

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:849

ANSWERED ON:25.02.2011

EFFICIENCY IN DETECTION OF BLACK MONEY

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Will the Minister of FINANCE be pleased to state:

(a) the steps taken and the achievement made with regard to unearthing of black money within the country and the money illegally transferred to foreign banks, by various agencies including Enforcement Directorate during the last three years and current year, till date;

(b) whether the existing set up is effective enough for detection of cases of black money;

(c) if so, the details thereof and if not, the action taken or proposed to be taken in the matter;and

(d) the measures taken or proposed to be taken to infuse efficiency in the investigating agencies?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALAN1MANICKAM)

(a) The Income Tax Department takes several deterrent and punitive steps to unearth unaccounted money and curb tax evasion. These include scrutiny of returns, surveys, search and seizure action, imposition of penalty and launching of prosecution in appropriate cases. Information Technology has also been used in a big way in collection, collation and dissemination of taxpayer information. Tax Information Network (TIN) has been set up as a depository of important tax related information which can be accessed by the Department. The basic components of TIN are information relating to Tax Deduction at Source (TDS), payment of taxes and high value transactions reported in Annual Information Returns (AIR). The Department has set up an Integrated Taxpayer Data Management System (ITDMS) to electronically collate information collected from various sources i.e. Tax Deduction at Source, Electronic Filing of Return, Annual Information Returns, Central information Branches (CIB) etc, to create 360 degrees profile of High net-worth assesses. Information received from Financial intelligence Unit under the Department of Revenue regarding suspicious transactions from various banks, insurance companies etc, are also investigated by the Income Tax Department. Further, the Department has implemented Computer Assisted Selection of Scrutiny (CASS) wherein returns are selected for scrutiny on the basis of comparison of the information gathered from various sources with the information available and declarations made by the assesses in the return of income.

As regards unearthing of unaccounted money and wealth outside the country, Investigation Directorates pursue information regarding any deposit outside the country on top priority. The Department is having two specialized wings under the administrative control of the Director General of Income Tax (International Taxation). The International Tax Division investigates and assesses the cases of foreign companies, Non-residents and other such entities. The Transfer Pricing Division examines the international transactions between associated enterprises to determine the arm's length price in accordance with the provisions of Chapter X of the Income Tax Act, 1961. Appropriate action under the provisions of Income Tax Act is taken in cases where tax evasion is detected.

Persistent efforts made by the Income Tax Department and its investigative machinery have resulted in substantial increase in Direct Tax revenue collections, indicating increased voluntary compliance and reduction of black money and tax evasion. The figures for Direct Tax collections during the last three financial years and the current year are as follows:-

Financial year Net collection of direct taxes (Rs. in crore)

2007-08 312213

2008-09 333818

2009-10 377982 Jprovisional figure

2010-11 317501
(upto Jan., 2011)

The Directorate of Enforcement implements the provisions of FEMA and PMLA. During the last three years notices were issued by the Directorate for FEMA contraventions in nine cases.

(b)to (d) The Government has been taking a number of steps to further improve the efficiency of the Income Tax Department and increase the direct tax collections. India has initiated the process of putting in place a legislative framework by amending its existing Double Taxation Avoidance Agreements (DTAAs) to widen the scope of Article concerning Exchange of Information. The amendment to tax treaty with Switzerland has also been signed. It will enter into force when Switzerland completes its internal process. Upon entry into force, it will allow India to obtain banking information from Switzerland in specific cases for a period starting from 1st April 2011 or thereafter. India has also completed negotiations of Eleven new Tax Information Exchange Agreements.

The Government has set up 10 Income Tax Overseas Units in various countries to track cross-border transactions. The Income Tax Department has submitted a proposal for cadre-restructuring to strengthen its manpower so as to deal with the increased work-load. The department has also re-designed its training system to upgrade the skills of its employees at various levels.

Government has proposed certain new provisions in the proposed Direct Taxes Code Bill for unearthing black money.

The Directorate of Enforcement has been effective in implementing the provisions of FEMA and PMLA. Amendments in PMLA were made on 1st June, 2009. The Directorate of Enforcement is being further strengthened and restructured.