

## **Income mismatch probe: 5,000 companies under tax department lens**

Shrimi Choudhary | New Delhi Last Updated at January 27, 2020 02:31 IST

**The Central Board of Direct Taxes has directed its tax sleuths to intensify enforcement action and launch search-and-survey operations against these firms**

About 5,000 mid- and small-sized companies have come under the gaze of tax authorities for alleged income discrepancies and mismatches between their goods and services tax (GST) returns and income-tax (I-T) declarations for 2018-19.

The Central Board of Direct Taxes (CBDT) has directed its tax sleuths to intensify enforcement action and launch search-and-survey operations against these firms, including owners of business houses, for supposedly overstating GST claims and understating income in tax filings.

This list has been prepared after scrutinising broad data mining by the GST Network (GSTN), which had detected discrepancies in summary sales returns after they did not match the final returns or system-generated purchase returns.

Action against these entities has been finalised in the recent video conference of the CBDT with tax officials held last week, said an I-T officer privy to the development.

According to him, the data has been used extensively and flagged by the GSTN, enabling the authorities to check revenue leakages.

The information has been sent to all states for immediate action. Sources said Mumbai itself showed about 2,000 cases of irregularities in filings.

Sources said the tax department had issued scrutiny notices to some for utilising input tax credit for paying most of the GST liabilities.

Mismatch has been detected after comparing important bits of information such as gross total income, the turnover ratio, and sales returns provided by the GSTN and other sources.

Explaining the modus operandi of evading tax, a tax source said companies used a lot of dummy firms to claim input tax credit. Filing GST returns showed transactions between companies that were not related or had no business history. Even then, the companies claimed input tax credit based on transactions that were not reflected in their return filings.

A tax expert said claiming input tax credit could be genuine where businesses had low margins and a large transitional credit pool. However, such exercises help the tax department detect fake claims.

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The GSTN started sharing data with tax authorities in 2018 on mismatches in summaries and final returns filed by assesseees. It has also decided to share information about those persons or entities that generate e-way bills but have not filed tax returns.

About 40 per cent tax returns include business income giving both sets of information (personal and business taxes) and any differences between them caught the attention of the authorities, said one of the officials cited above.

The GSTN is equipped with vast technology infrastructure, comprising business intelligence and analytics, which include a 360-degree profiling of taxpayers.

The Centre has been trying to check leakages in revenues and make sharing information between the direct and indirect tax regimes more effective.

The CBDT during the video conference also explored strategies to boost collection in all the regions, especially Mumbai, which had witnessed a dip of about 13 per cent in direct tax by the middle of January year-on-year.

Up to mid-January, direct tax collection in the country stood at a little over Rs 8.5 trillion. In the remaining period of the fiscal year, the department has to collect Rs 5 trillion to meet the Budget target for 2019-20, which is looking far-fetched.