Money to be Guarded, Increased & Employed

Money, even if hoarded in common place fashion, is likely to go in a flash, the hindrances being many. Money unemployed when opportunities arise is the same as money unpossessed. Therefore, money once acquired should be guarded, increased, employed.’ Moreover, however hard a citizen tries to conceal his income, he cannot do so as he will make investments and incur expenditure.

Tax evaders do not disclose their income to tax authorities. They tend to hold it in those forms which can escape the notice of tax authorities. Secreting cash, jewellery, bullion, gold bars etc. in false ceilings, floors etc. in one’s own premises is the obvious but a very crude method of evasion. Income thus concealed cannot be brought to tax by scrutinizing books as these are kept off-books.

These can be detected and taxed only by:

finding out investments, bullion, jewellery, cash etc. possessed by a tax evader or huge expenditure incurred by him on education of children, marriage of family members etc.

then tallying these investments, expenditure etc. with disclosed/reported income to find out if these are disproportionate to disclosed income.

The tax authorities come to know of assets and expenditure through searches, surveys and other mechanisms like Annual Information Returns and then tally/check with income/wealth reported to the tax authorities. If assets/expenditure exceed reported/disclosed income and no satisfactory explanation for the source of the excess assets/expenditure is forthcoming, the excess is taxed as undisclosed income.

Instead of outright concealment or suppression, they will try and disclose their income as capital receipts such as loans, gifts, trade credits or deposits or capital contributions even from persons who lack means or creditworthiness.

Section 68 seeks to deal with this book-keeping sophistry.

Section 69D targets borrowings/repayments on hundis.

Then, there is the issue of unaccounted/undisclosed money being invested the names of benamidars. This issue is addressed by the Prohibition of Benami Prohibition Transactions Act,1988 which provides for confiscation of Benami properties.

Deemed income chargeable to tax u/s 115BBE:

1. Cash credits u/s 68
2. Unexplained investments u/s 69
3. Unexplained money etc. u/s 69A
4. Undisclosed investments etc. u/s 69B
5. Unexplained expenditure etc. u/s 69C
6. Amount borrowed or repaid on hundi etc. u/s 69D