

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS
LOK SABHA UNSTARRED QUESTION NO. 1792
TO BE ANSWERED ON 13.02.2023

Effect of Demonetization

†1792. SHRI RAJIV RANJAN SINGH *ALIAS* LALAN SINGH:
SHRI DINESH CHANDRA YADAV:

Will the Minister of FINANCE be pleased to state:

- (a) whether demonetization has helped the Government to unearth large amount of unaccounted money held by the people; and
- (b) if so, the number of such persons identified by the Government and the action taken by the Government against them?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) & (b): Demonetization, inter alia, led to detection of black money, increase in tax collection and widening of tax base, as indicated below:

- i. During the period November 2016 to March 2017, the Income-tax Department conducted search and seizure actions in 900 groups leading to seizure of ₹ 900 crores, including cash of ₹ 636 crores and admission of undisclosed income of about ₹ 7961 crores.
- ii. Growth rate of 18% for F.Y. 2017-18 in net direct tax collections over F.Y. 2016-17, which was highest in the preceding seven financial years, indicated the positive impact of demonetization on the level of tax compliance in the country.
- iii. In F.Y. 2017-18, Personal Income-tax (PIT) Advance Tax collections increased by 23.4% and PIT Self-Assessment Tax by 29.2% over those for F.Y. 2016-17, corroborating the premise that demonetization and the subsequent use of bank deposit data by the Income-tax Department had a major impact on voluntary tax payments by the non-corporate / individual taxpayers.
- iv. A growth rate of 25% was achieved in the number of Income Tax Returns (ITRs) filed with the Income-tax Department during F.Y. 2017-18. It was the highest rate achieved in the preceding five years.

- v. During F.Y. 2017-18, the number of new ITR filers was about 1 crore 7 lakhs as compared to 85.51 lakhs during F.Y. 2016-17. In earlier years, the number of new filers was between 50 lakhs and 66 lakhs. There is, therefore, a clear upswing in the new tax filers during the F.Y. 2016-17 and F.Y. 2017-18, which can be attributed to higher level of compliance due to transfer of cash into the formal channels as a result of demonetization.
- vi. A growth rate of 17.2% was achieved in the number of returns filed by corporate taxpayers during F.Y. 2017-18. It was more than 5 times the growth rate of 3% in F.Y. 2016-17 and 3.5% in F.Y. 2015-16.

Further, demonetization has helped the Government to unearth the unaccounted money, held by the offenders, which got disclosed during investigation of cases by the Directorate of Enforcement (ED) under Prevention of Money Laundering Act (PMLA), 2002 and Foreign Exchange Management Act (FEMA), 1999.

Under PMLA, investigations have been taken up in 08 cases wherein 107 persons were found involved in any process of generation, acquisition and/or projection of unaccounted money. In these cases, proceeds of crime amounting to ₹191.68 crores have been attached / seized and 05 accused have been arrested. Further, 13 Prosecution Complaints (PCs) including 07 Supplementary PCs have been filed in these cases. Similarly, investigations in 10 cases against 19 persons have been initiated under provisions of FEMA wherein currency amounting to ₹2.99 crores have been seized. Further, 08 Show Cause Notices have been issued, out of which 05 have been adjudicated. During adjudication, penalty amounting to ₹1.61 crore were imposed. Further, seized currency amounting to ₹77.81 lakhs has also been ordered to be confiscated during adjudication.
