



HIGH VALUE TRANSACTIONS - SCIENTIFIC APPROACH BY INCOME TAX DEPARTMENT OF INDIA

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Abstract- This paper covers the meaning of High value transactions and also provides the list of High Value Transactions. Recently, Income tax department incorporated artificial technology as a tool to detect the high value transactions, main aim is to contribute tax by each citizen to develop the nation. Also, this communication made an attempt to explain the steps to be taken to respond a notice/email received from IT department reflecting high value transactions.

Keywords: Annual Information Statement, E-campaign, ITR, SFT, Threshold limit.

I. INTRODUCTION

Dear taxpayer, beware! Have you recently received a notice from the Income Tax Department about a high value transaction? If so check it out today. Failure to enter the high value transactions correctly and truthfully in a particular year may result in notice from the Income Tax Department on the due date of filing Income Tax returns. Even if the income of an individual with high value transactions is less than the taxable limit, it is mandatory to file your return with the IT (Income tax) department.

The IT department uses various data analysis techniques to trace non-filers of ITR (Income Tax Returns) or underreporting income. In this endeavor, the department is reaching out to various government departments to obtain information about individuals spending high amounts but not filing ITR or underreporting their income ¹.

II. WHAT ARE HIGH VALUE TRANSACTIONS?

The taxpayer shall report transactions in the income tax return if the transactions are incurred in higher denominations and if they exceed a certain threshold limit. The income tax department coordinates with various government departments / agencies to obtain financial data of taxpayers involved in high-value transactions but not reported / underreported while filing the ITR².

As per Section 285BA of the Income Tax Act, 1961, (as amended by Indian Finance Act 2022) specified entities (Filers) are required to furnish a statement of financial transactions or reportable account (hereafter referred to as statement) in respect of specified financial transactions or any reportable account registered/ recorded/ maintained by them during the financial year to the income tax authority or such other prescribed authority ³.

Following is the list of transactions for which a taxpayer may receive a High Value Transaction Notice from the Income Tax Department:

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Sl No	Transaction	Threshold limit (Rs)	Concerned Reporting Authority
1	Cash Deposits in fixed deposit account	10,00,000	Banks need to disclose a transaction if the amount deposited exceeds the threshold to the Director of Income Tax by filing Form 61A, known as Statement of Financial Transactions.
2	Cash deposit or withdrawal in a savings bank account	10,00,000	Banks need to disclose a transaction if the amount deposited exceeds the threshold to the Director of Income Tax by filing Form 61A, known as Statement of Financial Transactions.
3	Cash deposit or withdrawal in a current account	50,00,000	Banks need to disclose a transaction if the amount deposited exceeds the threshold to the Director of Income Tax by filing Form 61A, known as Statement of Financial Transactions.
4	Sale or purchase of an immovable property	3000000	The Property Registrar/Sub-registrar must report a transaction exceeding the threshold via Form 61A.
5	Investments in shares, mutual funds, debentures and bonds in cash.	1000000	Mutual Fund Trustee, Stock Exchange is required to report a transaction exceeding the threshold via Form 61A.
6	Payment of credit card bill in cash	100000	Banks need to report transactions exceeding the threshold via Form 61A.
7	Payment of credit card by any mode other than cash such as NEFT, cheque etc.	1000000	Banks need to report transactions exceeding the threshold via Form 61A.
8	Sale of foreign currency	1000000	Banks need to report transactions exceeding the threshold via Form 61A.
9	Cash payment for purchasing bank draft or prepaid RBI instruments	1000000	Banks need to report transactions exceeding the threshold via Form 61A.

Data Source:[1to 7]

III. HOW DOES THE INCOME TAX DEPARTMENT DETECT HIGH VALUE TRANSACTIONS?

The Income Tax Department monitors your bank deposits, mutual fund investments, share transactions and other high value cash transactions including property related transactions. The department has entered into contracts with various government agencies and financial institutions to check the documents of individuals dealing with high value transactions. The department uses various data analysis techniques along with computer artificial intelligence to detect non-filers of income tax returns and under-reporters of income and is reaching out to various government departments to get information about such persons⁴.

IT Department mainly uses latest Artificial intelligence technology in detecting each and every financial moments of the citizens, main goal is to consider each person to be under the network of taxation. Hence each person contribute and should part and partial responsibility to develop the country.

As part of the e-campaign to encourage self-motivated compliance and avoid taxpayer notice and scrutiny, the tax department sends alert messages through e-mail and mobile about disclosure of high-value transactions linked to Permanent Account Number (PAN).

IV. MEASURES TAKEN BY IT DEPARTMENT TO TRACE HIGH VALUE TRANSACTIONS:

a. Upgraded form 26AS:

The income tax department has upgraded the Form 26AS (Annual Information Statement) to reflect Specified financial transactions (SFT). Moreover it has introduced "Annual Information Statement" where anyone can view all the financial information. The specified institutions, such as registrars, banks, post offices, stock exchanges, etc., must report transactions exceeding the specified threshold to the income tax department. These transactions are then reflected in the tax payers Individual AIS portal so that the taxpayer can voluntarily disclose all the information based on the AIS information.

b. Applicability of TDS on cash withdrawal:

To detect high value transactions, the government has ordered that the banks must deduct TDS (Tax Deducted at Source) at the rate of 2% on cash withdrawals more than ₹1 crore during the financial year. If the person does not file ITR for the last three financial years, then TDS at the rate of 2% shall

be deducted for cash withdrawal's exceeding ₹.20 lakh and for cash withdrawals exceeding ₹5 crore, TDS will be deducted at 5%⁵.

c. Mandatory filing of returns:

According to IT Act 1961 an IT payer is required to file ITR if his income exceeds ₹2,50,000. from 1.04.2019. is mandatory, if the individual has certain high value transactions even if his income is less than ₹ 2,50,000.

V. HOW TO COMPLY WITH E-CAMPAIGN NOTICE ONLINE:

If an individual received an email of SMS for high value transactions or non-filing of returns, one can respond to the income tax department by following steps :

1. Log in to the income tax e-filing account.
2. In the home page, go to 'pending Actions>Compliance Portal>E-Campaign (AY 2021-22 Onwards)'.
3. Select the relevant e-Campaign and click on 'provide feedback in AIS'
4. Select the information category.
5. Select the Transaction
6. Submit the Response.

From the options, select the most appropriate response:

- Information is correct
- Information is not fully correct
- Income is no taxable
- Information relates to other PAN/Year.
- Information is duplicate/ included in other displayed information.
- Information is denied.

It is mandatory for the officials of the concerned department to report the above mentioned high value transactions to the Income Tax Department. In the year 2022-23, in the month of November and December, many taxpayers have been taxed by the IT department, but their tax information is correct? Also list the errors in the information given by them and send it to the tax payers through e-mail and mobile SMS's. Is this information true? The department has asked many people for a detailed answer. Thus, the taxpayer is now experiencing a new phase where the taxpayer has to reconsider with his lawyer out of fear.

VI. CONCLUSION

Tax payers beware!!!! Income tax department is keeping an eye watch on all financial transactions and information's. So, let's give our information clearly and simply by giving all the information and pay the tax to be paid and contribute to the development of the country and render our social responsibility as a service to the country.

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