

OPERATION CLEAN MONEY

Thematic Report #1

Taxpayer Segment Analysis

Income Tax Department

May, 2017

Objective

Provide an overview of share of cash deposits (during the period 9thNov to 30thDec 2016) for various taxpayer and business segments.

Methodology

1. Account level deposit information from banks and post offices was aggregated for the PAN.
2. The reported cash transactions of banks were removed to avoid double counting.
3. PAN holder was classified in broad taxpayer segment as under:

Proprietor (Small)	Individual filing return in ITR 4S/Sugam
Proprietor	Individual filing return in ITR 4
Non-Corporate	Non-Corporate having business income (ITR 5)
Corporate	Corporate having business income (ITR6)
Salaried person	Individual having salary income > 50% of Total Income
Partner	Individual filing return in ITR 3
Other Individual/ HUF	Individual/HUF not in above categories
Non-Profit Organization	Entity filing return in ITR7
Government	G(Government) or L (local authority) in PAN Database
No return	PAN with no return available

4. PAN holders doing business were classified on the basis of nature of business mentioned in the last available return.

Limitations

1. Analysis is based on only reported cash transactions (not all cash transactions).
2. Reported cash transactions include both old and new currency deposited during the period.
3. Account level information without valid PAN has been excluded from this analysis.
4. Analysis is based on return available in systems (some returns may not be captured or verified).
5. Taxpayer segment classification based on return data may not be accurate.
6. The analysis may change on receipt of additional information.
7. Reported cash transactions may contain wrong PAN or amounts which may be revised later.
8. If taxpayer is engaged in more than one nature of business, only the first business was considered for analysis.

Taxpayer Segment Analysis

This section contains breakup of reported cash deposits for various taxpayer segments. Table 1 provides percentage of 'distribution of PANs and 'total cash deposit' across taxpayers segments. Further, the table provides average reported cash deposits per PAN for taxpayer segments.

Table 1: Taxpayer Segment Analysis

Tax Payer Segment	PANs	Cash Deposits	Average Deposit per PAN (in Rs lakh)
Business			
Proprietor (ITR 4S)	14.7%	6.1%	4.9
Proprietor	26.6%	35.4%	15.9
Non-Corporate	4.1%	14.4%	42.3
Corporate	2.0%	22.6%	137.4
Non-Business			
Salaried person	6.7%	2.4%	4.3
Partners	1.6%	1.3%	9.6
Other Individual/ HUF	7.8%	2.8%	4.3
Others			
Non-Profit Organization	0.5%	1.8%	44.4
Government	0.1%	0.7%	161.5
No Return Filed	36.1%	12.5%	4.1
	100.0%	100.0%	11.9

Salient Features

- Corporates which account for 2% of the reported PAN have a share of 22.6% in the reported cash transactions.
- Proprietors (individual running business) have a share of 41.5% in the reported cash transactions.
- Taxpayers doing business have a share of 78.4% in the reported cash transactions.
- 36.1% of the PAN holders in the reported cash transactions have not filed return.

Business Segment Analysis

This section contains breakup of reported cash deposits relating to business for various business segments (as mentioned in ITR by taxpayers). The following table provides percentage of 'distribution of PANs and 'total cash deposit' across nature of business. Further, the table provides average cash deposits per PAN by nature of business.

Table 2: Business Segment Analysis

Nature of Business	PANs	Cash Deposits	Average Deposit per PAN (in Rs lakh)
Trading	53.4%	60.8%	22.5
Manufacturing Industry	8.6%	11.6%	26.6
Service Sector	13.1%	9.9%	15.0
Financial Service Sector	1.3%	6.2%	94.6
Contractors	7.2%	3.0%	8.1
Professionals	6.7%	2.5%	7.5
Commission Agents	3.9%	1.8%	9.1
Builders	1.2%	1.5%	24.6
Entertainment Industry	0.4%	0.3%	15.4
Others	3.9%	2.4%	12.4
Not available (Blank)	0.4%	0.1%	4.8
	100.0%	100.0%	19.8

Salient Features

- Traders have the largest share (around 61%) in the reported cash transactions relating to business.
- Manufacturers have a share of 12% in the reported cash transactions relating to business.