

[14 March, 2006]

RAJYA SABHA

System to check tax evasion

2292. DR. K. MALAISAMY: Will the Minister of FINANCE be pleased to state:

(a) whether there can be an initiative to have comprehensive fool-proof system to check evasion of tax;

(b) whether there is any effective new proposal to unearth the huge black money hidden from the eyes of law;

(c) while fixing the target for collection of income Tax/Excise Duty, what are the factors taken into consideration; and

(d) whether the potentiality of the area and environment culture, capability, personality, motivation of the collecting personnel concerned, special favourable factors in existence etc. have been taken into account, while fixing the target?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) No, Sir.

(b) The Finance Act, 2005 had introduced two additional measures for checking tax evasion which includes imposition of Banking Cash Transaction Tax (BCTT) on cash withdrawals from banks and reporting to the Income Tax Department, all deposits which are exempt from TDS on interest. Apart from these two measures, certain specified persons are required to furnish Annual Information Returns in respect of prescribed high value transactions entered or registered by them from 1.4.2004 onwards.

(c) and (d) While fixing the target (Budget Estimates) for direct taxes, a baseline projection of the estimated revenue is made on the basis of the historical trends of collections, expected conditions of the economy for the year etc. assuming that the historical growth rates, buoyancy of collections tax-GDP ratio, etc. would be followed in the year under reference also without much deviation. Additional Resource Mobilization (A.R.M.) is there after added to the baseline projections to arrive at the Budget Estimates for the year. The target (Budget Estimates) for Indirect Taxes for a financial year is fixed taking into account revenue collections up to the month of November during to preceding financial year, projected growth in the manufacturing sector, the impact of changes proposed in the Budget for the financial year and other material factors.