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Whistleblower & Good Governance

KANWALJIT SINGH¹

ABSTRACT

The term whistleblowing in today's global corporate world has very significant meaning. It is a term generally used when in an organization the employee makes the public disclosure of any fraud, scam, or any misappropriation of any funds to the general public. Whistleblowing is one of the important tools of the Good Governance in any Democratic country. In India there is very wide progress of corporate system within few decades. Many a change has come in the form of scandals and some are even much bigger than even imagined thus effecting lives of many people. So, the whistleblowers play an important role in making these scandals in public limelight.

My project will emphasis the concept of whistleblowing in India and its comparison with other countries highlighting it with respect to certain incidents regarding recent incidents questioning safety of whistleblowers in India.

The project will also highlight the notable cases of whistleblowing in India as well as internationally and its effect on effective policy making. I will also discuss the concept of tax haven countries and will highlight major pitfalls in the policy of the countries and its recommendations for better results.

I. INTRODUCTION

Whistleblowing is closely linked with the concept of good governance and generally regarded as the tool for good governance. In the world of corporate sector where every information is valuable for the development of the any nation². The whistleblowing policy should be made clear and be equally protective for the persons involved so that the timely information be used for timely prevention of any malpractice.

Whistleblowing generally means when the any person from the organization makes fraud, corruption, or any type of malpractices know to open public then the person has committed the act of whistleblowing. The person who reveals the information may be current employee or any ex-employee working in an institution and makes public disclosure of corruption, fraud, scandal, and any other malpractice for public interest is called whistleblower.

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² Satpathy, Sreshta. "Whistleblowing - A Tool To Corporate Good Governance, *The Law Communicants*, 2022, <https://thelawcommunicants.com/whistleblowing-a-tool-to-corporate-good-governance>

(A) Corporate Whistleblowing

The problem of non-transparency and problem of unregular reporting to government and market regulators are among main reason of problem of corruption in corporate sector globally. In any corporate sphere it is the employees of the company who are well versed or well-known with any malfunctioning occurring in the corporate sphere. Who could timely raise the alarm to stop future damage to the economy of the nation? But they generally choses to remain silent and just watch everything as silent spectator because they are generally aware of the dire consequences of whistleblowing by powerful people. For development of any country and to have corporate good governance it is very essential to protect the whistleblower and ensure his basic right to live is not hampered by any person or body corporate and provide him security.

In short corporate governance simply refers to protecting interest of all stakeholders and taking efficient decision for welfare. And whistleblowing is one of the basic features of corporate good governance and plays essential role in effective decision making and progressive working of the companies. Currently there is no specific statutory law which protect the whistleblowing in India. The government of India after lots of hue and cry by activists and incidents of reporting deaths of some of the whistleblowers introduced in the parliament the whistle blower's protection act 2011 came into effect in 2014 which talks about mechanism for protection of whistleblowers who give any information about any corruption and mal practices in government departments and frame rules for whistleblowing in India. But it has many flaws as it doesn't include corporate whistleblowing and no safeguard for them³.

Corporate Governance can be defined as the code of ethics which act as guiding principle on which company or organization operates. The concept of corporate governance is not only emerged in India but also in many foreign countries. Corporate governance has now evolved to such a point where the companies implement strict regulation for governing there day to day affairs within corporate set up. It also helps in maintain of full transparency while functioning and also to implement effective and efficient mechanism that can held management or board of directors accountable for their actions and any type of corruption and undue practice in company which is harmful in public good. So, from the above discussion we can see that whistleblowing in corporate sector can play an important role in corporate good governance.

(B) Whistleblowing Policies Adopted By Indian Companies

It has seen that proper effective and efficient corporate governance is very essential for good

³ "Insights Into Editorial: Panama Papers Explained - INSIGHTSIAS". INSIGHTSIAS, 2022, <https://www.insightsonindia.com/2016/04/05/insights-editorial-panama-papers-explained/>.

governance in managing the day-to-day affairs of the company. The incidents in recent past questioning the safety mechanism of whistleblowers raises the debate of policies adopted by companies for whistleblowing. The murder of Satyendra dubey, the satyam computer scandal, Infosys scandal, and the Ranbaxy scandal etc⁴. has raised the alarm of problems faced by whistleblowers in India and lack of any proper law for their protection. There are certain companies in recent years like the Heritage food India Ltd, Wipro, Infosys, Tata Motors and Reliance Industries have adopted the whistleblower policy to protect the identity of any employee who disclose any wrongdoing or any other corrupt acts occurring in the company.

The Heritage Food India limited first adopted the whistleblowing policy with the intention to provide free and fair chance to all employees to address any grievance or report any corrupt practices or unethical work which is happening in the company to the authorities. According to the whistleblower policy adopted by the company all the communication made by whistleblowers to the authorities of the company shall be presumed as made in good faith for public good. And all the communication shall be made in written form and it shall be considered as evidence of any unethical practice in company. It also contains very important clause i.e., unless required by law the company will take any steps for safeguarding non-disclosure the identity of the whistleblower. So as to protect the whistleblower from any kind of harassment and victimization. It also provides that once the complaint is received by the company the concerned managing authorities would conduct investigation or can either set up independent individual for investigation.

Wipro India limited has adopted its whistleblower policy known as Ombud's policy since April 2003 to strengthen its corporate governance and to stop any employee in indulging in any of the corrupt malpractices which is harmful for company. Its works as upon receiving any complaints which must be in writing made in a good faith the investigation to be carried out by ombudsperson designated by the company. The policy also ensure that the identity of the whistleblower is protected and ensure the safety of the life of concerned person. The policy of the Wipro also talks about providing limitation period within which the complaint has to be raised. It lays time period of 3 month within which the complaint has to be filled with appropriate documents from the time when wrong act was known to the complaint.

The mechanism adopted by the reliance is somewhat different as it provides with the vigil mechanism and provides procedure that helps the whistleblower in complain in certain format

⁴ "Role Of Whistleblowers In Corporate Governance : Concept Of Whistleblowing In India – Ipleaders <https://blog.ipleaders.in/role-of-whistleblowers-in-corporate-governance-concept-of-whistleblowing-in-india/>

and reaching concerned authorities moreover it talks about setting up an ethics and compliance task force for investigation on complaint received and supervision by audit committee.

On deeply analyzing the above policy mechanism we can see that these companies have set up various platforms to raise their complaints by keeping their identity unknown to public⁵.

II. LEGISLATIVE FRAMEWORK IN INDIA

The law regarding the whistleblowing in India which include the protection of whistleblowers is still at the stage of emerging as compare to the other countries which have proper legislative framework like US, UK etc. In India there are several provisions of law which talks about whistleblowing policy and protection of whistleblower but there is lack of any specific legislation dealing with whistleblowing. The laws under which current whistleblowing in India is governed by:

1. The whistleblowing Protection Act, 2014
2. The companies Act, 2013
3. The SEBI's Equity listing agreement.

A circular was introduced by SEBI on 26th august 2003 which amended the principle of corporate governance as stated in older listing agreement of SEBI. The amendment made an important change in companies management i.e., made mandatory for all companies to have its own whistleblowing policy. This amendment allows the employee to report any kind of corruption or malpractice prevailing within the company to management. These guidelines were included by SEBI in clause 49 of the listing agreement in 2003. So, this listing agreement made mandatory for all listed companies to have policy mechanism for whistleblowers. To provide a platform for employees of the company to report any fraud, or any corrupt practices.

As per the clause the open access of audit committee be given to the employee who want to report any malpractice or any wrongdoing within the company. Then the company must make this information affair to all employees. The purpose of these guidelines is to create a sense of responsibility among the employees and to make them aware of their rights and privileges to be vigilant. As in return it is the duty of the company to protect the life and protection from any kind adverse action like termination of the employee who blow the whistle in the interest of public good.

Moreover, the section 177 of the companies' act, 2013 talks about establishing a strict and vigil

⁵ Sharma, Devika, and Prachi Bhardwaj. "Whistleblowing In India: The Way Forward | SCC Blog". SCC Blog, 2022, <https://www.sconline.com/blog/post/2019/09/07/whistleblowing-in-india-the-way-forward/>.

mechanism for directors and employees of the company and to report any kind of corruption or fraud complaint in prescribed format. So, it sets a code of conduct from top to bottom level i.e., from board of directors to employees and provides the code of ethics. The aim of Whistleblowing mechanism is to create a balance between law and morality by making the employee to realize their duty towards society and report any wrongdoing in public good. If there is effective policy mechanism⁶ for whistleblowers then it can act as bridge between gap of fear of adverse consequences in the minds of the employee and the reporting the wrong in public good at large. The employees in the company in many cases don't report the wrong to the authorities because of the fear of losing their job and risk to their life by powerful people.

As in recent times we have seen that many cases have been reported of the deaths of the whistleblower future degrades the moral of employees speaking against the company or blowing the whistle. The clause 10 of the companies' act mandates the vigil mechanism to take all necessary steps for the protection of complaint who if not protected can be a victim of actions by powerful persons. The companies act also set guideline to publish any mechanism or policy adopted for whistleblowing to be mentioned on the official website of the company.

Recently government of India has notified the companies Auditor report order 2020 under which to strengthen the corporate governance the Indian companies was ordered mandatory publication of the all-whistleblower complaints to the auditor and the same must be mentioned in the report published by auditor.

(A) Legislative Framework Of Whistleblowing In US And UK

The United States of America became the 1st country of the world to recognize the concept of whistleblowing and made appropriate policy for dealing with it⁷. In 1863 USA became the first nation to pass legislative regulations for whistleblowing called United States False Claim Act, 1863. In the line of this act many laws are made by USA till date like The Sarbanes Oxley Act 2002, Occupational Safety and health care Act 1970, and wall street reform and consumer protection Act 2010. The SEC i.e., securities exchange commission in U.S. has also encouraged the employees of the company to report any kind of wrong in company to regulator and moreover the regulator will take future steps to promote transparency.

The Sarbanes Oxley Act, 2002

In the United States of America, the Sarbanes Oxley act 2002 is considered as milestone in

⁶ Supra Note 2

⁷ Encyclopedia Britannica. 2022. *whistleblower* / Definition, Laws, Protection, & Facts. [online] Available at: <<https://www.britannica.com/topic/whistleblower>> [Accessed 25 May 2022].

matters relating to whistleblowing under which it grants immunity to any employee who in good faith discloses information of the malpractice or corrupt practice in public for greater good. The scandals in America like Enron Scandal and the world com scandal shed the light to the types of malpractice in corporate sector. The act came into existence on 30th July 2002 and brought nearly 40 million employees working in U.S. companies under its ambit. This act after coming into force made it compulsory for public companies to establish audit committees as under sec 301 of the act. The audit committee has the responsibility to protect identity of the whistleblower. The act also has the provision to encourage internal whistleblowing which can help in knowing the stock exchange commission the fraud and corrupt practices aware to them. It also contains provisions that protect the whistleblower from any kind of retaliation from employer after complaint and provides that in any case the whistleblower can file a complaint to labor department within 90 days of any action taken against the whistleblower. And after receiving such complaint the department shall conduct inquiry and when it is complete it shall be referred to occupational safety and health administration for review. The act also states that any kind of action or retaliation against whistleblower as federal offence which is punished with fine or imprisonment of 10 year or both.

The Dodd-Frank Wall Street Reform and Consumer protection Act 2010

The Dodd-Frank wall street reform and consumer protection act 2010 was only seen as extension of the Sarbanes Oxley Act 2002⁸ and it also be applicable to whistleblowers who blow the whistle of any wrong doing in company and such complaint should be forwarded to stock exchange commission.

The act also extent its protection to also employees of subsidiary company of parent company this act future extends the period of lodging complaint from any kind cohesive action from employer from 90 days to 180 days. Under this act the provision of rewarding of the whistleblower for providing information of wrongdoing or any malpractice and if such information results in benefit the company with for amount 1 million and more from whistleblower report then whistleblower is rewarded with not less than 10% and not more than 30% of such amount as reward.

Legislative Framework of whistleblowing in UK

During period of 1980 – 1990 the United Kingdom was in limelight of the world media for its infamous scandals in corporate sector with BCCI bank collapsed and Herald scandal. So, the

⁸ Supra Note 4.

parliament of UK decided to enact proper legislation to grant protection whistleblower and give them some immunities. As result the Public Interest Disclosure Act, 1988 came into existence in 1999. This act goes one step further by giving individuals power to claim compensation for victimization after disclosure⁹. It also further extends its protection to both private sector and public sector employees and it's also extended its immunity to workers on contract and suppliers by broadening the scope of definition of "worker" under this act. One of the distinct features of this act as compared to other countries act is that it focuses more on quality of information received from whistleblower than on whistleblower i.e., to verify or check the genuine information.

But this act from long time has faced criticism from politicians as well as experts and demanded to enact a new law replacing it. Which primarily focus on the setting up systematic and proper mechanism that encourages¹⁰ people to put their complaint before concerned authorities and when complaint is received it should be properly investigated keeping the identity of the whistleblower protective.

III. NOTABLE CASES OF WHISTLEBLOWING IN INDIA

When any honest employee of the company raises his voice against the wrongdoing, corrupt practices, etc. happening within the company in public good to the concerned authorities of the company then there are more chances of the whistleblower from being victimized or harassed by powerful people but they still risk everything to stand against any wrongdoing.

Satyendra Dubey

Satyendra Dubey who was as project manager in National Highway Authority of India was given duty as project director for the golden quadrilateral corridor project. In the working of the project Mr. Dubey noticed some irregularities in financial working of the department and as result he as a head of the project suspended 3 engineers who were involved in corrupt practices. He openly being vocal critic the policy of NHAI in public for being against prescribed norms by government and policy to sub lend the contracted work to further engineers using low grade material. As the result he was transferred to another project in Gaya but soon he realized that this malpractice is not restricted to one place but spread at large scale in whole country and this malpractices and irregularity is carried on with involvement of many

⁹ GOV.UK. 2022. *Whistleblowing for employees*. [online] Available at: <<https://www.gov.uk/whistleblowing>> [Accessed 25 May 2022].

¹⁰ Practical Law. 2022. *Rights and protections for whistleblowers | Practical Law*. [online] Available at: <[https://uk.practicallaw.thomsonreuters.com/2-203-2258?transitionType=Default&contextData=\(sc.Default\)&firstPage=true](https://uk.practicallaw.thomsonreuters.com/2-203-2258?transitionType=Default&contextData=(sc.Default)&firstPage=true)> [Accessed 25 May 2022].

high-level officials and powerful politicians. Mr. Dubey being honest employee and in public good wrote a letter to then prime minister Atal Bihari Vajpayee raising his concerns and highlighting the problem of financial discrepancies and other mal practices like problem of sub lending and using of law grade material. He requested that his identity should be kept secret but the PMO forwarded the letter in same format with all documents to Ministry of Transport and Highways and as the result he faced many criticisms from the vigilance officer of the NHAI¹¹. But unfortunately, on 27th November 2003 was found dead in his house even no link can be made for reason of his death to NHAI case but it was suspected of being killed by robbers.

Manjunath Shanmugam

He was an employee of the Indian oil Corporation worked as Marketing Manager. While exercising his duty he found that 2 patrol pumps was selling adulterated petrol so he ordered seal of both the pumps till further orders. But within 3 months he finds that the pumps again started their operation as a result he along with his team raided the pump to stop it from function. But unfortunately, he was brutally murdered by petrol pump owner and local petrol mafia.

Dinesh Thakur and the Ranbaxy case

Dinesh thakur started working in Ranbaxy a pharmaceutical company in year 2003 and was expelled from the company in 2005. Because he informed his seniors and higher officials about the mal practice and corrupt manufacturing practice that was happening in the company. He provided the U.S. authorities and regulators with appropriate proof and evidence that states about the company have involved in corrupt practices like falsifying drug data and manufacturing and distributing adulterated drugs.

As a result, the company pleaded guilty of all the charges alleged and the company was ordered to pay compensatory charges of 48 million dollars to Dinesh thakur.

IV. INTERNATIONAL CASES

Panama papers

The document was published in 2016 which shows that nearly 11.5 million leaked financial and attorney client details of more than 214488 offshore accounts were detected which were created by Panamanian law firm known as Mossack Fonseca¹². To avoid taxes and other frauds

¹¹ Supra Note 4.

¹² Supra Note 3.

related to money. The document leaked includes names of many big celebrities, business typhoons, politicians and other public officials that was earlier kept private. This data was released on 3rd April 2016 by a German Newspaper 'Sueddeutsche Zeitung' titled as Panama Papers which also included names of big politicians, celebrities and many other businessmen's from India. The timeline¹³ of the data in Panama Papers was between 1977 to 2015 which shocked the whole world with shocking results.

The most important was that Panama Paper uncovered as many as tax havens from nearly 210 countries of the world. At that time, it was considered as mass data leak of financial file from 4th biggest offshore law company. The documents have revealed the Monetary arrangement of the politicians, actors, and many public figures. The record was published by German based journalism known as International Consortium of Investigative Journalists (ICJ)¹⁴.

The whole leaks of papers tell us about difference between two concepts called Tax Evasion and Tax Avoidance. Whereas the former term tax evasion defined as illegally refusing to pay tax due on your earnings and then hiding the money in the secret accounts with motive to hide the money and get away. Whereas the latter term i.e., tax avoidance simply means when rich people hire clever persons mostly tax lawyers, & CAs to help them to find loopholes in tax laws to minimize their tax due. Significance of the Panama Papers is because it highlights the role of the whistleblower in disclosing the wrong activities to the people which if not revealed can cause greater damage to the society¹⁵.

The Documents were leaked by German based Journalist by anonymous known as Joe Doe he even till date did not disclose his real identity as reason of danger to his life. The main aim of the whistleblower for leaking the information was the rise in income inequality. Recently in Oct 2021 it was estimated that the total undisclosed credits of Rs 20.353 crores was linked to Indian based accounts in Panama and Paradise Papers.

Paradise Papers

The Paradise Papers can be described as the huge leak of the documents related to finance that throw light on the off shore accounts from top level to bottom level. Which include not only business typhoon's, celebrities but also well-known politicians and multinationals are using

¹³ IASparliament. 2022. *Panama paper scandal | Current Affairs*. [online] Available at: <<https://www.iasparliament.com/current-affairs/panama-paper-scandal>> [Accessed 25 May 2022].

¹⁴ The Economic Times. 2022. *Flashback: The 2016 Panama Papers & the scandal behind famous names and their offshore entities*. [online] Available at: <<https://economictimes.indiatimes.com/magazines/panache/flashback-the-2016-panama-papers-the-scandal-behind-famous-names-and-their-offshore-entities/articleshow/88407797.cms>> [Accessed 25 May 2022].

¹⁵ Encyclopedia Britannica. 2022. *Panama Papers | business documents*. [online] Available at: <<https://www.britannica.com/topic/Panama-Papers>> [Accessed 25 May 2022].

this complex structure to invade higher taxes on their income. The name paradise was taken from the idyllic profiles of many offshore jurisdictions. It also relates to French term of paradise fiscal near to word tax haven.

The papers unveiled links of politicians, multinationals, celebrities and many high-level peoples link with offshore accounts. Moreover, it also throws light on legal firms' financial institutions and accountants involved in this offshore financial affair¹⁶. The name of prince Charles was also disclosed in the papers of having offshore account and many famous politician and businessman from U.K and US was involved in saving tax by putting their assets in offshore companies.

There was more than 1400 GB of data that was leaked contain 13.4 million documents. Some of them were published by Appleby an offshore legal provider and the Esters a corporate service provider. The data leaked covers seven decades timeline starting from 1950 – 2016. The media partner behind this investigation says that it is in public Interest because data leaks from the offshore accounts of the world have cautiously exposed wrongdoing. The leak of the paper has compelled many countries to start investigation against the tax invasion offshore account holder. This leak was fifth largest financial paper leak in the past four years and exposed the many upper class high end offshore accounts.

The paradise papers not only exposed the unethical activities and illegal transactions of not only of well-known activities but also government leaders, politicians, and even royalty. And most importantly sparked debate for investigation into tax evasion and other financial activities. There were nearly 180 countries whose names was there in the papers and India was at 19th position and in this regard the government appointed Multi Agency group to monitor the finding related to India.

V. CONCEPT OF TAX HAVEN

There is no fixed defined definition of the word tax haven it the term used by media and by the general public to define the offshore finical center which simply means the financial jurisdiction outside the regulation or law of your own country which is used by individuals or companies to lower their taxes on their assets. They are usually the small islands and the nations with low tax rates like Switzerland, Ireland, and Netherland etc.

Tax haven generally means a country, place, jurisdiction where the rate of the tax is very low approximately from 2% to 0.02 % and in some countries the tax rate is nil. The main reason

¹⁶ "Paradise Papers: Everything You Need To Know About The Leak". BBC News, 2022, <https://www.bbc.com/news/world-41880153>..

behind countries low tax policy is to attract more and more foreign investment as well has increase in cash flow in their economy. This gives encouragement to the multinationals companies and individuals to invest in their country and benefiting their growth of economy. And the practice of shifting of the profits by the companies from high taxed country to low taxed nation is known as Base erosion or Profit shifting. Tax haven can be divided into different types of taxes they charge:

1. Pure Havens: under this the income or capital are not taxed at all. Examples of such countries are Bermuda, Cayman Islands etc.
2. State approved tax haven: the states have the power to decide the low rate of tax due to tax agreements between the countries example: Switzerland, Ireland etc.
3. Tax havens exemption from tax by people for the cross-border transactions e.g., costa Rica, Philippines, Panama etc.
4. Tax havens based on the preferential treatment towards offshore and foreign companies e.g., Austria, Luxembourg, Thailand etc.
5. Tax havens that provide offshore companies with financial benefits and privileges e.g., Bahamas, Antigua, British Virgin Islands etc.

Tax avoidance can be done by simply transferring its profits to other non-taxable countries thus leading to pay as low as possible tax. For example, Google US based company transferred its profits to non-US profits to tax haven countries like Ireland, Netherlands and finally Bermuda. By doing so the company paid as low tax at 2% which if paid in US was 28%. The other way in which companies evades tax is transferring their funds in Shell companies which doesn't exist at real level. An another means to avoid tax is by treaty shopping. This concept means a method of avoiding tax whereby the company/third party takes advantage of taxation treaty between 2 countries in order to reduce tax rate on income taxable in other countries¹⁷.

For example, the DTAA agreement between Indian and Mauritius whereby the company of Mauritius based working in India is only to be taxed in Mauritius which have very low rate of tax this led to many people creating companies set up in Mauritius working in India but pay no tax to India under the DTAA agreement and Mauritius¹⁸ easily granted residence status to companies for tax this led to huge loss of revenue to Indian economy.

Furthermore, the people often use these tax haven countries to hide their illegal wealth or

¹⁷ "Tax Havens And Their Impact On The Indian Tax Economy". Taxguru, 2022, <https://taxguru.in/income-tax/tax-havens-impact-indian-tax-economy.html>.

¹⁸ Supra Note 16.

undisclosed money which is illegal in India such a money in India is called Black Money. This money is stored in these tax haven countries in order to avoid tax.

Tax Haven Countries

Tax haven plays an important in maintain the privacy and tax security of the individual or the company it offers them the opportunity to store their money in offshore accounts with guarantee of privacy in order to avoid taxes. These countries offer great financial benefits and robust opportunities. The most favorable benefit they offer is hiding of the wealth to avoid income taxes in their native nation. Tax haven countries often shares little financial details of the individual or in some case no financial details of the individual is shared to another country. The tax haven countries do not require residency status, business set up to benefit economy for evading tax. Over the passage of time there are many countries emerged as tax haven for ultra-rich individuals to evade taxes and acts as tax haven. Some of these countries are:

1. Switzerland

The country is very famous for the popular tourist destination and is also known for its robust financial institutions and their services. It is very well known for its reliable offshore tax shelters for its wealthy customers from all over the world. Switzerland's banking services has been widely recognized for its privacy system¹⁹. Bankers are prohibited from giving any information or details of there customers to any third party who inquire. And this clause has been used by the rich people to save tax.

2. Panama

The tax system is based on territorial system which means that the income earned within the country is taxed but not the income earned out of the boundary of the country. So, this shows that a company can easily hide its income from taxes in Panama if it does not operate in Panama in short it acts as the Tax haven. The statutory laws in Panama also protects the identity and privacy of the individual whose money is store in Panama and provide to keep these things secret in Panama. These rules act in favors of the Panamanian corporations.

However, after the famous Panama papers leak the doubts have been raised on its safe haven to tax evasion but after all it still hold its position in list of tax haven countries.

3. Luxembourg

A small European country which is one of the richest countries of the world in which major role is played by the financial sector contributing largely 35% of the share in GDP.

¹⁹ Supra Note 17.

Luxembourg traces its tax haven genes from the friendly²⁰ business policies which allows many big companies to exploit the tax system and preserve their wealth in tax haven nations. The privacy is at the center of the Luxembourg tax haven policy which allows only the owner of the offshore bank holder to share his financial details. The system is so full proved with privacy that it works on lock and key concept which ensure and guarantees clients full sense of security. Giving tax relief to the domestic corporation or even exempting them from tax.

4. Cayman Islands

It is the most efficient tax haven of the world the Cayman Islands has strong reputation in international market for quality of financial services provided to their customers²¹. Another major advantage is the Islands don't have corporate tax which make it a fantastic place for big companies and to take full advantage of the law avoiding taxes. The privacy policy of this Islands is also very protective i.e., they value the privacy and do not give any information to any other individual without permission. The rate of interest in Cayman Island is also very low.

5. Bermuda

Another tax haven nation with maximum tax relief benefits providing 0% tax rate and no income tax to off shore as well as investors. Which makes it the most preferable choice among the world for the rich people to invest in order to save money. For example, Nike a famous brand of United States evaded the tax by transferring millions of dollars to Bermuda from US for paying no tax. In recent time Bermuda is the home of nearly 500 companies for saving taxes and earning profits²². Bermuda also emphasizes on the privacy of the individuals with best bank service in the world. Companies utilizes the laws of Bermuda for best benefit from this tax haven.

VI. MAJOR PITFALLS OF WHISTLEBLOWING POLICY IN INDIA

A country like India can't achieve its goal of corporate governance with setting up numerous checks and regulators. To make it effective and efficient mechanism it is necessary to broaden its scope and ambit should be unambiguous. The whistleblower mechanism in India is at developing Stage and to make any while blower strategy successful it is necessary to effective and efficient implementation at ground level. It is the Trust that acts as the foundation of whistleblowing policy. It is important that companies should have such an environment where

²⁰ "It's Raining Money! Here Are The Best Tax Haven Countries In The World". *Indiatimes*, 2022, <https://www.indiatimes.com/trending/social-relevance/best-tax-haven-countries-in-the-world-543364.html>.

²¹ *Ibid*.

²² "Indian Administrative Service - IAS Exam". *Prepp*, 2022, <https://prepp.in/news/e-492-tax-haven-indian-economy-notes>.

they can encourage their employees to raise any malpractices in company to the senior officials or appropriate authority. So that they can raise their voice with trust of security from any harm to them either physically or mentally.

One of the Major drawbacks of the whistleblower policy act 2014 is that it ignores and excludes the private companies from its ambit i.e., clause 49 of SEBI listing is not applicable to them. And provisions of the act are only applied to companies on stock market list. The act moreover, doesn't talk about internal investigation of the allegations made by whistleblower. Another drawback is that the act makes disclosure of identity of whistleblower compulsory which can result in very bad effects like victimization and harassment future discouraging other employees from raising the alarm. Lack of provisions of compensation to the victim is also missing.

VII. RECOMMENDATIONS

The scope of whistleblowing is increasing with time and in recent past wide changing times and incidents related to whistleblowers. Many companies have started to implement their own whistleblower policy in more efficient manner. Whistleblowing policy has become an integral part of the corporate governance if the company is able to establish a successful whistleblowing policy, then it would detect any wrong doings or corrupt practice on time and can save the losses to company as well as to economy²³. Some of the mechanism of whistleblowing should also adopt policy for non-disclosure of the identity of the individual who blow the whistle against any wrong doing in the company. Some of the suggestions to strengthen the whistleblowing policy are:

1. The act must also include the private sector companies under whistleblowing policy so that the scope of act must be broader to give maximum benefit. Currently only whistleblowers in government sector are included under whistleblower policy.
2. The concerned authorities and regulators must take every necessary step to protect the identity of the whistleblower. So as to protect him from any kind of victimization and harms bodily as well as mentally.
3. There must be proper law which regulates whistleblowing and specific provisions must be included in specific act.
4. There should be awareness amongst every employee regarding whistleblowing policy its provisions, safeguard and it is responsibility of the top management of the company to create awareness by conducting workshops, camps etc.

²³ Supra Note 5.

5. The complaint must also be liable for punishment if the complaint is furious in nature.
6. Increasing number of scams in recent past made a strong and effective whistleblowing as need of the hour.

VIII. CONCLUSION

The strong whistleblower policy is very much essential for the effective implementation of corporate governance and is a foundation pillar of the good governance. If the company has more transparent and effective whistleblower policy to control any fraud or corrupt practice on time then it helps in building strong relationship stakeholders and their employees. And ensure in growth of the company with stability. The companies can also maintain their reputation by timely reporting of any fraud or corrupt practice within the company through whistleblowing.

In the past few decades, we have seen many scams like Harshad Mehta scam, Satyam Computer scam, Satyendra Dubey murder etc²⁴. if the companies have effective and efficient mechanism of whistleblowing it can saves life of the people and economic loss to both country and company. So, we can see that it is the need of the hour to have strong whistleblowing policy in India.

²⁴ Supra Note 2.

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