

No country for evaders: This April 1, India enters uncharted tax territory

If your social media posts look way out of your league judging by your I-T returns, beware.

The taxation scene could change radically as India enters uncharted territory from April 1. On Day 1 of the new financial year, the taxman will begin looking into comprehensive, 360-degree profiles of Indian taxpayers.

Life is now all set to change drastically for taxpayers whose spending patterns don't match their earnings declarations.

How will the taxman pull this off in a country like India where lack of tax compliance has been one of the longest-standing grouses for governments?

Enter Project Insight — a tax tracker based on big data, built painstakingly over several years at a purported cost of Rs 1,000 crore. Under the project, the government will put to use a range of non-traditional — but very effective — sources of information.

So far, traditional sources like banks were the only tools at government's disposal, leaving unscrupulous taxpayers a huge scope for evasion. The plan now is to gather virtual info not just from those traditional sources but also from social media sites like Facebook and Instagram.

Big data is here, finally

According to various reports, the I-T department gave taxmen the go-ahead to access the Insight portal beginning March 15.

So, in case you posted photos of your foreign vacation or your new car that look way out of your league judging by your I-T returns, beware. The taxman could now just glean those information from your social media profile, and use big data to deduce the mismatch between your earning and your spending.

In case of any mismatches, the next step could be a tax raid in your home or office.

The project is set to be fully operational from April 1. The I-T department has set up a host of key functionalities that could over time make tax evasion impossible. The process will basically entail a complete profiling of a taxpayer — both new income tax filers and non-filers — in order to find out his/her tax liability.

Big data will help the taxman build a taxpayer's master profile that will include all key info about him/her.

The basic target of this project is to bring more people under the tax net. Another idea is to catch tax truants who may've played dirty during demonetisation. The tax net will also close in on those with pending demands of over Rs 10 lakh.

How all this will be done

A Business Standard report says the data gleaned from Insight will be segregated. This will have the taxpayer's master profile — which will include address, signature, I-T return profile. There is also a segment named business intelligence that will basically ferret out non-compliant folks.

A Geographic Information system will help tax the taxman zero in on a specific area for more focussed action. It will also classify taxpayers on the basis of parameters like income, profit and capital gains, the BS report says.

As per this report, the Insight project will feature an integrated information management system, which will harness machine learning to help take the right step and the right time. It will entail collecting relevant web pages and documents that could be probed, it says.

India now in select league

As per a Bloomberg report, India now joins a select league of countries like Belgium, Canada and Australia that are already using big data to keep a check on evasion.

India's new plan is on the lines of Britain's 'Connect,' built at an estimated cost of 100 million pounds. Since its inception in 2010, the system has prevented the loss of 4.1 billion pounds (\$5.4 billion) in revenue. These cases would have mostly remained undetected without cutting-edge analytics.

More importantly, the number of criminal prosecutions has risen to 1,165 from 165 a year, Bloomberg said quoting London-based Institute of Financial Accountants.

(Economic Times)