

Top earners, high-growth sectors under tax scanner

Tax department monitoring payments to professionals, high-value personal expenses

Top income earners, both individuals and companies, are under the radar of the income tax (I-T) department. The Central Board of Direct Taxes (CBDT) has asked field officers to augment tax collections by ensuring that sectors growing at faster rates compensate for those growing slower.

"Turnaround sectors during the last financial year such as FMCG, pharma, logistics, e-tailing companies and alcoholic beverages may be monitored," the CBDT said in an advisory to tax officers. "E-commerce has emerged as a huge business in the past few years. This area promises to yield significant revenues."

E-commerce activities that could give revenue to the tax department include advertisement on portals, payment for job work such as building website, translation of pages, data entry of text, research.

To augment collections from tax deducted at source (TDS), the department will monitor payments to sub-contractors by infrastructure companies and catering contracts in star hotels, payments to guest lecturers by universities and educational institutions.

"Focus of the authority is on improving TDS compliance. It is the best mode of tax collection on a regular basis. As you bring more and more payments in the realm of TDS, tax collections will increase," said Divya Baweja, senior director, Deloitte.

The tax department will also keep an eye on payments to event managers and medical transcription companies, compensation structure of top company executives with regard to their allowances, perks and reimbursements, and treatment of employees as consultants.

"In case of professionals such as doctors, salary payments are misclassified as professional payments and tax is deducted by applying lower rates. This aspect needs to be examined," it said.

UNDER THE TAX SCANNER

- Sectors such as FMCG, pharma, logistics, e-commerce companies and alcoholic beverages
- Payments to sub-contractors by infrastructure companies and catering contracts in star hotels
- Payments to guest lecturers in universities, event managers, medical transcription companies
- Compensation structure of top company executives and treatment of employees as consultants
- Professionals such as doctors classifying salary as professional payment and

- paying lower tax
- Entities covered by MAT, particularly banks, state power generation and transmission utilities
 - Scrap and minerals like coal, lignite or iron and parking lots, toll plaza, mining and quarrying
 - Personal expenses such as payment in shopping malls, educational institutions, coaching centres
 - Purchase of immovable property, luxury cars, SUVs, and houseboats
 - Expenses incurred by film or media content producers, sand mining and timber import
 - Interest from investment in banks, capital gain from sale of transfer of development rights

Entities covered by minimum alternate tax provisions, particularly banks, state power generation and transmission utilities, will also come under the I-T scanner.

"Tax collected at source at one per cent from buyer of scrap and minerals, being coal, lignite or iron, and at two per cent of the amount payable for award of lease for parking lots, toll plaza, mining and quarrying are other areas to be actively pursued for collection of revenue," the CBDT added.

TDS statements of top 100 deductors as well as from state governments would be monitored closely. Quarterly financial statements of large and medium corporations will be matched with advance tax paid by them to check tax evasion. The department will also collect data of companies from the registrar of companies to assess correct tax liability.

In order to widen and deepen the tax base, the tax department would start new projects in eight cities. In Guwahati, all high personal expenses such as payment in shopping malls, educational institutions, coaching centres and home property would be tracked, while in Lucknow the taxman would monitor purchase of luxury cars and SUVs. In Kolkata, it will monitor expenses incurred by film or media content producers, and, in Chennai, it will study projects on sand mining and timber import.

The projects in Kochi would comprise houseboats and capital gain on land sale, while in Bangalore it would look at interest from investment in various bank accounts. The pilot projects in Pune and Bhopal involve capital gain from sale of transfer of development rights and immovable property, respectively.

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