

CHAPTER 5: CONCLUSION & RECOMMENDATIONS

5.1 The taxpayer base is low on account of both the informal economy that go unrecorded as well as under-reporting or non-reporting in the formal accounted economy. It has been pointed out that up to 15 per cent could be added to India's GDP if the informal economy is accounted for. What matters is how much of the informal economy can be effectively brought within the formal economy because tackling just 2 per cent or 5 per cent of the informal economy will have very little effect on taxpayer base. There is no 'one fit all' formulae or strategy that can work to add new tax payers in the system. Each segment of earning 'person' will have to be targeted with a different strategy to nudge the fence sitters to come within the tax net. An innovative mix of technology, data, redesigned processes and motivated workforce can help the Department add new taxpayers.

5.2 The Income-tax Department collects a very large set of information through returns of income and third party information through AIR/SFT, CIB and TDS. This huge data set has to be properly mined and correlated with each other to produce actionable intelligence which can be acted upon for identifying non-filers or new taxpayers. With the implementation of 'Project Insight', which is the flagship data warehousing project of the Department, that employs sophisticated business intelligence tools and data analytics to resolve identities and relationship, it is expected to find the 'Missing Taxpayers'. For any Tax Department adding new taxpayer is a continuous process and it should keep innovating to detect new taxpayer within its net.

Recommendations

5.3 Based on the best practices followed by other countries, the following could be considered for implementation :