

## **Budget 2016: Tax analytics to help Centre in catching truants and underpayers**

In an attempt to bring more companies under the corporate tax net and zero in on areas where registered companies pay less tax through underreporting, the government is planning to run tax analytics on the sea of data it collects every year.

Through analytics, the government will be able to tell income tax officers the specific areas where they can look at or the specific sectors where companies may be exploiting loopholes, a person with a direct knowledge of the matter told ET.

"The government would estimate the total tax gap and then try to zero in on areas and sectors where the tax liability is not paid. The government could announce this in the upcoming budget," he said. Tax gap is basically the difference between taxes owed and taxes paid.

This is the first time when the government is considering using analytics for arriving at such a conclusion. The government could conduct a "riskbased assessment" or the activity of zeroing in on the main areas where tax is not paid or underpaid every year. The top reasons or the risks where companies are not paying or underpaying could change every year.

"In India, there are many companies who do not pay any taxes as they may not be registered or have managed to stay out of focus. Yet, they would have to deal with registered companies who pay taxes as they are part of the economy," the person who requested not to be identified said. The data available with the registered companies could be used to trace the companies which weren't paying taxes.

For instance, analysing the data of a registered company's vendor list could throw the names of companies which are not registered but who have huge receivables. While it is impossible to go through the sea of data by individuals, this can easily be done through data analytics.

The government has started working on this about a couple of months ago. It is expected that the data analytics would be carried out centrally and broad directions would be passed on to various states based on the data.

Also, in many cases the government could come up with average industry-based taxes. "The government would have comparables, say if 100 companies in petroleum of a particular size pay Rs 50 crore in taxes, it is unlikely that one company, of the same revenue size, would pay Rs 1 crore. Data analytics could easily point out such anomalies, and then focus on investigating such companies," the person said.

Currently, investigations are mainly carried out on the hunch of the income tax officer, tip-offs or past records with the government. Due to this, often the same taxation law could be interpreted by two different tax officers and different tax demands could be raised from companies.

Going ahead, the government also plans to bring personal tax under the gamut. This is mainly targeted at black money.

## **ET View: Tax Dept Must Use Big Data Analytics**

Risk-based assessment is in sync with global practices. But the tax department must have a well-defined and scientific methodology for risk assessment to ensure that it does not raise arbitrary demands on taxpayers or harass them. It should use big data analytics to mine information and track the sources of hidden funds, and identifiers such as PAN to tighten the noose around black money. The government should also quickly adopt the GST which creates audit trails across the production chain to rack hidden incomes.

*(Economic Times)*