

Taxmen keeping an eye on 'illicit' deposits in India

by News Desk

NEW DELHI (The Statesman/ANN) - Taxmen are keeping an eye on deposits up to INR 250,000 following suspicion that black money operators are using other's account to convey their illegal wealth

With rising suspicion about black money operators using others accounts to convert their illicit wealth, taxmen are keeping a close eye on deposits even up to Rs 2.5 lakh in an individual's account. Sources said the government is open to taxing even deposits to tax-free threshold if it is established that the account was used to convert other people's black money into white, by first dividing it into small pieces and then depositing these in several accounts. The government has also amended the Income Tax Act to empower itself for imposing tax in such cases.

Thus, cash deposits up to Rs 2.5 lakh made from household savings or by freelancers and artists, can now also attract tax at higher rate of 60 per cent plus surcharge and penalty unless it is properly explained, in contrast to the government's earlier announcement that such deposits will not be scrutinised. Sources said there is no blanket exemption on deposits up to Rs 2.5 lakh, and the taxmen are well within their right to question sources of such deposits and tax them if these are found suspect.

"Since most of the invalid currency has come back to the system, the expectation of the government to make a windfall gain has gone for a toss. Therefore, the government is using all tactics to put them under scrutiny for all deposits," a Delhi based chartered accountant said. According to the data released by the RBI, between 10 and 27 November, out of the total 14.1 lakh crore circulation of Rs 500 and Rs 1,000 notes, banks have reported exchange and deposits of old notes worth Rs 8.45 lakh crore (exchange of Rs 33,948 crore and deposits of Rs 8.11 lakh crore).

During this period, an amount of Rs 2.16 lakh crore had been withdrawn by people from their accounts.

However, most tax officials said attempts will be made not to harass honest citizens but people who are involved in the business of converting their illegal wealth into white will certainly be questioned.

Gautam Nayak, Mumbai-based chartered accountant and partner CNK India said, "Banks are not required to report deposits upto Rs 2.5 lakh in an individual savings account which the government had initially mentioned, but having said that, it did not assure any 'blanket exemption' from income tax or subject to scrutiny."

For many generations, Indian housewives have been whittling away from their husbands small amounts of cash, hidden in kitchen jars, tucked away under mattresses, or stashed away in the dark corners of

closets. With the new tax amendment passed by the government in the Lok Sabha, the government will impose a higher penalty and tax rate on assesseees of unexplained deposits, totalling up to 85 per cent.

Prime Minister Narendra Modi on 8 November announced the decision to abolish Rs 500 and Rs 1,000 notes, which accounted for 86 per cent of the cash in circulation. The government had allowed people to deposit of exchange these notes at bank and RBI branches till 30 December. The deposits of old notes have swelled with the banks since the announcement of these being dropped the legal tender status.

(1 US\$ = 68.06 Indian Rupees)