

1.37 crore who don't file returns are now on Income Tax radar

The department is employing what it calls a “360 degree profiling” of taxpayers

ARMED WITH information on cash deposits of over Rs 2 lakh by tax assesseees through a newly inserted column in the income-tax returns for 2017-18, the tax department has started the process of scrutinising and matching details with those provided earlier by banks and financial institutions.

Alongside this, a list has been readied of about 1.37 crore non-filers with potential tax liability that have been identified under the department's Non-Filer Monitoring System (NMS) — a tool aimed at zeroing on this category.

The department is employing what it calls a “360 degree profiling” of taxpayers to identify and link all transactions relating to them in its database, based on which each taxpayer is to be treated as “high-risk” or otherwise.

These measures form part of the second phase of the department's ‘Operation Clean Money’ project and come close on the heels of the latest compliance window ending on March 31 for people to declare unaccounted cash and deposits post demonetisation.

On Thursday, the department initiated action after the closure of the compliance window, with over 30 premises linked to an infrastructure-related business group being searched across the country. Searches were also being conducted at 19 premises in Pune of a business group engaged in processing and trading of agricultural commodities.

The triggers for the action, officials said, included entries obtained by the infrastructure company from Mumbai and Kolkata-based entry operators for alleged “bogus sub-contract charges” and various other expenses, aggregating to more than Rs 100 crore.

The second phase of ‘Operation Clean Money’ is expected to get fully underway sometime later this month, officials said, adding that it will focus on those who did not opt for the scheme. “We are going to soon announce the gameplan for the future phase of Operation Clean Money,” said a senior finance ministry official.

As part of the first phase of Operation Clean Money, about 18 lakh communications were sent by the income tax department for cash deposits made after the November 8 demonetisation announcement, out of which over 12 lakh responses were received from 8.38 lakh distinct PANs/persons whose cash deposits were reportedly not in line with their tax profiles.

The tax department had also asked banks and financial institutions for information regarding cash deposits made from November 9-December 30, 2016, along with information from April 1-November 8 last year for those accounts for which there was a mismatch with the respective tax profiles.

This process of aggregating all intelligence and available information regarding taxpayers, which builds on five rounds of high value transactions filtered under the NMS, had intensified after the rollout of the demonetisation scheme.

So far, the steps taken on identified non-filers include deploying rule-based algorithms to classify the cases and assign priority ratings for graded monitoring, an online monitoring system being implemented to ensure that information related to non-filers is effectively used by officials on the field, and a Standard Operating Procedures list to ensure that they maintain consistency in their approach.

In the last three months, additional measures include collection of data in respect of high-value transactions from banks and financial institutions and high-value expenditure from commercial establishments in form of Statements of Financial Transaction or SFTs.

The fifth NMS cycle for 2015-16 had identified 67.54 lakh potential non-filers. The NMS analyses and assimilates all in-house information as well as transactional data received from third-parties, including Annual Information Return, tax deduction at source and tax collection at source statements and Central Information Bureau (CIB) data, to identify persons and entities who have undertaken high value financial transactions but have not filed return. It was implemented as a pilot project to prioritise action on non-filers with potential tax liabilities.

The number of non-filers with potential tax liabilities identified in previous NMS cycles was 12.19 lakh in NMS cycle 1 (2013), 22.09 lakh in Cycle 2 (2014); 44.07 lakh in Cycle 3 and 58.95 lakh in NMS Cycle 4 (2015).

Also, at the time of announcement of the Pradhan Mantri Garib Kalyan Yojana (PMGKY), under which the compliance window came to a close on March 31, the government had introduced amendments to the Income-Tax Act in November to enable them to impose a higher penalty and tax rate on assesseees of unexplained deposits.

If the undisclosed cash or deposits were not declared under the PMGKY scheme, it will attract tax, surcharge and cess totalling 77.25 per cent of the income if it is declared in the income tax returns.

In case the disclosure is not made either under the scheme or in the income tax returns, then it will attract additional penalty of 10 per cent. For those who do not declare under the PMGKY and are raided, they will face 107.25 per cent tax and penalty, if they surrender their undisclosed income during the search. Those who do not surrender such hidden income even during searches will stand to face the highest level of penalty and tax at 137.25 per cent.

The government got a dismal response under the PMGKY scheme, which ended on March 31, with total tax and penalty under the scheme totalling Rs 2,300 crore. The amount garnered through PMGKY is much lower than the earlier four-month long tax compliance window of Income Declaration Scheme (IDS), under which about Rs 12,700 crore have come in government coffers as the first two instalments of tax and penalties in 2016-17. The remaining 50 per cent of the tax and penalties under the IDS will come by September 30 this year.

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