

Tax Frauds- Demonetisation

**CENTRAL BOARD OF DIRECT TAXES
MINISTRY OF FINANCE
GOVERNMENT OF INDIA**

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BACKGROUND

- Legal tender character of High Denomination bank note of Rs.500/- & Rs. 1000/- has been cancelled from 09/12/2016.
- These currencies constituted 86% of the total value of currency in circulation.
- Deposit/Exchange of old currency was open up to December 31, 2016 and restricted thereafter up to March 31, 2017.
- New bank notes of Rs. 500 & Rs. 2000 were introduced and Restriction was put on withdrawal for some time so that new bank notes of Rs. 500 & Rs. 2000 can replenish the old currency.

OBJECTIVES

- Curbing financing through Fake Indian Currency Notes (FICN) - FICN was being used for financing of terrorism and also other contrabands activities such as drug trafficking, espionage, smuggling of arms.
- Eliminating Black Money - High denomination notes is used for storage of unaccounted wealth and also High denomination notes facilitate generation of black money.
- The World Bank in July, 2010 estimated the size of the shadow economy for India at 20.7% of the GDP in 1999 which increased to 23.2% in 2007.

DIRECT TAX LAWS CHANGES

- Incidence of tax on unaccounted income represented in the form of unexplained cash credits, investment, money, etc. was increased to 77.25%.
- Provisions relating penalty for unaccounted income detected during the search & seizure operation were made stricter.
- Reporting mechanism was put in place for cash deposits over a specified threshold during the demonetisation period and pre-demonetisation period.
- Mandatory linking of all bank accounts with the Tax identification number i.e PAN

PMGKY

- A declaration scheme “The Taxation and Investment Regime for Pradhan Mantri Garib Kalyan Yojana, 2016” (PMGKY) was introduced.
 - ✓ The Scheme commenced on 17.12.2016 and is open for declarations up to 31.03.2017.
 - ✓ Declaration can be made in respect of undisclosed income in the form of cash or deposits in an account with specified entities i.e. banks, post office, etc.
 - ✓ Tax, surcharge & penalty @49.8% of the undisclosed income declared is payable.
 - ✓ Mandatory deposit of 25% of the undisclosed income in a interest free deposit with a lock-in period of four years.

ENFORCEMENT ACTIONS DURING DEMONETISATION

- Based on the information of huge deposit of cash in bank accounts during demonetisation, more than 1,100 search, seizure and survey actions were undertaken.
- Resulted in seizure of valuables of more than Rs. 610 crore including cash seizure of of Rs. 513 crore (including new currency of more than Rs 110 crore). The undisclosed income detected in these actions was more than Rs. 5,400 crore
- More than 5,100 notices were issued for verification of suspicious transactions of high value cash deposits.

OPERATION CLEAN MONEY

- To verify the information of cash deposit, Operation Clean Money launched on 31st January 2017 for expeditious verification of suspect cases in a non-intrusive manner.
- 1.8 M cases of suspicious cash transactions not in line with the tax payer's profile have been identified for seeking online response.
- Response has been submitted by 8.71 lakh persons.
- The information on the online portal is updated on receipt of new information, response and data analysis.
- The response of taxpayer are assessed against available information and would be closed if the explanation is found satisfactory

ACHIEVEMENT SO FAR

- There is sudden jump in the PAN allotment. The number of PAN allotted per day has more than doubled.
- 100% increase is seen in enforcement actions and criminal prosecutions for tax offences. 700 persons have been prosecuted and more than 1200 persons have filed applications for compounding.
- There is transformational change in verification functions without human interface by extensive and intensive use of technology.
- All these actions are resulting into robust growth in number of returns filed and tax collections. 42.4 M returns of income have already been received this year registering growth of more than 21%. There is growth of more than 18% in personal Income Tax and more than 16% in Regular Assessment Tax.

Any Questions?

THANK YOU