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Over 60,000 persons, including 1300 high risk persons, identified for investigation into claims of excessive cash sales under Central Board of Direct Tax (CBDT)'s Operation Clean Money (OCM)

Extensive enforcement action by the Income Tax Department (ITD) has led to seizures worth over Rs 818 crore and detection of undisclosed income of over Rs 9,334 crore

Impact of action visible in the increase of 21.7% in the Income Tax Returns for FY 2016-17; 16% increase in Gross Collection; 14% growth in Net Collection; 18%, 25% and 22% growth in Personal Income Tax, Regular Assessment Tax and Self Assessment Tax respectively

Demonetisation taken up as an opportunity by ITD for widening and deepening of the tax base, create deterrence and curb generation of black money

Under the Operation Clean Money (OCM), more than 60,000 persons, including 1,300 high risk persons, have been identified for investigation into claims of excessive cash sales during the demonetisation period. More than 6,000 transactions of high value property purchase and 6,600 cases of outward remittances shall be subjected to detailed investigations under OCM. All the cases where no response is received shall also be subjected to detailed enquiries.

Extensive enforcement action has been taken by the Government including search and seizure and surveys largely based on the information received during the demonetisation period. More than 2,362 search, seizure and survey actions have been conducted by the Income Tax Department (ITD) during 9th November 2016 to 28th February 2017, leading to seizure of valuables worth more than Rs. 818 crore, which includes cash of Rs. 622 crore, and detection of un-disclosed income of more than Rs. 9,334 crore. More than 400 cases have been referred by ITD to the Enforcement Directorate (ED) and the Central Bureau of Investigation (CBI). Surveys have been conducted in more than 3400 cases by Assessment Units.

The impact of Government action is already visible in the increase of 21.7 % in the returns of Income received in FY 2016-17, 16% growth in Gross Collection (the highest in the last five years), 14% Growth in Net Collection (the highest in last three years) and above 18%, 25% and 22% growth in Personal Income Tax, Regular Assessment Tax and Self-assessment Tax respectively.

The Income Tax Department (ITD) launched Operation Clean Money (OCM) on 31st January 2017 to leverage technology for e-verification of cash deposits made during the demonetization period i.e. 9th November to 30th December 2016. It is a unique operation being conducted by the Income-tax

This document has been compiled as service to our clients. We recommend that you seek professional advise prior to initiating action on specific issues.

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Department (ITD) through use of advanced data analytics allowing for optimization of government resources and causing minimum inconvenience to the taxpayers.

The **First Phase** of Operation Clean Money involved e-verification of cash deposits made in the banks. The entire phase was conducted online, wherein 17.92 lakh persons, who entered into cash transactions that did not appear to be in line with their tax profile, were identified and requested for on-line responses on such transactions. 9.46 Lakh persons responded on pre-defined parameters of sources of the cash deposits. Online queries were raised in 35,000 cases and on-line verification was completed in more than 7,800 cases. It has been decided to close the verification in cases where explanation of source of cash was found to be justified. In cases where the cash deposit has been declared under Pradhan Mantri Garib Kalyan Yojna (PMGKY), the verifications would also be closed.

The operation has now moved into the **Second Phase** with identification of high risk persons for detailed investigations by the Income Tax Department. The identification has been done through use of advanced data analytics, including integration of data sources, relationship clustering and fund tracking. The high risk categories identified include businesses claiming cash sales as the source of cash deposits which is found to be excessive compared to their past profile or industry norms; large cash deposits made by government or Public Sector Undertaking (PSU) employees; persons who have undertaken high value purchases; persons who have used shell entities for layering of funds; and where no responses were received.

One of the stated objectives of demonetisation was 'elimination of Black Money that casts a long shadow of parallel economy on our real economy'. The OCM and the subsequent enforcement actions being undertaken by the ITD shall continue to achieve the goal set out by the Government. The opportunities created by demonetization is being used by the ITD for widening and deepening of the tax base and create deterrence, not seen before, and to curb generation of black money in the Indian economy. The complete exercise of examining all the doubtful and non-tax compliant accounts may take more than one year but with the help of technology and continuous enforcement action all the liable accounts will be brought to tax.

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