

Income Tax department plans stringent action against habitual evaders

The Income Tax department plans to take stringent action against the tax evaders to ensure that they are prosecuted.

Seeking to send a stern message to chronic evaders, the Income Tax department plans to take stringent action against them to ensure that they are prosecuted.

This follows a strategy evolved at a recently-concluded national conference of I-T brass here where it was decided to go after the evaders with full vigour.

The CBDT had then floated a strategy paper saying taxman should instill the fear of “incarceration, loss of liberty and social opprobrium” in tax evaders and prosecute them in large numbers to create a credible deterrence against the menace of black money.

Figures show the I-T department conducted over 1,000 searches and surveys during the last financial year even as they slapped close to 100 prosecution complaints against chronic tax evaders during this period.

“There are a variety of chronic tax evaders like who under report their income every year or who after being slapped with tax demand notice go underground or change address to avoid paying the money or those who do aggressive fudging in their accounts to hide their source of income,” a senior official said.

CBDT Chairperson Anita Kapur has said as part of the government’s initiative to crack down on black money instances, the department has changed its strategy from just getting unpaid tax and penalty from evaders to going the extra mile of taking them to the courts.

“We try to ensure that our tax regime remains non- intrusive....but there are certain people or cases against whom intrusive action is required. Because not everybody is willingly compliant. We have the powers of search and seizure under the Income Tax Act...we all know that there is large tax evasion happening in certain cases and we have to use that power of search and seizure (to clamp down against such instances).

“We just don’t want to get penalty and unpaid tax from the evader. We don’t want to do that. Because, for us, tax evasion is not only a menace in that sense, it is also spoiling the entire compliance culture (in the country) because the people who are tax compliant feel that the system is unfair,” Kapur told the media during the week.

The Central Board of Direct Taxes is the apex policy making body of the I-T department.

The CBDT boss added they were concerned that by witnessing such a system where an evader is let off with light punishment, compliant taxpayers would “waver” from their duty saying why should they pay taxes when others can skip it?

Kapur added that “demonstrative action” by the taxman is required against evaders.

Kapur said not catching the evader “will encourage a system where a person who is outside the tax system will continue to remain outside the tax system.”

She added there was a large population base which is not covered under the Tax Deducted at Source (TDS) regime like small traders.

“Such people do not file the return and wait thinking something could be done once the taxman comes calling with a search or a survey. We don’t want that message to go.

“Our focus should not be collection and it should be taken to a logical conclusion which is that an evader not only pays penalty (on the tax evaded) but also be prosecuted,” she said.

Kapur’s comments assume significance at a time when the government has asked CBDT to bring under tax net at least 25 lakh new assesses every month. At present there are over 4 crore taxpayers in the country.

The CBDT strategy paper added that “if the endemic and rampant tax evasion is to be contained, then search/survey on a few evaders limited to bringing their concealed income to tax can never be the solution. The remedy must lie in creating credible deterrence so that potential evaders desist from crossing the red line.

“Deterrence cannot be built merely by levying tax on concealed income. Deviant assesses take minor financial hiccups in their stride and promptly return to their wayward ways. What scares them is the fear of incarceration and consequent loss of liberty and social opprobrium that it brings. It is to this fear that a search/survey action must address itself,” the paper for financial year 2015-16 said.

Kapur said the new initiative aims to create deterrence.

“I am just trying to say that there has to be deterrence against tax evasion. If my officer is not harsh on a tax evader then I think, you would agree, he or she is not doing their job properly. There is a law in place and there is no place for compassion in law. Law has to be forced fairly and evenly,” Kapur said.

The tax boss said certain tax evaders have the capacity to “create noise” and say that the I-T department is harassing or terrorising him or her but a compliant taxpayer keeps “silent” and goes according to law as they believe a good tax regime is their democratic right.

“It is this belief that we have to live upto,” she said.

Kapur added the I-T department, at present, was bringing only 1 per cent of cases under the scrutiny category and it was trying to bring in a regime where a taxpayer will have the least human interface thereby reducing instances of corruption and emergence of a grievance.

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