

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1961

ANSWERED ON:31.07.2015

Detection of Tax Evasion

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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has noted that a large number of persons in the country are evading Income tax;
- (b) if so, the details thereof and the reaction of the Government thereon;
- (c) whether the Government has any mechanism in place to detect persons concealing income tax in the country;
- (d) if so, the details thereof and the extent to which the said system has been successful in identifying such persons during the last three years and the current year;
- (e) the existing laws in place to deal with tax evasion; and
- (f) whether Government proposes to amend or frame new laws to curb tax evasions particularly with regard to failure to file IT returns, if so, the details thereof and the steps taken by the Government in this regard?

Answer

MINISTER OF STATE FOR FINANCE
(SHRI JAYANT SINHA)

(a) and (b) Taking note of the issue of Income-tax evasion in the country, the Government has taken effective steps to tackle it. These steps include putting in place robust legislative and administrative frameworks, systems and processes with due focus on capacity building and integration of information and its mining, inter alia, through use of information technology. Recent major initiatives taken by the Government in this regard include the following:

(i) A comprehensive new law titled 'The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015' has been enacted which, inter-alia, provides for separate taxation of undisclosed income in relation to foreign income and asset. Among other things, the Act provides for punishment for willful attempt to evade tax, etc. in relation to undisclosed foreign asset/income up-to 10 years of rigorous imprisonment and fine. The Act also provides to include the offence of willful attempt to evade tax, etc. in relation to undisclosed foreign income/asset as a scheduled offence under the Prevention of Money Laundering Act, 2002.

(ii) The Finance Act, 2015 has amended relevant provisions of the Income-tax Act, 1961 to prohibit acceptance or payment of any amount as advance or otherwise of Rs.20,000 or more in cash in relation to purchase of immovable property.

(iii) Necessary legislation to effectively tackle the menace of benami transactions was introduced in the Budget Session 2015 of the Parliament.

(iv) A Special Investigation Team (SIT) on Black Money, under chairmanship and vice-chairmanship of two retired judges of Hon'ble Supreme Court, was constituted by the Government in May 2014. Investigations into cases involving substantial unaccounted income, particularly black money stashed abroad, are under extensive monitoring of the SIT. The SIT has already submitted 3 reports to Hon'ble Supreme Court.

(v) Investigation into cases involving undisclosed foreign asset/income has been accorded the highest priority and Special Units have been constituted under each Director General of Income Tax (Investigation) to undertake expeditious and focused investigation in such cases.

(vi) While focusing upon non-intrusive measures, due emphasis has been given on enforcement measures in high impact cases, inter alia, with a view to prosecute the offenders at the earliest possible for creating credible deterrence against tax evasion.

(vii) India is now a leading force in the efforts to forge a multi-lateral regime for proactive sharing of financial information known as Automatic Exchange of Information (AEOI), aimed at assisting the global efforts to combat tax evasion. Information sharing arrangement with USA under its Foreign Account Tax Compliance Act (FATCA) has been recently entered into. These measures are likely to improve and strengthen India's capabilities in getting information about financial transactions done by Indian persons in other countries.

(viii) Proactively engaging with foreign governments for exchange of information under Double Taxation Avoidance Agreements (DTAAs)/Tax Information Exchange Agreements (TIEAs)/Multilateral Convention.

(c) and (d) Whenever any instance of violation of direct taxes laws is noticed by the Income Tax Department (ITD), appropriate action including searches, surveys, assessment of income, levy of tax, imposition of penalty and launching of prosecution is taken as per law, depending upon facts and circumstances of each case. Further, the Government has put in place several mechanisms to collect information regarding high value financial transactions as also suspicious transactions which, inter alia, assist in detecting concealment of Income-tax.

Statistics on searches and surveys conducted by the ITD and prosecutions under direct taxes laws in the last three financial years and

current financial year are as under:

Searches

F.Y. Number of groups searched Total assets seized (in Rs. crore) Undisclosed income admitted under section 132(4) of Income-tax Act, 1961 [in Rs. crore]

2012-13 422 575.08 10291.61

2013-14 569 807.84 10791.63

2014-15 545 761.70 10288.05

2015-16 (Till June 2015)* 41 75.37 1761.09

* Figures are provisional

Surveys

F.Y. Number of surveys conducted Undisclosed income detected (in Rs. crore)

2012-13 4630 19337.46

2013-14 5327 90390.71

2014-15 5035 12820.33

2015-16 (till May 2015)* 107 97.94

* Figures are provisional

Prosecutions

F.Y. Number of cases where prosecutions launched Number of persons convicted Number of compounding petitions disposed of

2012-13 283 10 205

2013-14 641 41 561

2014-15 669 34 900

2015-16 (Till May 2015)* 45 4 75

* Figures are provisional

(e) The existing laws to deal with evasion of direct taxes include the Income-tax Act, 1961 and the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015.

(f) The Income-tax Act, 1961 provides for several measures, including penalties and prosecutions, to curb tax evasion. It also provides for various measures to tackle the failure to file Income-tax returns which include penalty under section 271F and prosecution under section 276CC in appropriate cases. Section 276CC of the Income-tax Act provides for rigorous imprisonment upto 7 years with fine for willful failure to furnish the return of income in due time.

Legislative response to curb tax evasion is an on-going process. The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, inter alia, provides for substantially enhanced amount of penalty for failure to furnish the return of income by a person being resident in India. It also provides for rigorous imprisonment upto 7 years with fine for willful failure to furnish the return of income in applicable cases. With a view to curbing domestic black money, the Benami Transactions (Prohibition) Amendment Bill, 2015 has been introduced to amend the Benami Transactions (Prohibition) Act, 1988. The proposed amendment Bill on its enactment will enable confiscation of Benami property and provide for prosecution, thus blocking a major avenue for generation and holding of tax evaded money in the form of Benami property, especially in real estate.