

NO MORE FAKE CLAIM WHILE FILING INCOME TAX RETURN, TAX DEPARTMENT IS ON THE LOOK OUT

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It is no secret that the salaried class of India has very limited options for tax savings. Due to this, some taxpayer tries to indulge in unlawful or illegitimate ways to find tax saving option which ultimately lead to tax evasion. It is important to mention that only tax planning is allowed and not the tax evasion.

Interestingly, House rent allowance (HRA) deduction is one of the most commonly used tools to increase tax deduction as this has no upper cap as such; and it can be maximised up to the amount of HRA received from the employer. Therefore, escalated or false rent receipts are frequently used to qualify for HRA exemptions and avoid paying taxes. Even, the taxpayer is living with parents also tend to claim HRA deduction by giving a lower slab PAN and using fake rent receipts.

Further, donations are also a way by which taxpayer escape paying taxes by giving donations through banking channels and taking back cash after deducting some charges. Similarly, fake claims of medical expenses, rent receipts, house loan receipts are made to avoid paying taxes.

Erstwhile, these transactions were very hard to trash, however, with the advent of technology and effective use of artificial intelligence, the income tax department (taxmen) has got new artillery and sharpened its radar.

Now, the taxmen are particularly focused about the salaried individuals and keeping an eye on those who submit fake rent receipts, medical claim, donation, etc. and pay lower taxes or claim false refunds. Even, the taxmen have identified these individuals, and notices are being sent to them and such individuals will now need to provide verifiable proof to support their demand for income tax returns. If no proper supporting document would be produced, then this may lead to dire consequences which are narrated as follows:

- As per the Income-tax Act, a person can be fined 50% for underreporting income and 200% for intentionally misreporting income.
- Taxpayer will also be required to pay interest as specified in Sections 234B, and 234C of the Income Tax Act.
- If there is continuous evasion of tax, then return could also be selected for scrutiny.

In other words, claiming fake deductions may help the taxpayer to reduce his tax liability for short term but it would not sustain in the long run as all the online transactions are going to inter-linked with each other and the taxmen has aggressively started using advance tools as artificial intelligence (AI), to catch the tax evaders. Therefore, it is advised to employ effective tax planning with accompanying documentation rather than engage in tax avoidance practises.

A computer monitor is shown in a blurred office setting. The screen displays the words 'INCOME TAX' in large, grey, sans-serif capital letters. A prominent red stamp with a distressed, ink-like texture and a double-line border is placed diagonally over the text. The word 'FAKE' is written in bold, red, sans-serif capital letters within the stamp. The background shows a desk with a mouse and a pen, and a window with a view of a building.



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