

Stringent action to be taken only in cases involving huge evasion of tax - CBDT's clarification on Central Action Plan

SECTION 276C, READ WITH SECTION 276D, OF THE INCOME-TAX ACT, 1961 - OFFENCES AND PROSECUTION - WILFUL ATTEMPT TO EVADE TAX, ETC. - CLARIFICATION ON PROSECUTION OF TAX EVADERS

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It has been noticed that the certain section of media have referred to the Discussion Paper, circulated during the All India Conference of Chief Commissioners and Director Generals of Income Tax held on 25th-26th May 2015, out of context and stated that the Central Board of Direct Taxes (CBDT) has told its officers to go beyond raids and searches to target tax evaders. CBDT clarifies that this is factually not correct. It may be appreciated that the need of the hour is to provide effective deterrence since the soft action in extreme and big cases of tax evasion affects the behaviour of the compliant tax payers. This has been brought out in the latest study conducted by NIPFP. This is the very aspect that was covered by CBDT in the discussion during the All India Annual Conference of senior officers. Effective and stringent action only in known and big cases of tax evasion would go a long way in demonstrating to the large number of compliant tax payers that the tax laws are just and fair and also encourage voluntary tax compliance.

It may be worthwhile to mention here that one of the issues for discussion during the All India Conference of Chief Commissioners and Director Generals of Income Tax was 'Lack of Credible Deterrence through Penalty and Prosecution - Causes and Ways to Improve'. The discussion was within the limited context of cases where action under Section 132 of the IT Act 1961 for search and seizure had been undertaken by the Investigation Division of the Department. These are exceptional cases which are selected for intrusive action after detailed intelligence gathering and due diligence on the basis of credible evidence and are not the norm for routine cases. It may be noted that only 537 searches were conducted in Financial Year 2014-15 in which admitted undisclosed income was to the tune of Rs.10288.05 crore.

In such cases where after intensive fact assessment, the Department undertakes search and seizure action as permissible under the law, mere tax collection does not have deterrence value and these need to be taken to their logical conclusion in terms of levy of penalty and launching of prosecution as per the provisions of the Income Tax Act.