services will remain same or even decrease enhancing the purchasing capacity of people every year with increase in earnings (per capita income) each year.

From the base year of the adoption of this new economic system, the total money of any country in the finance system (real money + loan money, generated by banks in the banking finance system) should be equal to the value of the GDP of that county. Every year, additional real money equalling 52.63% of the value of the growth in the GDP minus the value of the growth (if any) in the exports when compared to last year, should be added to the Government account at the time of budget presentation to check deflation and recession. The major portion (50%) of this added money should be allocated towards pensions to senior citizens who have no or paltry incomes. The remaining portion shall be allocated to welfare schemes, health care services, education and infrastructure sectors. Once this real money is added and merged in the circulating money, the remaining portion of 47.37% of the value of the growth in the GDP minus the value of the growth (if any), will also be generated through loans as debt money/loan money by the banks and added to the circulating money in the finance system. TOP Tax system suggests that total liquid money (real money and debt money/loan money) to be necessary for circulation in banks should be at the minimum level 100% and at maximum level 150% of the value of GDP of the country. Assuming that each commodity/service is changed hands three times in the consumer, retailer, dealer and manufacture chain, the cycles of the total money in the circulation will be at average three per year. The fixed amount of money, equalling the GDP value of the country will ensure that prices of commodities or services remain the same millennium after millennium.

TOP Tax system's **Main Savings Account MSA** will have five folders for money, shares/stocks, bonds, derivatives, movable property, immovable property and family. The Sub Savings



All Economic ills – one pill TOP Tax system



Account will have only one folder for money. The **Corporate Account Number** will have seven folders for money, movable property, immovable property, securities, raw materials and other inputs, man power, manufactured products. The first folder of all these three accounts will be used for storage and usage of money for personal or business or industrial purpose. **For detailed usage of these accounts please see page number 12 to 15.**

Top Tax system suggests the Cash reserve Ratio CRR permanently at 10%. All the loans taken by any person will be recorded and maintained in the sub folder called **Debt money folder** of his/her **Main Savings Account**. The loan money is called **Debt money**. Similarly the borrowings of money (loans) for industries run by corporate companies or public companies will be recorded and maintained in the sub folder called **Debt money folder** of **Corporate Account Numbers (CANs)** of those companies. The total money in all **MSAs, SSAs, CANs**, Bank accounts and Government accounts will be constant throughout the year with a little variation of .01% because of miniscule paper currency. The total loans/advances given by all Banks (recorded as Debt money in **Debt money folders of MSAs and CANs**) should not be more than **47.37%** (if CRR = 10%) of the **total money/liquid money** (money which includes both **real money** and **loan money**) in all **MSAs, SSAs, CANs** and Banks' own capital money.

The **money folder** of **Bank's Account** will have its capital money and profits. It is called **capital money/fixed money**. It is called as **fixed money** because it cannot be given as loan as **real money**. The bank's **capital money** will be used to pay salaries and towards other operating costs of that bank. All the loans given by it will be recorded in another sub folder called **loan money folder**. Its numerical figures should be in **red colour**. Every time the bank gives loans, the Bank's **capital money/fixed money** should not be changed. But the given loan money will be added to the Bank's **loan money** account in **loan money folder**. Correspondingly the loan amount will be added to the **liquid money** account of **MSA** or **SSA** or **CAN**, who has taken that loan, and at the same time the loan amount will be recorded in the **Debt money folder** of the same **MSA** or **SSA** or **CAN**. When a loan is repaid, the principle amount of that loan will go in to the **loan money** account of that Bank account and loan amount in **red colour** decreases by the repaid loan amount. But the interest amount of that loan should be credited to the Bank's **capital money/fixed money**. Similarly whenever a loan is repaid through any **MSA** or **CAN** the paid amount will be decreased from both the **liquid money** account and **debt money** account of the same **MSA** or **CAN**. Please note that when **Bank(X)** gives loans, its **capital money/fixed money** would not change but increases when interest on loans paid to it, and decreases when **Bank(X)**'s salaries and other operating costs are paid. Bank's salaries and other running/operating costs should be paid from the **capital money/fixed money** of the **Bank's Account**. So the **capital money/fixed money** minus the initial capital are Banks profits. If the **capital money/fixed money** in the bank's money folder are less than the Bank's initial capital investment that means the bank incurred losses.

The TOP Tax system suggests **CRR** (Cash Reserve Ratio) to be around 10%. The total loans/advances given by a **Bank(X)**, recorded in the **loan money folder** of Bank's Account, should not be more than **47.37%** (if CRR = 10%) of the total money stored in all **MSAs, SSAs, CANs** operated by all its branches, and **Bank(X)**'s own capital **investment/liquid money** and profits (if any). The **total money/liquid money** in all **MSAs, SSAs and CANs** invariably includes the **real money** and **loaned money** generated by the Banks. But the Bank's **capital money/fixed money** is purely **real money**. This total money will keep changing continuously. So the average total money of all accounts for one year of all branches of that particular **Bank(X)** should be taken in to account while giving loans. This ever changing average total will



All Economic ills – one pill TOP Tax system



be automatically available every day by computer software system itself. At the same time the total loaned money/advances of all the branches of **Bank(X)** should not exceed **nine times** the value of that particular **Bank(X)**'s **Capital money/fixed money**. At **no time** the **Bank(X)**'s loan money/advances in the **loan money folder** should exceed **nine times** the **bank(X)**'s **capital money/fixed money**, and more than **47.37%** of the total money in all **MSAs, SSAs and CANs** (operated by it) and its own **capital money/fixed money**. The total loans/advances (recorded in **red colour** in **loan money folders**) given by all banks throughout the country should be equal to all **Debt money/loan money** taken by individuals and companies recorded in **Debt money folders** of **MSAs and CANs**. The possible cash reserve ratios and corresponding loan ratios to total money are as follows. If CRR = 5%, then loan ratio = 48.71%. If CRR = 6%, then loan ratio = 48.45%. If CRR = 7%, then loan ratio = 48.19%. If CRR = 8%, then the loan ratio = 47.92%. If CRR = 9%, then loan ratio = 47.64%. The maximum loan/credit that can be lent as loan by banks on the **real money** 100 will be 90 and the total money in circulation will be 190. It will be called as **liquid money**. In other words when CRR = 10%, then the total credit that can be generated, lent and added to the real money will be 90% of **real money**. It is the **self money supply** of banking system suggested by the TOP Tax system.

The total **capital money/fixed money** of all banks in the country should be at least one ninth of the total loan money recorded in the **debt money folders** of all **MSAs, SSAs, CANs**, and one ninth of the total loan money recorded in **red colour** in **loan money folders** of all Banks. As the bank's profits increases, the capital increases. The bank's profits will be known every day, every hour and every minute even to a layman. The **maximum profit** a **Bank(X)** with all its branches can achieve in a financial year = (the average annual simple interest 3 % x 9 times of its capital money) + registration charges – Operating cost. That means, profit = (27% of its **capital money**) + registration charges – operating cost. The minimum profit a **Bank(X)** with all its branches can achieve in a financial year = (simple interest 3 % X 0.9 times of its own **capital money** when no real money is available in all **MSAs, SSAs and CANs** operated by it) + registration charges – Bank's operating cost. So the profits depend upon the total money available in all **MSAs, SSAs, CANs**, the bank operates, and Bank's own capital money. This is the self regulating system of money supply in the economy. The **Bank's** cash reserves, to be lent as loans, decreases if **real money** in all **MSAs, SSAs and CANs** operated by it decreases. If total **real money** in all **MSAs, SSAs and CANs** = **P**, CRR = 10%, annual average simple interest = 3%, operating cost of banks = **Y** and total registration charges of all immovable and movable properties = **X**, then the total profits per annum got by all Banks in the country = $[(P-P/10) X 3/100] + X - Y$. That means total profits = $27P/1000 + X - Y$. That implies profits = $(0.027\% \text{ of } P) + X - Y$. These maximum profits will have to be shared by all Bank operators in the country. Each Bank operator's profit will depend up on the real money available in all **MSAs, SSAs and CANs** it operates. So, the Bank operators will vie with one another for more accounts by providing prompt and quality services to its customers. **Real money** means total **liquid money minus** total **loan money/debt money** given by banks. Please see page number 18 and 19 for possible operating cost of the Banks and their profits. Bank's capital investment cannot be withdrawn from the bank unless it is exceeded one ninth values of its total loans given. In other words, only the extra money, which means profits, over the initial capital investment, can be withdrawn from the Bank by its promoters. **Every year, additional real money equalling 52.63% of the value of the growth in the GDP minus the value of the growth (if any) in the exports when compared to last year, should be added to the Government account at the time budget presentation to check deflation and recession. The banks' profits will increase**



All Economic ills – one pill TOP Tax system



through interests on this additional loan money every year. TOP Tax system ensures that money supply does not get stagnated in the financial system as excess reserves because of these following factors. The first one is the **Profit Tax** which constantly pumps money back in to the financial system. The second one is the limited paper currency which totally removes black money, a stronghold of stagnated and hibernated money in recession periods. The third factor is low interest rates and faster sanctioning of loans because all components of money and wealth are recorded, stored, maintained and used in the same **MSAs** and **CANs**.

The total money (**liquid money**), **Debt Money/loaned money**, shares/stocks, movable properties, and immovable properties of individuals or industries will be stored, recorded, maintained and transformed in the same accounts of **MSAs** and **CANs**. The movable and immovable properties can be mortgaged and transformed in to liquid money for personal, business or industry purpose. Since all the money, debts, shares and assets are recorded, linked and covalently bonded together under different folders in the same **Main Savings Account** in the case of individuals and in the **corporate account numbers** in the case of companies; the process of loan sanction will be faster and smother. There will be no defaults on loans and nonperforming assets called NPAs. Once the loans are repaid the assets will be released from mortgage instantly. The total **real money** and **Debt money/loan money**, the real assets and mortgaged assets of an individual or a company can be easily distinguishable. In **the present system money, shares, movable and immovable properties are recorded and maintained by different institutions, departments and agencies. Loan money/advances are maintained in separate accounts. So the real money and loaned money/credit money are mingled together beyond recognition and not easily distinguishable by cursory study of the accounts. The present system's multiple generation of money supply through loans on loans is actually dwarfing the real money and causing uncontrolled inflation and accumulation of money in a few pockets.**

Public Distribution System will be carried through banks/banking service centres.

The TOP Tax system suggests distribution of monthly rations in the form of cash equalling the total cost of grains and subsidy portion of kerosene/LPG, sugar, cooking oil, transferred directly to the Main Savings Accounts (MSA) of families, whose annual incomes are less than Rs.1, 50,000 or as decided by the Government at the budget presentation every year. The monthly cash transfers should be made on the 1st of every month to the women's MSA of each family. This system will serve eight purposes. (1) The empowerment of women can be achieved at least to some extent. (2) The misuse of unutilised ration (rice/wheat, kerosene, sugar, cooking oil etc.,) by the dealers will be curbed. (3) There will be no adulteration of diesel and petrol with unutilised /misused kerosene through PDS. (4) The hitherto circuitous, costly and corruption ridden PDS will be gone. (5) The prices of commodities will come down substantially. (6) People can buy quality grains of their choosing by using cash. (7) The price of kerosene can be made on par with diesel eliminating adulteration of diesel and petrol. (8) The misuse of LPG for commercial purpose will be totally curbed. (9) The huge expenditure cost of government machinery used for PDS will be saved.

The amount of cash transfer will be decided at every month based on the prevailing prices of grains at retail market. The monthly ration will be equal to (=) number of KGs of rice/wheat/wheat flour allotted to each family x price+ subsidy portion of sugar + subsidy



All Economic ills – one pill TOP Tax system



portion of kerosene/LPG + subsidy portion of cooking oil . So the less/low income group people will get their staple grain at free of cost and total subsidy portion on kerosene, sugar, cooking oil, cereals through cash transfers.

So there will be only one Public Distribution System (PDS) for both Centre and all States combined together through Banks/banking service centres. So the huge government machinery is not required for the PDS saving lot of public money. The cost of the cash transfers will have to be shared in the ratio of 70% by States and 30% by Centre exactly in the same ratio of revenues suggested in the TOP Tax system. See page 5 and 6.

Similarly the fertilizer subsidy amount can be transferred directly to the farmers' Main Savings Accounts as illustrated in the page number 11 facilitating the total removal of subsidy on fertilizers and its misuse by fertilizer companies.

The fifth and most important objectives of banks/banking service centres will be the management of every individual's all movable and immovable properties in electronic/digital formats in the five separate folders in Main Savings Account (MSA).

In the suggested TOP Tax system the Main Savings Account (MSA) with five folders of each person shall be utilised as the de-mat account of that person for holding money, debt money, movable and immovable properties like shares, lands, plots, flats, gold, silver, jewellery, ornaments, very high valued articles, motor cycles, cars, other vehicles and all other properties/assets. While purchasing or selling, the transfer of these assets/properties from one person to another person shall be made from one person's MSA to another person's MSA through banks/service centres in an electronic form.

Under the TOP tax system, lands, plots, flats or other properties purchased should be made through main savings account only. If any person buys land, plot, flat or any other property anywhere in India the extent and nature of the property will be credited in his Main Savings Account and the same property will be debited from the seller's Main Savings Account (MSA). Whenever he/she sells any property that is credited in his MSA, the same will be debited from his/her Main Savings Account and the same property will be credited in the buyer's Main Savings Account (MSA). Just like shares there will be no paper documents for movable/immovable properties. Unlike cash transfers the buyer's presence and signature/authentication shall also be needed for any movable or immovable property transaction.

Why the suggested "TOP Tax system" suggests total removal of interest rates on demand deposits and fixed deposits?

Any truly democratic Government should ensure that wealth flows from the rich to the poor. But unfortunately the inverse is happening in the present system. Money has been constantly transferring from the have-nots to the haves in the form of interest rates on demand deposits and fixed deposits. The rich are becoming richer by at least 8% every year and the poor are getting poorer every year, by paying interest indirectly on demand/fixed deposits of the rich while buying essential commodities/services, and directly paying through high interests on the loans taken by them. The banks are paying huge amounts as interests to the rich by extracting directly from the poor through high interest rates on the loans given to them and indirectly through interests on loans given to rich industrialists as the industrialists eventually pass on the interest burden to the consumers by enhancing the prices of commodities/services. The majority of the people have to work extra hard not only to earn for themselves but also to pay the interest on the deposits of the rich,



All Economic ills – one pill TOP Tax system



although indirectly, by buying interest component included commodities/services at higher prices. The have-nots are paying the entire interest amounts on deposits and savings either directly or indirectly by default. Instead of using money as medium for transfer of commodities or services between people, the money itself is being used as an asset to generate incomes through interests. The accumulation and stacking of money by an individual is generating money for progeny generation after generation. The generation of money on stored money is nothing but a deduction of money from hard earning working class. This parasitic policy of the rich, feeding on the poor by sapping all their energy to the supernaculum, will be ended with the adoption and implementation of TOP Tax system. TOP Tax system will ensure that money will be purely used as medium for transfer of commodities or services among people.

Hence the TOP Tax system suggests total removal of interests on fixed deposits and demand deposits. The rich will have to spend exactly the amount they earn or save and not a penny more got by virtue of interest. But at the same time the rich will have greater benefits in the TOP Tax system. They need not pay Income tax at all. They can spend whatever money they earn without bothering about accounting, auditing and income tax returns. The total money, saved from income tax on entire earnings/savings during their life time, will be more than the interest lost on their deposits. More importantly the poor will get money at low interest rates (2% per annum). They will have their own homes and they will get essential commodities at much cheaper prices than today.

Presently, major share of revenues of both Centre and States is being gobbled up by the huge burden cost of interest payments on internal borrowings. The huge amounts saved on interest payments by the Central and State governments on internal borrowings can be utilised to provide free health care services and quality education to all people of the country. It is true that some of the senior citizens rely solely on monthly interest payments on their life time savings. Hence it is absolutely imperative that the major portion of the saved interest on internal borrowings by the Centre and States and the saved tax collection expenditure cost should be given to all senior citizens (with no or paltry incomes) above the age of 65 years as pension every month.

All the present day chit fund companies, financial institutions will have to change their operations and services and transform into banking service centres. TOP Tax system requires 5, 00,000 banking service centres (see page number 30). The loss of employment in the tax collection departments and PDS will be compensated by manifold employment generation through large number of banking service centres, hugely expanded health care, education, infrastructure, agro, irrigation and other sectors. See page 16 to 19. The major share of revenues that is being spent on interest payments on internal borrowings, tax collection, over sized Government machinery and PDS, (which does not propel economic activity and create infrastructure and assets), will be better utilised on infrastructure projects, health care services, education, irrigation, agriculture and other sectors to induce huge development, employment generation, and all-round development of individuals and country as a whole. These huge investments on infrastructure will further accelerate economic growth where more tax revenues are feasible to provide all basic needs of people. A country which adopts and implements this TOP Tax system (A new taxation system) will be on right track at faster growth rate in no time. This will reduce over dependence on external borrowings at high interest rate under adverse terms and conditions.



All Economic ills – one pill TOP Tax system



Top Tax system runs on limited paper currency and dematerialised money

TOP Tax system that runs on limited paper currency and dematerialised money will have five distinct advantages over present system which runs on huge paper currency.

1. Limited paper currency at a low denomination value will ensure the total extinction of fake currency.
2. Black money will also meet the same fate as people will be forced to transfer money from one account to another account through cheque, debit card or online transfers for all transactions for personal or business purpose.
3. Ransoms, extortions, bribes, robberies and all illegal activities will come to an end as huge exchange of currency at high denomination values will not be possible because every individual's earnings or savings will be in dematerialised form in his/her MSA or SSAs.
4. There will be no scope for exchange of money in physical form. All money transfers will be accounted and this eliminates tax evasion. Every account will be an involuntary taxpaying account. Thus tax collection and tax compliance will invariably become one and same. There will be no tax collection cost for Government and tax compliance cost for citizens.
5. Under present tax system if large number of persons wants to cancel their deposits and withdraw their money from banks at once for one reason or other, the physical money (cash) available with the banks will not be sufficient to disburse to all persons at once causing panic and chaos. But under TOP tax system the above scenario will never occur under any circumstances because any person can be allowed to withdrawing only a maximum of 5,000 per month from his Main Savings Account (MSA), and whatever money available in all his Sub Savings Accounts will have to be transferred from those accounts through cheque, debit cards or net banking to other person's account while buying shares, lands, flats, plots, any commodity, goods, service or anything else or in case if he wants to lend money to other persons. He/she can transfer all his/her money from his/her particular MSA or SSA to another SSAs of his/her own account by losing 4% Top tax in this process

For example India;-- Under proposed TOP Tax system each person will be allowed to withdraw a maximum of Rs. 5000 per month from savings or earnings in his/her Main Savings Account only.

For example in India, the monthly cash withdrawal limit for each citizen can be calculated as follows; - The value of the [GDP value of that country – (exports – imports)] divided by 365. Please not that each citizen above age of 15 years will have only one Main Savings Account (MSA). The monthly withdrawal limit (cash in physical form) will vary from country to country.

This table shows the suggested monthly withdrawal limits for India.

GDP 2009-10 BE in crores	Total population of country	Approximate. No of MSA's over15years). In crores	Per capita income/ MSA/annum In Rs.	Per capita income in Rs. /MSA/month
58,56,569	116 crores	100	58,565	4880

The monthly withdrawal limit of Rs. 5000 can be increased at budget time depending upon the GDP value.

Under proposed TOP Tax system currency in 20, 10, 5 and 2 rupee notes needed to be put in circulation will be approximately valued at Rs. 20,000crores. Besides these currency notes 1, 2, 5 rupee coins will also be in circulation as in present system.



All Economic ills – one pill TOP Tax system

The limited paper currency that needs to be put in circulation may vary from country to country depending upon GDP value of that country.

The value of the limited paper currency should be equal to the value of the [GDP of that country – (exports – imports)] divided by 365. **(If GDP = private consumption + gross investment + government spending + Exports – imports)**

Out of total GDP value of Rs.16045crores per day an average 30% value of GDP (5000crores) per day will be bought by cash at first stage. Most probably the remaining second and third stages and most probably 70% of GDP (average three stages) will be transacted through cheque, debit card or online cash transfers. Under proposed TOP Tax system holding and carrying of cash of more than Rs. 30,000 over long distances need to be banned. Retailers, petty shop owners and other businessmen should deposit their sale proceeds received in cash in the nearest banks every day. Therefore most of the currency shall be circulated locally.

2007-08 figures Source: rbi.org.in

rupees crores

Rs.20	Rs.10	Rs.5	Rs.2	coins			Total value
				Rs.5	Rs.2	Rs.1	
4108	9333	2111	636	3249	1907	2214	23558

The above valued currency (coins and notes) presently in circulation will most probably be sufficient for the proposed TOP Tax system in the case of India.

The paper money needed to be put in circulation= the value of GDP X 10% of slab rate (4%) divided by 100= value of GDP X 0.4 /100. Paper money will be circulated in low volumes only at primary level in the manufacturer, dealer, and retailer and consumer chain.

In the suggested TOP Tax system, most of the money (99.6%) available in the economic system, will be in dematerialised form in the accounts of citizens, Governments and companies. Only small portion of money (0.4%) will be in physical form (cash) i.e. coins or notes at low denomination. Each individual will be allowed to withdraw restricted amount of money in cash form per month from available earnings or savings in his/her Main savings Account. People will have to spend or use the remaining available earnings or savings in their accounts through debit card, cheque, DD, or online transfers. The amount of cash withdrawal per each individual should be equal to the total value of the GDP of that country divided by the total number of Main Savings Accounts of people above the age of 15 and divided by 12 (months.) The parallel economy being run by black money almost equalling the accounted GDP of the country and an estimated Rs. 1, 60, 000crore fake currency (for example – India) will be totally eradicated with the demonetisation of higher value currency notes (Rs 1000, 500, 100, 50 notes) in the suggested TOP Tax system paving way for corruption free society.

So there will be no generation of **black money** and **fake currency**, and accumulation and stacking of money in physical form (cash) will not be possible. There will be no hidden/underground/shadow/unreported accounts. Money will be constantly pumped back into the system so as to avoid Profit Tax. The circulation of money in the economic system will be at constant rate with more cycles while checking **inflation** even at **higher growth rate**. The more cycles or exchange of money more times means money is spread evenly reaching all people. Limited paper currency in the TOP Tax system would also arrest illegal activities such as drug trafficking, arms trafficking, ransoms, extortions, money laundering etc.,



All Economic ills – one pill TOP Tax system

The overall possible component of TOP Tax on goods/services is shown in the following tables. The possible TOP Tax on money flows in consumer, retailer, dealer, manufacturer chain.

Table No.1: TOP Tax on High valued Goods/Services (Medium and Heavy) industries

Stage of supply chain (money flow)	From Consumer to Dealer(price) (cheque/debit card/net transfer)	From Dealer to Manufacturer(cheque/debit card/net transfer)	From Manufacturer to Raw materials, Man power etc,(cheque/debit card/net transfer)
	Consumer → Retailer(commission)		
TOP Tax=12%	4%	4%	4%

Table No. 2: TOP Tax on Low priced goods/products (Small scale and cottage industries)

Stage of supply chain (money flow)	From Consumer to Retailer(cheque/debit card/net transfer) (cash)	From Retailer to Manufacturer(cheque/debit card/net transfer)	From Manufacturer to Raw materials, Man power etc,(cheque/debit card/net transfer)
Total TOP Tax=8%	nil	4%	4%

Table No.3 TOP Tax on low priced goods/products/articles (small scale industries) when marketed at State and National level.

Stage of supply chain (Money flows)	Consumer → Retailer (Cash)	Retailer → Dealer(cheque/debit card/net transfer)	Dealer → Manufacturer(cheque/debit card/net transfer)	Manufacturer → Raw materials, Man power etc.(cheque/debit card/net transfer)
Total=12 % top tax	nil	4%	4%	4%



All Economic ills – one pill TOP Tax system

Table No. 4 TOP Tax on Agriculture Produce from small and marginal farmers

Stage of supply chain (money flows)	from Consumer to Farmers(cash)	to	From Farmer to inputs(cash)	Farm
Total TOP Tax=0	nil		nil	

Table NO.5: TOP Tax on Agriculture Produce from semi medium and medium farmers (local and district level consumption)

Stage of supply chain (Money flow)	From Consumer to Vendors (cash)	From Vendors to Farmers (cash)	Farmers to Farm inputs, Man power etc,(cheque/debit card/net transfer)
Total TOP Tax=4%	nil	nil	4%

Table No. 6: TOP Tax on Agriculture Produce from large Farmers (State, National level consumption and exports)

Stage of supply chain(money flow)	Consumer to retailers (cash)	From Retailers to Traders(debit card/net transfer)	from Traders to Farmers(cheque/debit card/net transfer)	From Farmer to Farm inputs, man power etc,(cheque/debit card/net transfer)
Top tax=12	nil	4%	4%	4%

Table no: 7 TOP Tax on small hotels, motels, restaurants and dhabas etc,

Customers to owners (cash)	owners to groceries, salaries and other inputs	Total TOP Tax on money flows
Nil	4%(cheque/debit card/net transfer)	4%

Table no: 8 TOP Tax on star hotels

from Customers to owners (debit card/net transfer)	From owners to groceries, salaries and other input costs(cheque/debit card/net transfer)	Total TOP Tax on money flows
TOP Tax=4%	TOP Tax=4%	8%



All Economic ills – one pill TOP Tax system

Table no: 9 TOP Tax on running of schools and colleges at lower fees

From Parents to management (cash)	Management to towards salaries, materials and other input costs (cheque/debit card/net transfer/)	Total TOP Tax on money flows
Nil	TOP Tax=4%	4%

Table no: 10 TOP Tax on running of schools, colleges, universities and other institutions at higher fees and donations.

parents management (cheque/debit card/net transfer)	management → salaries, materials and other input costs (cheque/debit card/net transfer)	Total TOP Tax on money flow
TOP Tax=4%	TOP Tax=4%	8%

The effect of TOP Tax on film industry

Table no: 11

viewer to theatre/exhibiter	exhibiter/theatre to distributor	distributor to producer	From producer to production/expenditure/salaries	Total TOP tax
(If) CASH	Online transfer 4%	Online transfer=4%	Online transfer=4%	12%
Debit card=4%	4%	4%	4%	16%

Apart from the TOP Tax, there will be no entertainment tax on film industry. Also there will be no other taxes that are being presently imposed on raw film, cameras and all other equipments and service taxes in the entire production stage.

Table no: 12 TOP Tax on Real estate sector

From Buyer to developer/builder (cheque/debit card/net transfer)	Builder/developer to raw materials and other input costs (cheque/debit card/net transfer)	Total TOP Tax on money flows
TOP Tax=4%	TOP Tax=4%	8%

Table no: 13 TOP Tax on low priced items/goods/articles/fruits/edibles etc,

consumer to street vendor/seller/hawker (cash)	Vendor/seller/hawker to retailer/wholesaler/inputs (cash)	Total TOP Tax on money flows
TOP Tax=nil	TOP Tax=nil	nil



All Economic ills – one pill TOP Tax system

Effect of TOP Tax system on intraday trading In the present system Securities Transaction Tax (STT) on Sale of equity shares, units of equity oriented mutual funds in intraday trading =.02%

Table: 14 example Figures in Rupees.

Present system	Buying value 100,000	Selling value 99,000	Total value 1,99,000	Securities Transaction Tax=.02%of total value=39.8	Total loss=1000+39.8=1039.8
Suggested TOP Tax system	Not applicable	Not applicable	Not applicable	TOP Tax=4%of transferred amount=40	Total loss=1000+40=1040

From the above table it is observed that there is no discernible variation in both the systems.

Effect of TOP Tax system on buying of shares

In the present system Securities Transaction Tax (STT) on purchase or sale of equity shares and related mutual funds=0.10%

Table no: 15 example Figures in Rupees

present system	Value of shares=1,00,000	of	STT=.1%of value=100	Total cost of shares=1,00,100
TOP Tax system	Value of shares=1,00,000	of	TOP Tax=4%of transferred amount=4000	Total value of shares=104000

Effect of TOP Tax on petroleum products diesel, petrol, LPG, kerosene, ATF, bitumen, lubricants etc,

Table no: 16

Consumer → dealer/filling station	Dealer → refineries(chèque/debit card/online transfer)	refineries → salaries/raw materials/maintenance etc.(Online transfer)	Total TOP Tax
A) cash	TOP Tax=4%	TOP Tax=4%	8%
B)Debit card 4%	TOP Tax= 4%	TOP TAX= 4%	12%



All Economic ills – one pill TOP Tax system



Effect of TOP Tax on repayment of loans up to RS. 10lakhs. The

Repayment period	Interest per annum	Total interest %	TOP Tax	Total repayment %	Average%
1 year	2%	2%	4%	6%	6%
2 years	2%	2+2=4%	4%	8%	4%
3 years	2%	2x3=6%	4%	10%	3.33%
4 years	2%	2x4=8%	4%	12%	3%

TOP Tax on loan repayments can be avoided by repaying loan amount directly from the source of a person's income source to the bank account or money lender's account from whom the loan has been taken. The average interest % will be less on loans taken over longer period.

Please note that the total TOP Tax on all commodities/services shown above in all tables will be actually less. The reason for this is that the actual TOP Tax on all commodities/services = 4% of purchase price at retailer + 4% of (dealer price – retailer's profit) + 4% of (manufacturer price – dealer's profit – manufacturer profit). So the tax will be only on price of the commodity/price and retailers profit only excluding the dealer and manufacturer's profits.

But in the present economic system the total tax component of any commodity/service also includes the tax on the retailer's, dealer's and manufacturer's profits. Hence the consumer is paying tax not only on the price of the commodity/service but also on the total profits of all the players in the market. So the tax is being levied on the price of the commodity/service and all the profits of retailer, dealer and manufacturer combined together. In literal sense the cost of any commodity/service includes the manufacturing cost, the total profits, the interest component, the total tax component and corruption component. The low interest rates, the lowest tax rates no corruption component in TOP Tax system will ensure the availability of commodities/services at much reduced prices than in the present system.

The slab rate (4%) on all money transfers is same and fixed and will be automatically deducted from all accounts operated by banks and transferred to the State and Centre's combined account (SACCA). The other tax, Central Excise duty apart from TOP tax, should be imposed heavily on three items-- cigarettes, liquor and cars so as to discourage people from smoking, alcohol consumption and to decongest roads in countries where population density is very high.

With low tax rates in the TOP Tax system when compared with present taxation system, the government will have the maximum manoeuvrability in total decontrolling of the retail prices of petrol and diesel while aligning domestic prices with global ones. Even with total decontrol of the prices of petrol and diesel, the prices will be at par or below the present prices, totally wiping out the under recoveries of the major public sector oil companies and substantially decreasing the level of government subsidies.



All Economic ills – one pill TOP Tax system

4. Operating cost of the TOP Tax system: For example India(2009)

The total number of Banks/service centres (Private& Public) to be provided under TOP tax system (a bank for every 2000 population) will be around 5, 00,000. Under proposed TOP Tax system Repo rate = 3.00, reverse repo rate = 2.00, CRR = 5%, Statutory Liquidity Ratio (SLR) = 24%, Prime Lending Rate (PLR) = 2% per annum up to Rs. 10 lakhs and 4% per annum for above Rs.10 lakhs.

All figures are approximated

Number of Bank branches/service centres required	5,00,000
Number of Employees required (1x3)	15,00,000

A: Operating cost per year:

Rupees in crores

Table -A

1500000 employees salaries (Rs 15,000 per month for each employee) for the year {1500000Nos. x 15000Rs. x 12months}	27,000
As most of the bank branches/service centres will be established In rural areas, villages, municipalities, townships, colonies, average rent per branch will be around Rs 10,000 per month Total cost of rent per annum {500000branches x 10000 Rs. x 12months}	6000
electricity bill per annum {500000branches x 10000 Rs. x 12months}	6,000
Stationary charges per annum {500000branches x 10000 Rs. x 12months}	6,000
Maintenance incl. internet {500000branches x 10000 Rs. x 12months}	6,000
Total Operating Cost per Year	51,000

Under TOP tax system all interest rates will be removed on Time deposits and demand deposits.

After establishing sufficient number of banks/service centres by the Government with the help of private sector banks and financial institutions, all the citizens of India need to be asked to deposit all the currency notes of 1000, 500, 100 and 50 rupees except 20, 10, 5, 2 rupee notes/coins, available with them in these banks in their **Main Savings Account (MSA)** or **Sub Savings Accounts (SSA)** within a stipulated time of 30 days. All presently run savings accounts and current accounts would be converted in to **Sub Savings Accounts (SSAs)** with the same account numbers and can be operated from the same banks. Similarly, people who have money in the fixed deposits and FDRs will have to transfer all their money from these fixed deposits and FDRs to their respective newly given **MSAs** or newly opened/converted **SSAs** within the same stipulated period of 30 days. People will have to spend exactly the amount they earned/saved and not a penny more (got by virtue of interest so far) as and when and in whatever manner they want. Please see page 4 to 6. Except the miniscule part of the money in physical form of Rs. 20 and Rs. 10 outside the system, the entire money of people and Government will be inside the TOP Tax system in the banks in digital/numerical value in three types of accounts **MSA, SSA, CAN**. The huge money available with the banks will be lent at low interest rates. The prime lending rates will be 2% simple interest per annum up to Rs. 10, 00,000 and only 4% simple interest per annum on amounts above Rs. 10, 00,000.



All Economic ills – one pill TOP Tax system



B: Incomes through Interests under TOP tax system

Rupees in crores

All figures derived from 2009 approximate estimates

Total term deposits of all banks (estimated)	28,55,789
Demand deposits (estimated)	5,74,408
Under TOP tax system all notes 1,000, 500, 100 and 50 rupee notes available with people will have to be deposited in their Main Savings Account (MSA) or Sub Savings Account (SSA). All notes except 2, 5, 10 and 20 rupee notes need to be demonetised. Total estimated currency with public and will be deposited in the MSAs and SSAs	6,039,57
Total deposits (estimated)	40,34,154
Amount to be deposited at Reserve Bank of India (RBI) CRR Rate 5%	2,01,707
Balance Amount available at the banks	38,32,447
Amount available to be given as credit to the borrowers i.e. 76%	29,12,569
Amount deposited in the form of Government approved securities/bonds (SLR = 24%)	9,68,196
(B)Avg. PLR will be 3% and total interest accrued per annum from borrowers and Government approved securities/bonds will be (apprx)	1,14,973
(A)Total operating cost of the TOP Tax system	51,000

C: Profit from all the branches (B-A)

Rupees in crores

Net profit from all the branches/banking service centres	63,973
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D: in addition, the following assumed/estimated/ possible additional revenues shall add up to bank branches/service centres as follows:

Rupees in crores

Buying of lands, plots, flats and other properties will have to be made through these banks (see page No. 10, Sl. No.9). The registration charges will be Rs 1,000 per acre/300 sq. yards of plot, 1,000 sq. feet of flat and part thereof. These charges can be retained by these banks. The estimated revenue from these transactions will be (approx)	1,000
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Net Profit from all the branches/service centres (C+D)

Rupees in crores

Net profit from all the bank branches/service centres	64,973
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The total profits (an estimated 64,973crores) got by all the banks/ service centres will be more than enough not only to operate them but also to carry and meet all the objectives of TOP Tax system i.e., providing all basic services to people at absolutely free of cost.

5.....Comparative study of Tax revenues: -----

The comparative study of Centre's tax revenues under present system with respect to 2009-'10 union Budget estimates and the proposed TOP Tax system. Under the proposed TOP Tax system the TOP Tax will be 4% \times 3=12% of BE 2009-'10 GDP 58,56,569crores as each commodity or service will be transacted at an average of three times(manufacturer/service provider, dealer and retailer) .



All Economic ills – one pill TOP Tax system



Table No: 3-----

Rupees in crores

So TOP Tax =4% \times 3=12% of 58, 56, 569 (GDP) BE 2009-'10	7, 02, 788
All States share=70%of 7, 02,788crores	4, 91,951
Central Government's share=30%of 7, 02,788	2, 10, 836

Central Government's Tax revenues (2009-10 BE)

Rs. in crores

S. No	Type of Tax	Revenue under present system	Revenue under proposed TOP Tax system
1	Top tax	-	2,10,836
2	Corporation tax	2,56,725	2,56,725
3	Taxes on income other than corporation tax	1,06,800	-
4	Taxes on wealth	4125	-
5	Securities transaction tax	6,000	-
6	Customs/Import duty	98,000	98,000
7	Bank cash transaction tax	50	-
8	Union excise duty	1,06,477	-
9	Service tax	65,000	-
10	Taxes of Union Territories without Legislatures	1,602	-
	Total	6,41,079	5,65,561

Difference between two systems -75,518crores

Although the Central Government's tax revenues under proposed TOP Tax system are a little lesser than that of tax revenues under the present tax system, it will be more than compensated by the following factors.

Under proposed TOP Tax system the tax collection expenditure is almost zero. Similarly the huge interest burden on internal borrowings will be reduced to one third levels. Please see page 17 to 20 under section "Operating cost of TOP Tax system".

Under present system the tax collection expenditure of central Excise duty, service tax and all States commercial tax collection expenditures supposed to be more than Rs 10000crores.

Central Excise duty on cars, tobacco products and soft drinks has not been added to the tax revenues of proposed TOP Tax system.

The States' share of revenues from the proposed TOP Tax will be (Rs 1, 63,029 crores) more than the tax revenues under the present system. See Table No: 4 given below.

Under proposed TOP Tax system the overall States tax revenue shares from Union taxes and duties (including TOP Tax share) will be more (Rs.92, 618crores) than under present system. Please see Table No: 5.

Under the proposed TOP Tax system there will be no tax evasion, unaccounted/shadow transactions, black money and fake currency at all. If we take into account the unaccounted GDP of India, the actual GDP would have been more than the estimated GDP under present system. So the proposed TOP Tax revenues accrued from actual GDP will be more (almost double) than that actually shown in the tables. The proposed Profit Tax (PT) has not been added to the estimated tax revenues under proposed TOP Tax system, as it is not known the exact Profit Tax available until the TOP Tax system becomes operational.



All Economic ills – one pill TOP Tax system

The comparative study of tax revenues of all states under present system with respect to 2008-'09 budget estimates and under the proposed TOP Tax system. Under the proposed TOP Tax system the TOP Tax will be 4% \times 3 = 12% of BE 2009-'10 GDP value of 58,56,569 crores as each commodity or service will be transacted at an average of three times (in the manufacturer/service provider, dealer and retailer chain)

TOP Tax = 4% \times 3 = 12% of 58, 56, 569 crores (GDP) (BE 2009-'10)	7, 02, 788 crores
All States share = 70% of 7, 02, 788 crores	4, 91, 951 crores

Table No: 4

Rupees in Crores

Under Present System				Under Proposed Top tax system	
Year	All States		Total	All States Share	Top tax
	Direct	Indirect			
2008-'09 (BE)	42,744	2,86,178	3,28,922	4,91,951	

Difference between two systems = 1,63,029 crores

The States' share of revenues from the proposed TOP Tax will be (Rs 1, 63,029 crores) more than the tax revenues under the present system.

Comparative study of all states net proceeds of union taxes and duties under present system and proposed "Top tax system"

Table No: 5

Rupees in Crores

All states tax revenues shares from Union taxes and duties for B.E. 2009-'10			Under proposed "Top tax system"
S. No	Type of Tax	Share Amount	Share Amount
1.	Corporation tax	66,447.61	66,447.61
2.	Income tax	32,376.62	-
3.	Wealth tax	63.65	-
4.	Customs duty	27,503.11	27,503.11
5.	Union excise duty	18,552.95	-
6.	Service tax	19,428.50	-
7.	Other taxes and duties	-6.70	-
8.	Expenditure tax	-3.96	-
	Total	1,64,361.78	93,950.82
9.	All state revenues (Direct and Indirect) 2008-'09 B.E.	3,28,922.00	-
10.	Proposed "Top tax system"	-	4,91,951.00
	Grand Total	4,93,283.78	5,85,901.00

Difference between two systems = Rs.92,618 crores

Under proposed TOP Tax system over all States tax revenue shares from Union taxes and duties (including TOP Tax share) will be more (Rs.92, 618 crores) than under present system.

6..... Advantages of TOP tax system:

There is an estimated currency of 6,27,696 crores in circulation (23,739 crores in banks and 6,03,957 crores with public) in the country and with the adoption of the TOP tax system, all



All Economic ills – one pill TOP Tax system



the available currency notes except Rs.2, Rs.5, Rs.10, and Rs.20 notes with the public will have to be deposited in their Main Savings Account/Sub Savings Accounts in the banks. Henceforth all notes except Rs.2, Rs.5, Rs. 10 and Rs. 20 notes will be demonetised. There will be no money in the form of black money and fake currency both outside and inside the TOP Tax system. All the money and wealth, generated by the individuals, will have to be constantly circulated, used, and transferred inducing gravitation within this system. No money can escape from the powerful gravitational pull of the TOP Tax system into the outer space (other countries) through hawala, money laundering or other illegal ways. The miniscule part of money in the physical form (currency notes) will act as an Ozone layer to protect the TOP Tax system from harmful U V rays and radiation (terrorist and militant activities) from outer space (other countries). The TOP Tax system suggests total removal of interest rates on all demand deposits (savings) and fixed deposits. The huge availability of money with the banks will make it possible to give loans at the lowest interest rates. All the senior citizens above the age of 65 years with no or paltry incomes, physically challenged, visually challenged, and orphans would be given monthly pensions. To know how this is possible, please see page number 17 to 21.

The TOP Tax system suggests the following Prime Lending Rates:

Maximum of 2% simple interest per annum will be levied on all loans up to Rs. 10 lakhs (taken for agriculture, education, small scale industries, vehicles, house, flats, plots, or any other purpose).

Maximum of 4% simple interest per annum will be levied on all loans more than Rs. 10 lakhs (taken for agriculture, industry, business, education, vehicles, flat, plots or any other purpose)

The private lenders who have been exacting heavy interest rates hitherto are forced to reduce their interest rate under the TOP tax system for the following reason.

The bank PLR rates will be 2% per annum up to Rs. 10 lakhs and 4% per annum over Rs. 10 lakhs and money lending by banks will be faster and smoother.

Farmers who take crop loans for khariff or Rabi up to Rs. 10 lakhs will be allowed to pay interest only at the end of the year to renew their loans in order to avoid TOP tax.

Loan takers will have the option of repaying their loans from the source of their income directly to bankers or money lenders for sake of avoiding Top tax.

Getting loans from banks will be much easier faster and smoother. Customers need not produce documents, E.C's, legal opinion's etc., for obtaining loans. Depending upon the loan amount, the bank managers will need to put the appropriate asset among the customer's property holding in his/her **Main Savings Account (MSA)** under mortgage and can sanction the loan without any delay. As interest rates are very low at 4%per annum the industrial products will become cheaper and competitive in international markets. So the exports will be substantially increased thereby, decreasing the wide gap in the balance of payments. As a result this new system may make India an economic super power in no time.

Under present system the Central Government is paying fertilizer subsidy directly to the fertilizer companies. Now the proposed TOP Tax system suggests deregulation of the fertiliser prices and the entire allocated subsidy for fertilizers in BE 2009-'10 budget 49,980 crores can be paid directly to farmers' **Main Savings Account** as illustrated in the following table.



All Economic ills – one pill TOP Tax system

Table No: 6

Suggested TOP Tax system

S. N	Farmer status	Land possessed by farmers	No .of farmers in crores	Percent of allocated subsidy	Subsidy amount crores	Each farmers ' share Avg.	Share per hectare In Rs.
1	Marginal	Up to 1.0 ha	5.89	65%	32,487	5,515.00	5,515.00
2	Small	1 to 2 ha	1.69	20%	9,996	5,914.00	3,942.00
3	Semi medium	2 to 4 ha	0.93	10%	4,998	5,374.00	1,791.00
4	medium	4 to 10 ha	0.42	5%	2,499	5,950.00	850.00
	Total		8.93	100%	49,980		

Source: agri. Ministry

The fertilizer subsidy amount got by the marginal and small farmers can be utilised to meet the full expenditure cost of the fertilisers, seed and major portion of other input costs. The combined benefits of fertilizer subsidy amount and loans with very low interest rates will alleviate marginal and small farmer's problems to great extent and reduce suicides. It is obvious that the suggested TOP Tax system will ensure proper and equal distribution of fertiliser subsidy among farmers.

Under present system major portion (80 to 90%) of fertilizer subsidy is being gobbled up by medium and large land holding formers by using large quantity of fertilizers while small and marginal farmers are getting only small portion (10 to 20%) of fertilizer subsidy. This anomaly shall be effectively corrected in TOP tax system.

The **Main Savings Account (MSA)** can be operated from any bank and anywhere in this new economic system adopted country. **For example in India**, It is much easier for the government to determine below poverty line families to give them monthly ration, old age pensions, pensions for physically challenged, orphans and pensions for visually challenged. The 5crore least income families (20 crore people) based upon **Main savings accounts (MSA)** can be given Rupees 1000 per month by cash transfers directly into their main savings account on the following condition

- a) They need to send their children to schools
- b) They need to attend adult classes at night to make India 100% literate nation.

All orphans' care and welfare shall be looked after by Centre and State Governments till he reaches age of 20 years by providing him/her free education, health care service and high value nutritious food. Therefore there will be no child labour in India.

Under the TOP tax system there will be no benami land holding and a person cannot hold more than 20 acres of land for agriculture purpose. Under proposed TOP Tax system the land ceiling will be an account basic (**Main Savings Account**) unlike family basic under present system. Presently the rich are enjoying huge tracts of agriculture land under different names in different States, making mockery of the land ceiling act. TOP Tax system ensures that the land ceiling act can be implemented in totality to perfection making Government's task easier in pushing forward land reforms and allocating land to landless poor. If an individual or company acquires land of more than 20 acres for industry, studios, real estate or any other purpose, land tax of 10,000 per acre per annum needs to be levied. If land is acquired for SEZs the farmers



All Economic ills – one pill TOP Tax system



should be paid not only the market price of the land but also Rs 1,000 per acre per month for rest of his/her life and thereafter to his/her legal heir. It is easier for local panchayats, municipalities, corporation to collect house tax, vacant plot/land tax and properties tax as all the details of a person's properties are recorded in his/her Main Savings Account (MSA).

The registration charges for purchasing any property i.e. land, plot, flat, house or other commercial establishments will be same and equal all over India irrespective of the place and market value of property. The registration charges would be only Rs. 1,000 per acre, Rs. 1,000 per 300 square yards of plot or Rs 1,000 per 1000 square feet of flat and multiples thereof. These registrations can be made in any bank and anywhere in India. **It is needless to mention** that if a person buys a property (land, plot, flat, house, commercial establishment) for Rs. 10 lakhs, a TOP tax of Rs. 40,000 will be deducted from his **MSA** or **SSA** while transferring the cash to the sellers account. If he/she buys the same property for Rs. 1 crore the deducted TOP tax will be Rs. 4 lakhs. In the case a person transfers a property as a gift to his/her son/daughter or any other person, trust or organisation the TOP tax deducted will be nil as there is no cash transfer made.

The most noteworthy usage of the TOP tax system is preparation of electoral rolls for general election, State election and local body elections. Under the present system the preparation of electoral rolls is cumbersome and time consuming process taking up to 6 months and yet the final list will be always defective with complaints galore from the electorate who do not find their names in the voters list on the polling day. Under the proposed TOP tax system, **MSA** lists in the banks are virtually the electoral Lists and will be available the same day the election notification is released. So there is no question of non-inclusion of any citizen in the voter list and there will be no bogus voting.

But in the case of any by-election, the voters list (**MSA** list) of the last general election or State election, which occurred last, needs to be taken into consideration because political parties may encourage their followers from other constituencies to change their local addresses in their **Main Savings Accounts (MSA)** with new addresses where the by-elections will be held.

By using this system, Government machinery can be fine-tuned to ensure accountability, efficient weeding out of wasteful expenditure and constant monitoring. All leakages in the transit of funds from government to end user will be plugged to get the desired results. The Central Government must shed its lethargy, policy vacillations and indecision to provide the necessary infrastructure for economic development and redistribution of revenues to the needy to alleviate poverty. The Government will have enough money to bear the total expenditure cost of health care service and education of all families. Please see page 18 to 21.

Traders, businessmen, individuals(own industries) dealers will no longer need to maintain account books, stock lists, sales lists, purchase bills etc for assessment purposes.

The exact Population figures of India can be available on any day at any time from **Main Savings Accounts** and there will be no need for the Central Government to carry out laborious process of census at every decade.

If this TOP tax system is adopted by all countries, the whole world will become into one homogeneous and reasonably equitable society, devoid of all economic ills, terrorism, militancy and inequality.

There will be no fake currency and black money in the proposed Top tax system, because 1000, 500, 100, 50 rupee notes will be demonetised. Printing of fake currency in 20 and 10 rupee notes will become highly expensive, risky and impossible to put into circulation in large numbers. Militancy and terrorism is usually fostered, run and operated by the notorious



All Economic ills – one pill TOP Tax system

triumvirate of black money, fake currency and extortions. With the advent of TOP Tax system the triumvirate of black money, fake currency and extortions will be totally eliminated, stemming the flow of funds to operate terrorist modules and causing instant death to terrorism and militancy.

Political leaders can't buy votes by distributing money, liquor and gifts in the elections and expenditure limit for each constituency will be strictly adhered to.

As there will be no individual Income tax, the individuals who run small scale industries, business can put their all profits back into their business and slowly capture the space and market of corporate companies and MNCs. The corporate companies and MNCs will have to pay the Corporation Tax (Profit Tax) as per the existing Corporation Tax structure.

Table No: 7 **2008-'09 Results**

Statutory Tax rate	33.99%
Total declarers	479895
Total Profit declared	7,11,557 crores
Corporation tax paid	1,58,225 crores
Fringe Benefit Tax (This year 2009-'10 B.E. abolished)	10,670 crores
Total tax paid	1,68,899 crores
Net tax rate	22.24%

From the above table it is understood that under the proposed Top tax system the corporate companies and MNC profits will be 22.24% less when compared to small scale industries and business being run by individuals who pay no Income tax at all. So the small scale industries and business will be in an advantageous position and can compete with corporate companies and MNCs. Slowly and steadily the small scale industries will capture the market and space of MNCs in the suggested TOP Tax system. Agro based industries will thrive on in rural areas because of low interest rates of 2 – 4% per annum there by generating rural employment, revenues and stopping labour migration to cities. This will usher in Gram Swaraj.

[Comparative study of the tax component of the prices of commodities under present system and with that of proposed TOP Tax system.](#)

Under present system: 2008-09(BE): Table: 1

Centre's(Tax-GDP) ratio 2008-09 BE	States'(Tax-GDP)ratio	Total Centre and State(Tax-GDP)ratio	Average PLR	Total % tax component
11.48%	6.20%	17.68%	13%	17.68%

Under proposed TOP Tax system: Table: 2

Proposed TOP Tax system	Average PLR	Corporation Tax-GDP ratio(2009-10)BE	Total % of tax and interest component
Average 10.5%	3%	4.38%	14.88%

Source:--- finmin.nic.in



All Economic ills – one pill TOP Tax system



From above two tables it is observed that the prices under proposed TOP Tax system (new economic system) will be around 10 to 13 % (3% tax component and + low interest component approximately 1 to 3%) cheaper than prices under present economic system. **In the present system, the interest component is very high, although, varies from 8 to 12% on different commodities/services as the manufacturers pass on the total interest burden to consumers.** The low interest rates in the TOP Tax system at below 3% per annum (almost one third when compared present rate) will help reduce prices of commodities to considerable extent. The interest component on goods, commodities and services will be very low (when compared to the present system's 7 to 13%) depending upon the duration of the cycle of that commodity from manufacturing stage to reaching the consumer. For example the interest component of the high valued goods such as heavy machinery, automobiles etcetera will be 3% if the duration of the cycle from manufacturing stage to end user takes one year. If the duration of the cycle of a commodity from factory to consumer including shelf stage is 6 months, then the tax component of the price of that commodity will be 1.5%. In the case of commodities which are manufactured and sold within short period of time the tax component will be negligible. The more the cycles of the commodity within one year the lesser will be tax component. Consumption will increase promoting demand which leads to higher growth rate and vibrant economy. Prices of Indian commodities will be cheaper in international markets thereby India's exports will be increased substantially surpassing imports. For the first time India's export earnings will be more than that of India's import bill.

Under present tax system if large number of persons wants to cancel their deposits and withdraw their money from banks at once for one reason or other, the money available with the banks will not be sufficient to disburse to all persons at once. But under TOP tax system the above scenario will never occur under any circumstances because any person can be allowed to withdrawing only a maximum of 5,000 per month from his Main Savings Account (MSA), and whatever money available in all his Sub Savings Accounts will have to be transferred from those accounts through cheque, debit cards or net banking to other person's account while buying shares, lands, flats, plots, any commodity, goods, service or anything else or in case if he wants to lend money to other persons. He/she can transfer all his/her money from his/her particular MSA or SSA to another SSAs of his/her own account by losing 4% Top tax in this process.

There will be no duty (Central Excise under proposed TOP Tax system) except on tobacco products, soft drinks and cars.

Reason: With no Excise duty and VAT/Sales Tax the tobacco products will become cheaper resulting in more addiction and consumption which leads to health problems. So a higher rate of Central Excise duty should be imposed on tobacco products to lessen their consumption. Similarly soft drinks which do not have any nutrition value should also be levied with high rate of Central Excise duty to encourage persons prefer fruit juices indirectly helping farmers, farm labour and fruit vendors. Non tax service cars also should be imposed with high rate of Central Excise duty.

Under proposed TOP Tax system no person will be allowed to hold more than 20 acres of land.

Reason: Area of land under cultivation in India is approximately 12.44crore hectares (2006-07 figures) giving agriculture produce 23.07crore tonnes and there are 5.89crore marginal farmers. For every 10 persons just one hectare is available to produce sufficient food grains. Recently huge chunks of agriculture land are being converted in to real estate, S.E.Zs and other purposes, affecting



All Economic ills – one pill TOP Tax system



agriculture produce and making marginal farmers into labourers. Usually in India the marginal and small farmers fully utilise their lands. Besides the major crop, they also produce vegetables and pulses as inter crop. The small farmers also raise at least one female buffalo/cow, goat and sheep for milk not only for his consumption but also for dairies to supplement his earnings. This scenario has changed in rural areas due to advent of real estate boom and S.E.Zs policy. Besides that, with the boom of real estate sector, now affluent persons are buying agriculture lands and not doing agriculture seriously. Large acres of land have been acquired for S.E.Zs and industries beyond actual necessity and in most cases industries have not been set up or delayed for one reason or other. If this trend continues there will be further reduction in area of land under cultivation. This leads to severe shortage of food grains and it is not safe to rely on imports for huge quantity of food grains. Already the prices of agriculture commodities have almost tripled during past five years beyond purchasing capacity of common man. To offset this anomaly a land cess of Rs.10000 per acre per annum needs to be imposed on lands acquired for industry or any other purpose exceeding the limit of 20 acres.

Under proposed TOP Tax system interest rates need to be removed on fixed deposits and demand deposits.

Reason: According to 2008-09B.E. combined total liabilities of the Centre and States are Rs. 38, 91,740crore. The Centre's interest payments alone in the 2009-10 B.E. will be Rs. 225511 crore. Under proposed TOP Tax system the interest payments will be down to one third of that amount i.e. 75000crores. Therefore the Central Government will have the where-withal to spend nearly Rs. 750000crores to spend in health care and educational sectors to bear the entire expenditure cost of hospital and education bill of BPL and middle class families whose annual incomes are less than Rs. 3 lakhs. The Central Government will also be able to spend the remaining Rs. 75000crores on rural infrastructure like roads, electricity, drinking water; agro based small scale industries, irrigation and agriculture.

Every system has its own intricacies embedded at the initial stages but the herald of low interest rates; lower tax rates, the lowest prices and above all better tax revenue collections will offset all hurdles thereby leading to much better quality and longevity of life than under present system. This new system may not be easily comprehended not because of its complexity but because of its super simplicity. But once this system is adopted and implemented people will slowly and steadily get accustomed to the new system enjoying the true benefits of genuine democracy and finding them immersed in egalitarian society free from corruption, poverty and fear. The ultimate objectives of providing equal opportunities, equitable distribution of resources and wealth, free education and health care services to all citizens, irrespective of caste, creed and religion, can be achieved only with the adoption and implementation of the TOP Tax system. With single tax for both Centre and States combined and without check posts, the TOP Tax system will break all tax and transport barriers between States facilitating hassle free movement of goods from one place to another, integrating India through equal distribution of tax revenues. The TOP Tax system's tax base is so wide that it could generate more tax revenues with minimum slab rate and the total tax component of goods/service will be very low when compared to the existing tax system.

In the present system the rich are getting richer year after year by getting interests on their time deposits and fixed deposits, while the poor are getting poorer year after year while paying high interests on the loans taken by them. The wide gap between the rich and the poor can be bridged with the removal of interest rates on time deposits, demand deposits (savings interests) and consequently low PLR in the TOP Tax system. With the



All Economic ills – one pill TOP Tax system

availability of money at the lowest prime lending rates, the prices of commodities, services and agriculture produce will become cheaper, enhancing the buying capacity of the people.

A day may surely come when all nations will have no other option but to accept and implement this new taxation system.

7. Synopsis: - Total direct benefits and advantages of TOP Tax system over present economic system

S.	Main features	Benefits/advantages (rough estimates in India) The figures vary in different countries.
1	No Income tax	Estimated 3.5crore people who have taxable incomes through salary or business or industry or remuneration will benefit as they need not bother to submit Income Tax returns annually.
2	No central Excise duty by Centre and no sales tax/VAT by States	1) An estimated 50 lakh business persons who run business/industry will benefit as they need not maintain account books, sales lists and stock lists etc., 2) No accounting and auditing required for any type of business or industry.
3	No way bills and check posts	7. 1) An estimated 45 lakhs truck owners will benefit as they need not pay bribes at check posts. They need not carry way bills while transporting commodities from one place to another place in India. 8. 2) An estimated 8.93crore farmers will benefit as they can transport their agriculture produce from anywhere to anywhere in India and sell their produce at market prices.
4	No capital gains tax	9. All people of the country will benefit as they can sell or buy movable or immovable properties at their will.
5	Rs 1000, Rs 500, Rs 100, Rs 50 notes will be demonetised	With limited paper currency (only 0.4% of total available amount of money in the economic system) and 99.6% of dematerialised money , there will be no fake currency, no black money, no corruption, no ransoms, no extortions and no robberies. The GDP will be totally accounted.
6	Banking service for every 2000 people	People can get train, bus, air tickets from these nearest service centres. 2) People can pay electricity bills, telephone bills, house taxes, water cess etc., in these nearest service centres. 3) People can get all subsidies and relief funds directly from the government through these banks. 4) Identification of the BPL families and proper Implementation of welfare schemes will become easy.



All Economic ills – one pill TOP Tax system

7	All persons above the age of 15 will have his/her own Main Savings Account (MSA)	1) People can get all subsidies, relief funds and others granted by the Government, directly from these banking service centres. 2) A separate census process will not be needed at every decade. 3) Fresh electoral voter lists (Main Savings Accounts lists from banks) will be available on any given day. 4) No bogus voting will be possible. 5) No illegal migration can be possible.
8	No interest rates on fixed deposits and demand deposits	1) Money will be easily available for business or personal use at low interest rates of 2% per annum. Consequently the prices of commodities will come down. 2) The gap between the rich and the poor will be narrowed down. 3) Interests saved on Government's internal borrowings shall be used on free education and free health care services for all people.
9	The Main Savings Accounts (MSA) are virtually the de-mat accounts for holding money, shares, lands, plots, flats, vehicles, gold, jewellery and all other movable and immovable properties.	1) Land ceiling act can be strictly implemented. 2) Multiple selling of the same property to different people will not be possible. 3) Unauthorised selling/purchase of other person's property without his/her consent will not be possible. 4) There will be no land grabbing and land mafia. 5) Under valuation of the property will not be possible. 6) There will be uniform registration charges throughout the country. 7) Getting loans from banks and private money lenders will be far easier, faster and hassle free.
10	There will be only one compulsory Tax called TOP Tax. For every transfer of amount, a 4% <u>T</u> ransfer <u>O</u> r <u>P</u> urchase tax (TOP Tax) of that amount will be automatically deducted from his/her MSA/SSA account. This 4% tax amount on every cash transaction through MSA/SSA/CAN from all banks in a particular State will go to the combined account of State and Centre in that particular State. 30% of this amount from every State and Centre' combined account (SACCA) will go to Central government pool account. The remaining 70% will be retained by the respective State governments. Collection Of TOP Tax and avoidable Profit tax will be done by banks. Repeat: - A 4% of Transfer Or Purchase tax on each cash transaction/transfers, irrespective of the reason or purpose for that transfer, operated through Main Savings Account/Sub Savings Account/Corporate Account Number, and operated by any bank or service centre, will be automatically deducted from that account and transferred to State and Centre's combined account (SACCA).	There will be no multiple Indirect and Direct taxes. 1) There will be absolutely no need to have different tax collection departments by States and Centre. 2) So tax collection expenditure will be zero. 3) There will be no tax evasion and black money. 4) There will be no tax compliance cost for citizens.



All Economic ills – one pill TOP Tax system



Material and methods; - This article was borne out of thoughtful exercise over the years as viewed by a layman at the ground level. All the ideas and methods suggested in the article were derived from my pure imagination and research work, and **not borrowed** from any essay, theory or literature written by other authors. Hence no references were made to literature.

Disclaimer: *Although careful attention has been paid to every detail so that this TOP Tax system imitates to perfect functioning of administration aimed at removing corruption, poverty and inequality, there may be some inadvertently entered errors. Some of the facts, figures and statements in the above article are born out of my pure imagination and may not necessarily be true or practicable.*

Any nation/country which wants to adopt and implement this new taxation system should contact the author for the usage of his intellectual property.

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