

I-T captures transactions to nab tax evaders

Sixty-five-year old Prabha Mishra, who has never earned any income in life, was shocked to receive a letter from the income tax department recently. It said the Directorate of Intelligence & Criminal Investigation had information about term deposits she made last year but did not pay any tax on interest earned. Mishra opened the term deposits from the money she got as provident fund after her husband's death.

The Income Tax department has now asked her to report at its office with details of the deposits, failing which a penalty of up to 300% of the tax amount would be imposed on her. Similarly, Arun Srivastava, who changed jobs in a year and took benefit of income tax exemptions under Section 80C twice, has received a letter asking to pay the tax correctly or face penalty.

These are just two examples of cases where the tax department is capturing individual transactions and treating it as willful concealment if no reply is given to its notice. Penalty can be levied at 100-300% of the tax evaded, while tax is imposed at the highest rate of 30%.

“Sometimes people instruct banks not to deduct tax on their deposits. The tax department has captured this information and is asking people on what basis are they claiming the deduction. If you do not report now it will be treated as willful concealment,” says Ankur Sharma, CEO of e-filing portal Tax Spanner.

Central Processing Centre (CPC) for Tax Deducted at Source (TDS) at Vaishali in Ghaziabad and CPC for electronic tax returns in Bangalore are working as the brain of the tax department. By matching income tax returns filed by the taxpayer with the data available in their systems, these processing Centres are helping detect cases where correct income is not reported by a taxpayer, knowingly or unknowingly.

The I-T department identified 1.2 million taxpayers who had a PAN card but did not file their income tax return. Letters have already been sent to 1,75,000 such people. More letters are on the way.

Currently, there are only 34 million taxpayers in India—a country of 1.2 billion people. Of these, 21 million people filed their returns online last year and the number is expected to go up to 28 million this year as Budget 2013-14 made it mandatory for people with taxable income above Rs 5 lakh in a year to file their returns in the electronic mode. Besides, if the exempt income of a person is more than Rs 5,000, he or she cannot file the simple ITR1 form and would be required to furnish details under ITR2.

The I-T department has geared up to make their e-filing utility more user-friendly through a revamped and simplified portal. It is planning to introduce electronic PIN-based verification for e-filers from this year so that they need not send a hard copy of acknowledgment ITR-V to the CPC in Bangalore after filing returns. The new portal will provide pre-filled information in the income tax return forms such as tax credits. It is looking at migration to electronic clearance service for swift payment of refund.

Private e-filing portals are also providing added features to their customers sensing a big opportunity in it. There are over a dozen private utilities helping taxpayers file e-return for a payment of just Rs 200.

Sharma said to safeguard taxpayers, TaxSpanner has launched a package called 'Track Tax Credits' so that taxpayers can keep a real-time tab on their PAN database with the I-T department. This service automatically fetches Form 26AS information on a monthly basis, and informs the taxpayer about any change in his/her tax status. So every time someone deposits TDS against a user's PAN – be it a bank, the employer, or a brokerage house, one can take corrective action if required.

Third party utilities are competing to provide simple e-filing facility to their customers. Another e-filing portal CleatTax says all one has to do is upload the Form-16 on the website and their tax return would get prepared automatically. It also automatically files the correct ITR based on the sources of income.

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