



Impact of Demonetisation on Black Money, Widening of Tax Base and Direct Tax Collections

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The Government of India launched a concerted drive against black money with Demonetisation being an important step in that direction. Among the main objectives of Demonetisation was the flushing out of black money and also conversion of the non-formal economy into a formal economy to expand the tax base. The impact of Demonetisation on black money, widening of tax base and Direct Tax Collections is summed up hereunder:

A. Impact on black money:

Quantum jump in Enforcement actions based on Demonetisation data:

Searches

- **158%** increase in number of searches (from 447 to 1152 groups)
- **106%** increase in seizures (from Rs. 712 crore to Rs.1469 crore)
- **38%** increase in admission of undisclosed income (from Rs.11,226 crore to Rs. 1,54,96 crore)

Surveys

- **183%** increase in surveys (from 4422 to 12520)
- **44%** increase in undisclosed income detected (from Rs. 9654 crore to Rs. 13920 crore)

Operation Clean Money:

The Income Tax Department launched 'Operation Clean Money'(OCM) on 31st January, 2017 to analyse the data of the persons who deposited large sums of cash and whose returns of income were not in sync with such deposits.

Phase 1:

- In the first phase of OCM, **18 lakh suspect cases** were identified through use of data analytics where cash transactions did not appear to be in line with the tax profile of depositors.
- Online verification in these cases was enabled and done in a record time of 4 weeks.
- The success of the first phase was also attributable to the massive taxpayers' awareness and media campaigns on Operation Clean Money launched by the Department.
- The scale of the Operation may be gauged from the fact that **response of 9.72 lakh persons in respect of 13.33 lakh accounts involving cash deposits of around Rs.2.89 lakh crore**, as per pre-defined parameters on sources of the cash deposits was captured by the Income Tax Department within a short span of 3-4 weeks. Online queries were raised in more than 35000 cases and online verification was completed in more than 7800 cases.

Phase 2:

- The Operation Clean money has since moved into the next phase that includes enforcement actions in high risk cases, taxpayer engagement through a dedicated website in medium risk cases and close monitoring in low risk cases.
- The high, medium and low risk cases have been identified through use of advanced data analytics, including integration of data sources, relationship clustering and fund tracking.
- The exercise has also unearthed large number of persons and clusters having suspect transactions. These include **about 14,000 properties of more than Rs.1 crore each** where persons have not even filed Income Tax Returns. The investigations are in progress.

B. Impact on Widening of Tax-base:

- The number of e-returns of Individual taxpayers filed till 5th August, 2017 (due date of filing) increased to 2.79 crore from 2.22 crore returns filed during the corresponding period of last year, registering an increase of about 57 lakh returns (25.3%). This shows marked improvement in the level of voluntary compliance as a result of action taken by the Income Tax Department on the basis of data of cash deposits in the wake of demonetization.

· The total number of all returns (electronic + paper) filed during the entire Financial Year 2016-17 was 5.43 crore which is 17.3% more than the returns filed during FY 2015-16.

· For FY 2016-17, 1.26 crore new taxpayers (return filers + non-filers making tax payments) were added to the tax base (till 30.06.2017).

C. Impact on Direct Tax Collections:

The effect of Demonetization is also clearly visible in the growth in Direct Tax Collections. Collection of Advance Tax under Personal Income Tax (i.e. other than Corporate Tax) as on 05.08.2017 showed a growth of about 41.79% over the corresponding period in F.Y. 2016-2017. Collection of Self-Assessment Tax under Personal Income Tax showed a growth of 34.25% over the corresponding period in F.Y. 2016-2017.

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