GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE

LOK SABHA
UNSTARRED QUESTION NO. †1075
TO BE ANSWERED ON MONDAY, 08th FEBRUARY, 2021
MAGHA 19, 1942(SAKA)

BLACK MONEY

†1075: SHRI MALOOK NAGAR :

Will the Minister of FINANCE be pleased to state:

(a) the reasons for the failure to bring back black money from abroad and the details of initiatives taken in this direction so far;
(b) whether the Government is considering to disburse certain sum of money in the Jan-Dhan Yojana accounts to eradicate poverty in the country and if so, the details thereof;
(c) the efforts made by the Government to strengthen the falling economy and reduce the rising prices; and
(d) the details of benefits or the loss suffered by the economy due to demonetisation?

ANSWER
MINISTER OF STATE FOR FINANCE
(SHRI ANURAG SINGH THAKUR)

(a): The Government has taken various initiatives in the recent years to bring back black money from abroad. These, inter-alia, include the following:

(i) Enactment of 'The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015' which has come into force w.e.f. 01.07.2015 to specifically and more effectively deal with the issue of black money stashed away abroad.
(ii) Constitution of the Special Investigation Team (SIT) on Black Money under Chairmanship and Vice-Chairmanship of two former Judges of Hon'ble Supreme Court,
(iii) The Government of India has entered into Double Taxation Avoidance Agreements /Tax Information Exchange Agreements /Multilateral Convention on Mutual Administrative Assistance in Tax Matters/SAARC Multilateral Agreement ("tax treaties") with other countries which provide for exchange of information, which is foreseeably relevant for administration and enforcement of domestic laws concerning taxes. India has been proactively engaging with foreign governments, for exchange of information under these tax treaties.
(iv) Wherever required, the tax treaties/ agreements have been comprehensively amended to enable procuring the requisite information from the relevant foreign jurisdiction.
(v) India has also implemented Automatic Exchange of Information based on the Common Reporting Standard (CRS) and receives, from 2017 onwards, financial account information of Indian residents in other countries.

(vi) India has also entered into an Inter-Governmental Agreement (IGA) with USA in 2015 for sharing of financial account information on automatic basis.

(vii) The Fugitive Economic Offenders Act, 2018 has been enacted which, inter-alia, provides for expeditious confiscation of proceeds of crime and properties owned by a fugitive economic offender in India or abroad with a view to make him submit to the jurisdiction of Courts in India.

As an outcome of such initiatives, significant results in this regard have been achieved, which, inter-alia, include the following:

(i) As on 31.12.2020, notices have been issued in 475 cases under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, involving undisclosed foreign assets and income of over Rs. 14,300 crores.

(ii) On account of deposits made in unreported foreign bank accounts in HSBC cases, undisclosed income of more than Rs. 8460 crores have been brought to tax and penalty of more than Rs. 1290 crores levied, so far.

(iii) Sustained investigations conducted in the cases revealed by International Consortium of Investigative Journalists (ICIJ) have led to detection of more than Rs. 11,010 crore of credits in the undisclosed foreign accounts, so far.

(iv) In the Panama Paper Leaks investigations, undisclosed foreign investments amounting to over Rs. 1700 crores have been detected, so far.

(b) In view of the situation of economic and social distress which has arisen due to outbreak of Novel Corona virus-COVID-19, the Government announced a relief package on 26th March 2020, under Pradhan Mantri Garib Kalyan Yojana (PMGKY), which, inter-alia, included one time ex-gratia payment of Rs 500 per month for three months (April, May and June 2020) to women Pradhan Mantri Jan dhan Yojana (PMJDY) account holders. Following the announcement, the Ministry of Rural Development has released the funds to the bank accounts of the eligible beneficiaries though various banks. As per the Utilization reports submitted by various bank, an amount of Rs 30,945 crore approximately was credited to the bank accounts of 20.64 crore women PMJDY account holders.

(c): Government has implemented several major reforms in recent years to boost investment and GDP growth.

The Government enacted the Insolvency and Bankruptcy Code (IBC) and recapitalized banks. The other measures taken, inter-alia, include Goods and Services Tax (GST) to simplify the indirect tax regime, Make-in-India programme to boost domestic manufacturing capacity, liberalization of Foreign Direct Investment (FDI) and Jan Dhan-Aadhaar-Mobile (JAM) Trinity towards greater transparency, efficiency and financial inclusion.

In September, 2019 the corporate tax rate was reduced to 15 per cent for new domestic manufacturing companies, which is amongst the lowest in the world. In December 2019, the government announced the Rs.103 lakh crore National Infrastructure Pipeline which would significantly boost infrastructure and spur growth impulses in the economy.

The Union Budget 2020-21 also announced a number of growth supporting measures which, inter-alia, include, a 16-point action plan for holistic development of the agriculture sector and critical measures to boost infrastructure and rural spending.

In FY 2020-21, Government announced a special economic and comprehensive package under AatmaNirbhar Bharat, including measures taken by RBI, amounting to about Rs. 27.1 lakh crores – equivalent to 13 per cent of India's GDP– to combat the impact of the COVID-19 pandemic and to revive economic growth. The package included, among others, in-kind and cash transfer relief measures for households, employment provision measures under Pradhan Mantri Garib Kalyan Rojgar Abhiyaan and increased allocation under MGNREGS, credit guarantee and equity infusion-based relief measures for MSMEs and NBFCs and regulatory and compliance measures.

Structural reforms were also announced as part of the AatmaNirbhar Bharat Package which, inter alia, included deregulation of the agricultural sector, change in definition of MSMEs, new PSU policy, commercialization of coal mining, higher FDI limits in defence and space sector, development of Industrial Land/ Land Bank and Industrial Information System, revamp of Viability Gap Funding scheme for social infrastructure, new power tariff policy and incentivizing States to undertake sector reforms. The implementation of the package is reviewed and monitored regularly.

Government monitors the price situation regularly and has taken various measures from time to time to stabilize prices of food items which, *inter-alia* include appropriately utilizing trade and fiscal policy instruments like import duty, Minimum Export Price, export restrictions, etc. to regulate domestic availability and moderate prices; imposition of stock limits and advising States for effective action against hoarders and black marketers; and, provision of higher Minimum Support Prices to incentivize farmers for increasing production.
Government has taken several steps to improve the availability of pulses, onion and potato and make them available to consumers at affordable prices. These include:

i. Banning the export of onion with effect from 14.09.2020, revoked w.e.f. 1.01.2021.

ii. Imposition of stock limit on onion under the Essential Commodities Act w.e.f. 23.10.2020 to prevent hoarding.

iii. Easing of restrictions on imports, facilitating imports at integrated check-posts, issuance of licenses for imports and reduction in import duties.

iv. Government also implements Price Stabilization Fund (PSF) to help moderate the volatility in prices of agri-horticultural commodities like pulses, onion, and potato.

v. Government of India has entered into a Memorandum of Understanding (MoU) with Mozambique to ensure assured supply of pulses (Tur and other pulses) in India. The MoU envisages imports of 2 LMT pulses during 2020-21.

(d): The Government of India decided to cancel the legal tender status of Rs. 1000 and Rs. 500 denomination currency notes on November 8, 2016 with several objectives including, *inter alia*, giving a big boost to digitalization of payments to make India a less cash economy, eliminating black money, and curbing the use of fake currency in financing subversive activities like terrorism.

As per weekly statistical supplement of RBI, the Notes in Circulation (NIC) were Rs. 17,741.87 billion as on November 04, 2016 and Rs. 27,712.43 billion as on January 08, 2021, thereby recording an increase of 56.2%. NIC had grown by 29% from October 2014 to October 2016. At this rate, NIC would have increased to Rs. 28,524.58 billion as on January 08, 2021. As actual NIC on January 08, 2021 are only Rs. 27,712.43 billion. The demonetisation, followed by digitalization and reduction of cash use in informal economy, has succeeded in reducing NIC by as much as Rs. 812.15 billion.

This is also supported by the steady increase in the digital payments transactions since last few years post demonetisation. The total transaction volume increased from 2071 crore in FY 2017-18 to Rs. 3134 crore for the year FY 2018-19, which corresponds to a growth rate of 51%. During 2019-20, the number of card payment transactions carried out through credit cards and debit cards increased by 23.5 per cent and 16.1 per cent respectively, while the value increased by 21.1 per cent and 35.6 per cent to Rs. 7.3 lakh crore and Rs. 8.0 lakh crore respectively. Prepaid Payment Instruments (PPIs) recorded a volume growth of 15.7 per cent on top of the 33.2 per cent a year ago, while transactions value at Rs. 2.2 lakh crore increased by little more than 1.0 per cent.

As reported by RBI, 762,072 pieces of counterfeit bank notes were detected in the Banking system during 2016-17, 522,783 pieces in 2017-18 and 317,389 pieces in 2018-19. Hence, demonetisation resulted in curbing of the counterfeit currency.

Demonetisation of bank notes of Rs. 500 and Rs. 1000 denomination resulted in significant positive impact on most theatres of violence in the country. It led to instant extinguishment of high denomination fake Indian currency notes.

Impact of Demonetisation on Revenue Collection: Net direct tax collections for 2017-18 amounted to Rs. 10.03 lakh crore, which is 18% higher than the collections for 2016-17. The collections for 2016-17 were also 14.6% higher than the collections for 2015-16. On the other hand, the growth rates in 2015-16 and 2014-15 were only 6.6% and 9.0%, respectively. The robust growth in direct tax revenue in the year of demonetisation and the year after that is indicative of a positive impact of demonetisation on the level of tax compliance in the country. The growth rate of 18% for 2017-18 was the highest in preceding seven financial years. There was also exceptional growth in the revenue flow from Advance Tax and Self-Assessment Tax under Personal Income Tax (PIT), corroborating the premise that demonetisation 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.

Impact of demonetisation on Tax Base : During FY 2017-18, 6.86 crore Income Tax Returns (ITRs) were filed with the Income Tax Department as compared to 5.48 crore ITRs filed during FY 2016-17, showing a growth of 25%. This growth rate is the best growth rate achieved in last five years. The spurt in I-T returns is a definite indicator of raised compliance level in the wake of demonetisation. Further, during FY 2017-18, the number of new ITR filers also increased to 1.07 crore as compared to 85.51 lakh new ITR filers added during FY 2016-17, which translates into a growth of 25%. In earlier years, the new filers were between 50 lakh and 66 lakh. There is, therefore, a clear upswing in the new tax filers after 2015-16, which can be attributed to higher level of compliance due to transfer of cash into the formal channels as a result of demonetisation.

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