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Evading taxes? IT dept may soon descend on you as it gears up to open old files and closed cases

The apex court's ruling overturns the CBDT's notification, in which it said that the IT department would not file an appeal if the amount of tax to be recovered is Rs 4 lakh or below.

By : Vanilla Sharma

October 31, 2017 15:30 IST

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While many individuals and small businesses may have heaved a sigh of relief in the last few years, as the IT department had decided not take legal action against them in case of tax evasion, it looks like the tables are now set to turn. The Supreme Court in a recent ruling said that these cases that were earlier dismissed by the department could be revived now, due to which small taxpayers could face the heat.

"The Central Board of Direct Taxes (CBDT) cannot issue any circular having retrospective operation," the Supreme Court said in the ruling and now taxpayers who were earlier supposed to pay amounts between Rs 4 and Rs 10 lakh may come under the scanner.

"These cases, which were dismissed by the tax tribunal, may now be revived and referred back to the tribunal. This will increase litigation and assesses too will have to cough up extra legal expenses," senior chartered accountant Dilip Lakhani told the Economic Times.

The apex court's ruling now overturns the CBDT's 2011 notification, in which it had said that the IT department would not file an appeal at the I-T Appellate Tribunal if the amount of tax to be recovered is Rs

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...the high court in the amount was Rs 25 lakh or less of the Supreme Court in the tax to be covered was Rs 25 lakh or less.

The limit was in 2015 revised and as per new terms the IT department would not file an appeal at the I-T Appellate Tribunal if the amount is Rs 10 lakh or below and the taxpayers would not be taken to the high court if the amount was Rs 20 lakh or less. However, the limit to appeal in the Supreme Court was unchanged.

Making things easier, the department said that the new rule was even applicable to those discrepancies that emerged before the circular was issued.

While the IT department had made the decision with an aim to reduce legal issues and make the process less tedious for itself as well as the courts, it is now feared that the SC's ruling may lead to the courts being swamped by these smaller cases.

"This was not CBDT's intention. Now the fear is that the I-T department would apply the order mechanically, clogging the judiciary with appeals having low revenue impact," ET quoted Amit Maheshwari, Partner at the CA firm Ashok Maheshwari & Associates LLP, as saying.



Reuters file

Meanwhile, the IT department has been getting quite creative when it comes to identifying tax evaders in the country since the Modi-government announced its seriousness on curbing black money in the economy.

If you are one of those social media users who constantly updates your Instagram and Facebook pages with images of your latest shopping hauls right from the oh-so-fancy Louis Vuitton bags and swanky cars to your fabulous vacations in Santorini and the Eiffel Tower, income tax officials may descend on you soon.

the finance ministry has not spoken about the initiative yet, it has been said that keeping tabs on people's social media accounts to learn their spending patterns will reduce chances of tax evasion and may even increase tax collection by up to 30-40 percent.

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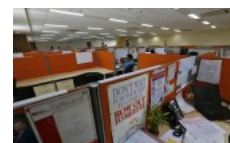
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