

Demonetisation: New black money window IDS-2 will do well; here's why

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Equally important, if the momentum of the demonetisation is to be sustained, the need is to reduce the powers of the taxman to harass taxpayers. The taxman's absurd tax notices in the case of corporates like Vodafone and Cairn are well known, as are the ballooning transfer-pricing cases where the addition to the income of companies totalled Rs 2.2 lakh crore between FY12 and FY15, and the MakeMyTrip case, where the travel portal's CFO was arrested without even a show-cause notice, is the classic example of tax-tortion. What is less appreciated are the big additions the taxman does to even personal income tax filings and how these are routinely challenged. In assessment year 2011-12, the disputed notices added up to Rs 137,670 crore versus the undisputed notices of Rs 32,280 crore. By assessment year 2014-15, the disputed

notices rose to Rs 276,915 crore—while undisputed notices were around a fourth of the disputed ones in 2011-12, these fell to under a tenth in 2014-15. While there are no details for how income-tax cases fared in various courts, given the taxman's poor record of defending other tax notices, chances are these too fared similarly. In a situation where the taxman's actions have been suspect, finance minister Jaitley would do well to institute an audit mechanism, preferably independent of the CBDT, to see how fair the taxman's scrutiny of tax returns really is—if the taxman unfairly asks assesseees to pay more, the chances of a bribe being paid are that much higher.