

As 1 lakh tax notices get 1.3 lakh returns, a new strategy is born

Last year, the taxman sent out 1 lakh tax notices to a list of 12 lakh persons identified as not filing their annual returns even though their expenditure patterns suggested the need to pay taxes. Based on data collected from a variety of sources — annual information returns or AIR in tax jargon — the taxman found, for instance, that 16 lakh persons made credit card payments of over R2 lakh in FY13 and 52.4 lakh persons spent more than R2 lakh buying mutual funds in that year. In response to these notices, however, the taxman has already got 1.25 lakh returns from people — some have added their spouses' returns as well — and most have paid the taxes demanded.

The taxman's new strategy is based on this recent success. The tax department now plans to send letters to all taxpayers every year in April-May, giving details of their PAN numbers, the taxes paid by them as well as various financial transactions captured by the AIR system during the year. A senior tax official said, "Though the letters sent to all the assesses and identified people outside the tax ambit will not be tax notices, the onus of acting on the information provided would certainly be on them."

The department, however, will not stop at sending letters only to those who are already in the tax net; letters in the same format will also be sent to all those found to be making high-value transaction but not paying any tax and not filing returns.

With just 3.5 crore of the 11 crore who have PAN numbers filing tax returns, and the number of new ones more than halving between FY11 and FY12 — from 17.8 lakh in FY08, new assesses fell to 14.8 lakh in FY11 and to 7.2 lakh in FY12 — the disconnect between rising taxes and the number of taxpayers is getting stronger. In the last 10 years, direct tax collections have increased by more than 700%, while the number of taxpayers has grown by only about 35%. The personal income tax income slab of up to R5 lakh comprises of 98.38% of total assesses, while the slab above R20 lakh comprises a mere 0.38% of total assesses — 63% of the total income tax collected, though, comes from this bracket.

Personal income tax collection has grown from Rs 49,268 crore in FY05 to Rs 1,64,485 crore in FY12, the revised estimate for FY13 is Rs 1,99,930 crore, and the budget estimate for FY14 is pegged at Rs 2,40,919 crore.

The income tax department plans to roll out its new strategy quickly. "The architecture and design of the IT backbone for this is already in the works," said the official, adding that it might happen in phases.

(Financial Express)