Ethics & Morality · GS - IV

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

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

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

1) Taking a broader view, ensure substantial tax compliance and ignore defaults that are merely technical in nature.

2) Pursue the matter strictly and proceed on all fronts, whether substantial or merely technical.

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

EXAM YEAR	PAPER	SUBJECT
2018	GS - IV	Ethics & Morality

MARKS	WORD LIMIT
20	~250 words

Answer Hint

Rule of law; proportionality; public interest; tax compliance; administrative discretion; procedural fairness; charitable healthcare; integrity and impartiality; accountability; reasoned decision-making

Model Answer

Introduction

The case presents an ethical dilemma between strict enforcement of tax regulations and the broader public interest in establishing a charitable super-speciality hospital in a neglected region. As head of the tax agency, I would adopt a proportionate, legally sound approach.

Course of Action

I would choose **Option 1, subject to applicable law and rules**, rather than automatically pursuing every minor technical deficiency with equal intensity.

1. Ensure Substantive Tax Compliance

The substantial tax liability must be assessed accurately and recovered promptly. The doctor's willingness to pay should be documented, and applicable interest or penalties should be imposed wherever legally required.

2. Distinguish Substantive and Technical Defaults

I would examine the nature, seriousness, recurrence, and consequences of each technical deficiency. Minor, non-fraudulent procedural lapses may be addressed through clarification, guidance, or an opportunity to rectify them if the law permits.

3. Exercise Discretion Lawfully

Administrative discretion must remain within statutory limits. I would neither waive mandatory penalties nor selectively exempt the doctor merely because he intends to establish a hospital.

4. Protect Public Interest

The proposed hospital could improve access to specialised healthcare in an underserved region. Avoiding unnecessary procedural burdens would be desirable, provided it does not compromise lawful tax administration.

5. Maintain Transparency and Accountability

I would record the reasons for differential treatment, follow established departmental guidelines, and ensure that comparable taxpayers receive similar treatment.

6. Prevent Misuse of Charitable Intent

The doctor's philanthropic objective must not become a shield against tax obligations. Any suspected deliberate evasion would require appropriate action.

Conclusion

I would combine firm recovery of substantial dues with proportionate handling of minor defaults, strictly within the law. This approach balances fairness, administrative efficiency, integrity, and public welfare without allowing charitable intentions to override legal accountability.

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