



# DEMONETISATION

## A MULTI-DIMENSIONAL SUCCESS



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**Our country is blessed with the maximum number of young people. Thus, we are favourably placed for using technology. A country like India should be ahead of everybody else in this field. Our youth have benefitted quite a lot from 'Start-Ups'. This digital movement is a golden opportunity for our youth. They should impart to this as much strength as they can with their new ideas, technology and processes. But we must also connect with the drive to rid the country of black money and corruption with all our might.**

**- PM NARENDRA MODI**

# INDIA GOES DIGITAL

## Unified Payments Interface Reaps the Benefit of Increased Digitisation

Unified Payments interface launched in 2016 became a major beneficiary of increased digital transactions post demonetisation

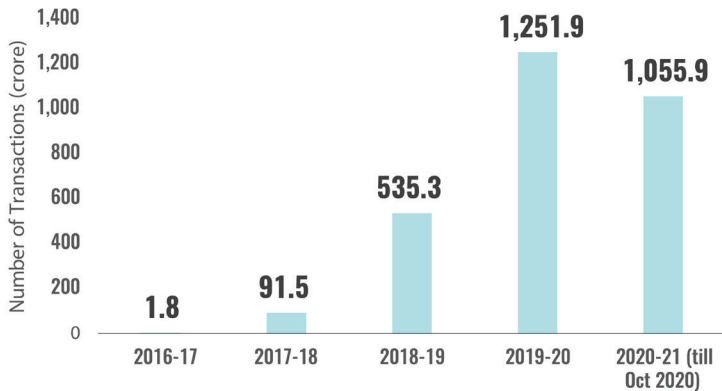
While UPI saw transactions worth ₹6,952 crore in 2016-17, 2017 saw transaction value rise to ₹1.09 lakh crore, ₹8.7 lakh crore in 2018 and ₹21 lakh crore in 2019-20. UPI hosts 189 banks and more than 29 billion transactions have taken place via UPI till October of 2020

It took 16 months for the number of UPI transactions to reach the 10-crore mark; however, in the next 16 months, the number increased 8-fold from 10 crore to 80 crore

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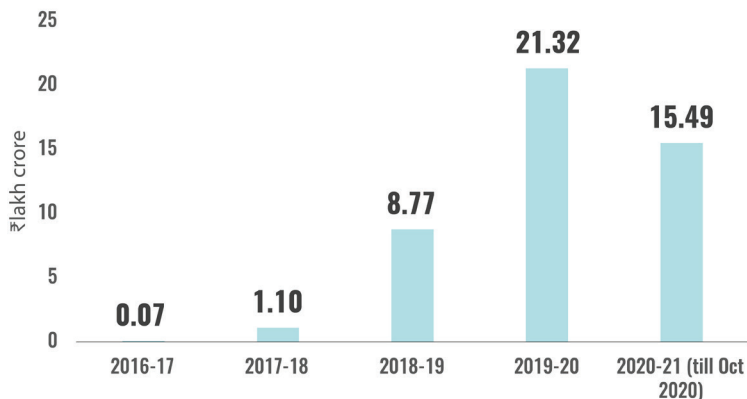
This growth in UPI transactions has further sped up, with the number of transactions moving from 80 crore to 200 crore within 20 months

### Sharp Increase in Volume of transactions on UPI



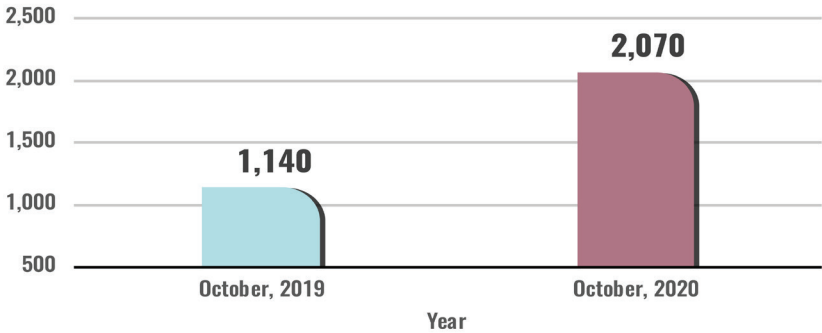
Source: NPCI and RBI statistics

### Value of Transaction Jump Manifold on UPI

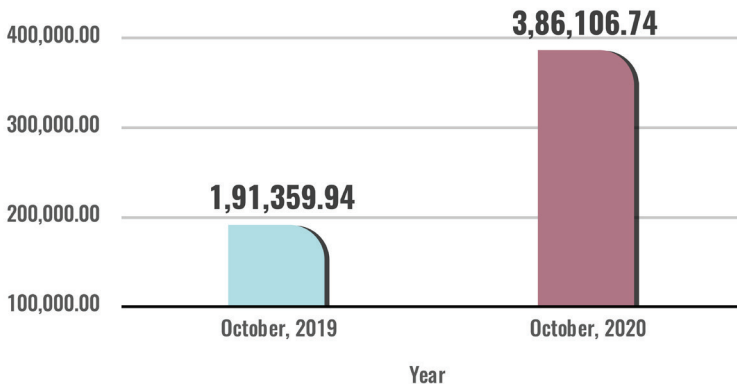


**MONTHLY  
TRANSACTIONS  
CROSSED  
2 BILLION  
MARK IN UPI  
IN OCTOBER OF  
2020 RECORDING AN  
80% GROWTH  
IN VOLUME AND  
101% INCREASE  
IN TRANSACTION VALUE  
FROM OCTOBER 2019**

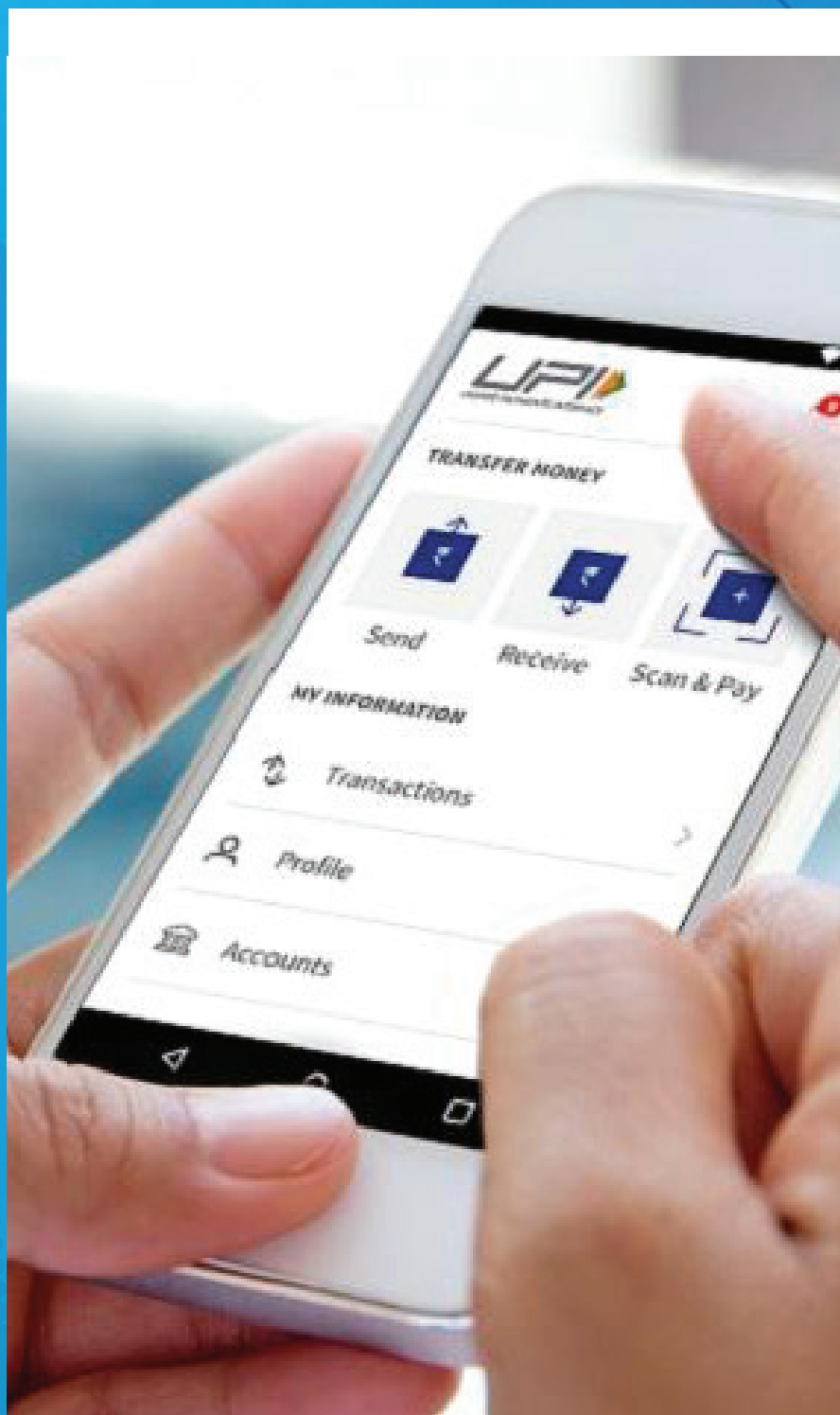
## UPI Transactions Volume Records 80% Growth YoY (Million)



## UPI Transactions Value Doubled YoY (₹ Crore)







# Lesser Cash Based Economy – the Difference Demonetisation Made

₹16.41 lakh crore worth of notes were in circulation at the end of financial year 2015-16, registering Y-o-Y growth of 14.51% over 2014-15

At this rate, notes in circulation would have increased to ₹28.49 lakh crore by end of 2019-20

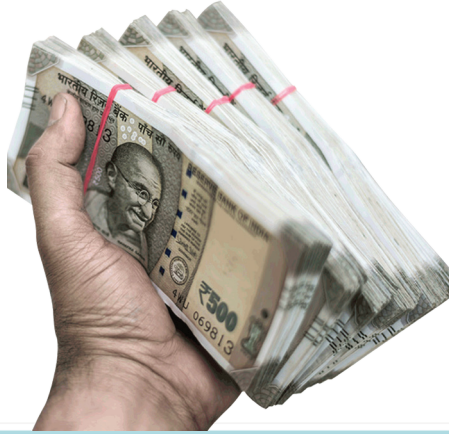
However, it increased only to ₹24.20 lakh crore by the end of 2019-20

This shows that demonetisation followed by digitalization has succeeded in reducing incremental growth in currency in circulation by over ₹4.28 lakh crore

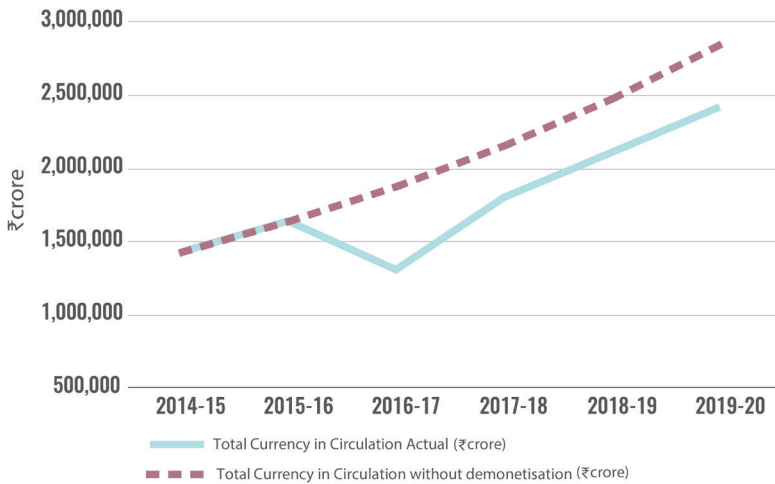
 **FINANCIAL EXPRESS**  
Read to Lead

**If not for demonetisation, India would have had this much cash now; note ban slowed growth of cash**

January 3, 2020 2:11 PM



## Total Currency Notes in Circulation Slowed Down



Source: RBI Annual Report 2020; calculations based on Finance Minister's Reply in Winter Session, January 2020 as reported by Financial Express on 3 January, 2020

**Corruption is the biggest enemy of all these systems. Corruption is not just about money. On the one hand, corruption hurts the development of the country, while on the other hand, corruption destroys the country's social balance. And most importantly, corruption undermines the sense of trust that people can place on the system of the country and the sense of belongingness.**

*- PM NARENDRA MODI*

# HITTING OUT AGAINST CORRUPTION AND THREATS TO NATIONAL SECURITY

## Immediate Impact of Demonetisation – Unearthing of Undisclosed Income

During November 2016 to March 2017, searches conducted led to seizure of ₹900 crore, including cash of ₹636 crore, and admission of undisclosed income of ₹7,961 crore

Between 1 April, 2017 and 30 September, 2020, Income Tax Department conducted search actions in 2,632 cases, leading to seizure of undisclosed assets worth ₹3,950 crore and undisclosed income of ₹45,218 crore being admitted

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# Cracking Down on Tax Evaders, Unearthing Significant Discrepancies

During November 2016 to March 2017 8,239 surveys were conducted leading to detection of undisclosed income of ₹6,745 crore

During the period from April 2017 and August 2020, surveys were conducted in 41,708 cases, wherein undisclosed income of ₹48,188 crore was detected

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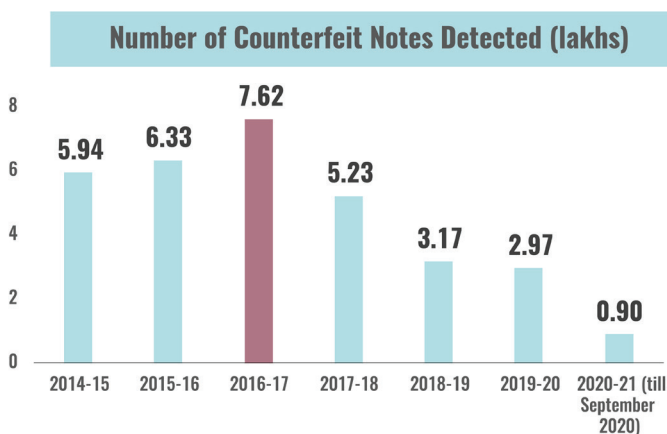
# Counterfeit Notes Fall

Total number of counterfeit notes detected decreased sharply post demonetisation

Introduction of new notes enable better detection of fraud currency, leading to swifter action as well

Significant national security achievement – known source of terror financing and left-wing extremism financing

Putting brakes on funding of anti-national activities



Source: Reserve Bank of India

# Clean Money, Cleaner Economy, Thanks to Demonetisation

Operation Clean Money was launched to follow up on demonetisation; cash deposit data accumulated during demonetisation was analyzed to identify suspicious cases

About 17.92 lakh persons were listed for further verification; nearly 11.85 lakh persons submitted online responses to it

3.04 lakh persons who deposited cash of ₹10 lakh or more but had not filed their return of income till the due date of filing returns were identified

2.09 lakh such identified non-filers responded, and these persons paid Self-Assessment Tax of ₹6,531 crore

Overall, Self-Assessment Tax of more than ₹13,000 crore was paid by the targeted non-filers

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# Unearthing of Benami Assets and Striking Off Shell Companies

Till the end of September 2020, benami assets worth ₹13,400 crore have been attached; notices have been issued in 458 cases involving undisclosed foreign assets and income of over ₹14,150 crore

3.82 lakh shell companies have been detected and de-registered till April 2020, while 4.52 lakh directors have been disqualified

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**Many people had to face unnecessary trouble so that a handful of people who had cheated the country could be identified. When the number of tax payers should have been expanded with pride, a system of collusion and connivance emerged. In this quandary, the black and white money industry also flourished. This system crushed the honest businessmen, the employers, and the aspirations of the youth power of the country instead of encouraging honest business.**

*- PM NARENDRA MODI*

# CRUSADE AGAINST BLACK MONEY

## Fight Against Black Money Continues

Restriction on cash transaction of ₹2 lakh or more; no deduction under section 80G if cash donation exceeds ₹2,000 w.e.f. April 2018

Restrictions on cash donations to political parties beyond ₹2,000

Fair market value deemed as full value of consideration for computation of capital gains in case of transfer of shares other than quoted shares

Any person with an account other than a time deposit and a Basic Saving Bank Deposit Account with a banking company or a cooperative bank to furnish his PAN or Form No. 60 etc

Linking of Aadhar with PAN for filing Income Tax Returns and for applying for new PAN

# The Impact of Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015

Act came into force in July 2015

Within 3 months, 644 declarants disclosed foreign assets worth ₹4,164 crore and paid ₹2,476 crore by way of tax and penalty

By the end of September 2020, notices issued in cases of undisclosed foreign assets and income of over ₹14,150 crore

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# Bringing the full force of the law in cases involving black money

## **ACTIONS IN HSBC CASES AS ON 30.09.2020:**

Undisclosed income of ₹8,465 crore brought to tax and penalty of ₹1,294 crore levied

204 prosecution complaints filed in 89 cases

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## **ACTIONS IN ICIJ CASES AS ON 30.09.2020:**

Undisclosed income of ₹11,010 crore detected

99 prosecution complaints filed in 58 cases

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## **ACTIONS IN THE PANAMA PAPERS LEAK CASES AS ON 30.09.2020:**

Search & seizure and/or survey conducted in 81 cases

Notices under Section 10 of the Black Money Act issued in 65 cases

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Criminal prosecution complaints filed in 46 cases

Undisclosed foreign investments detected of ₹1,575 crore (approx.)

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### **ACTIONS IN THE PARADISE PAPERS LEAK CASES AS ON 30.09.2020:**

Search & seizure and/or survey conducted in 31 cases

Notices under section 10 of the Black Money Act issued in 59 cases

Criminal prosecution complaints filed/initiated in 13 cases

Undisclosed foreign investments detected of ₹207 crore

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# Action against Domestic Black Money

**DURING THE PERIOD OF APRIL 2014 TO AUG-SEP 2020:**

Search actions conducted in 4,776 cases

Undisclosed assets worth ₹6,894 crore seized

Undisclosed income of ₹82,168 crore admitted

Surveys conducted in 63,691 cases; undisclosed income of ₹84,396 crore detected

Prosecutions filed in 12,224 cases

9070 cases have been compounded

327 persons convicted

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The tax that the government gets, is used in public welfare schemes in the country, improving the infrastructure. With this money of tax, new airports are built in the country, new highways are built, metro work is done. Free gas connection, free electricity connection, cheap ration, gas subsidy, petrol diesel subsidy, scholarship – the government is able to do so much because some responsible citizens of the country are paying their taxes honestly.

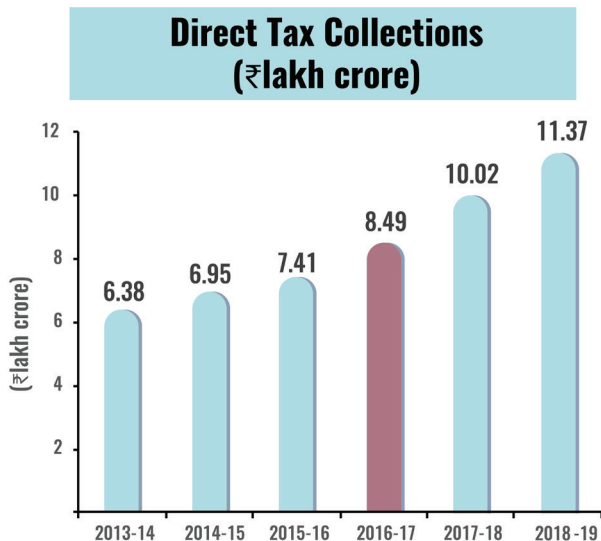
- PM NARENDRA MODI



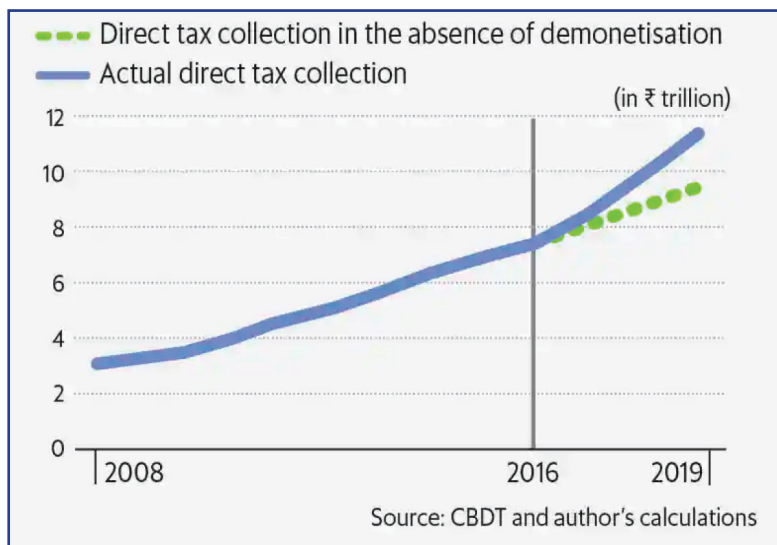
# IMPROVED PROCEDURAL COMPLIANCE, HIGHER TAX COLLECTIONS

## Demonetisation Pushes Direct Tax in the Right Direction

Net direct tax collections for 2018-19 rose to ₹11.37 lakh crore, which is 35% higher than the collections for 2016-17



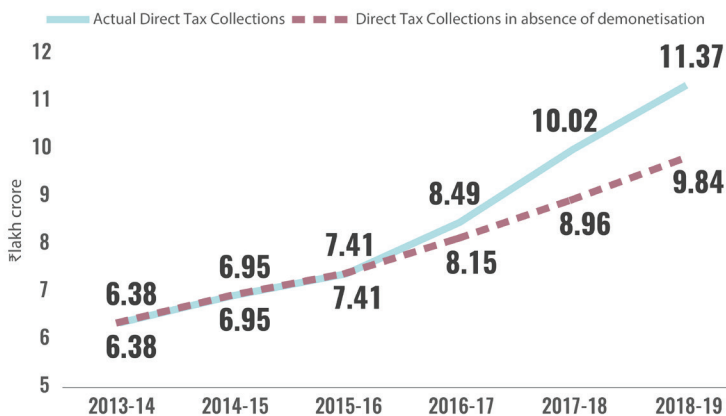
The tax collection growth rate of 2017-18 was the highest in seven financial years before it - personal income tax Advance Tax collections increased by 23.4% and Self-Assessment Tax by 29.2% in 2017-18



While the previous graph has been plotted from 2008, the chart below, plotted from 2013-14, highlights the divergence that took place with the Modi government assuming office at the Centre

This is necessary as it clearly highlights the impact of the step in changing the trend within a short span of time with the bold move

### Direct Tax Collections Increased, Thanks to Demonetisation



Graphs taken from the article by K.V. Subramanian, Chief Economic Advisor, GOI published in LiveMint

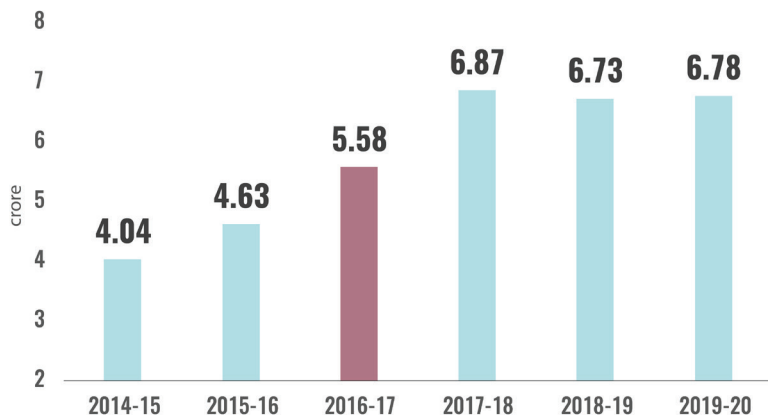
# Demonetisation Widens Tax Base, Narrows Non-Compliance

During FY 2017-18, 6.86 crore IT Returns were filed with the Income Tax Department; 25% higher than 5.48 crore ITRs filed during FY 2016-17

This was one of the best growth rates achieved in the five years before FY 2017-18

Consistency in number of returns filed noted since, indicating the jump was not a one-off phenomenon

## Number of Returns Filed (crore)



Income Tax Department Time Series Data

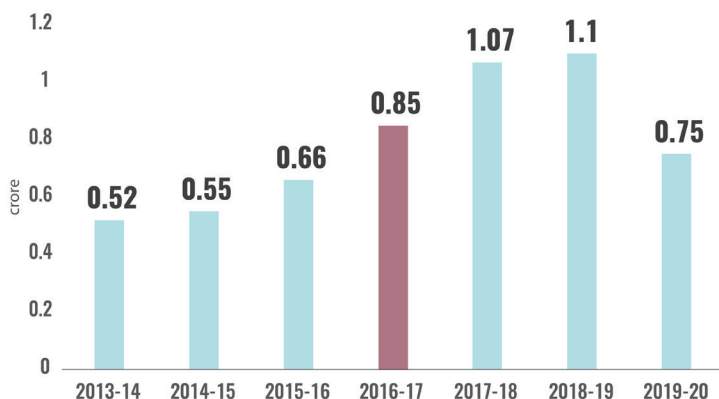
# New Filers Grow, Exhibiting Vishwas in New India's Economy

Clear rise in the number of new tax filers noted after 2015-16, thanks to demonetisation

1.07 crore new ITR filers added in 2017-18; 1.1 crore new ITR filers added during FY 2018-19

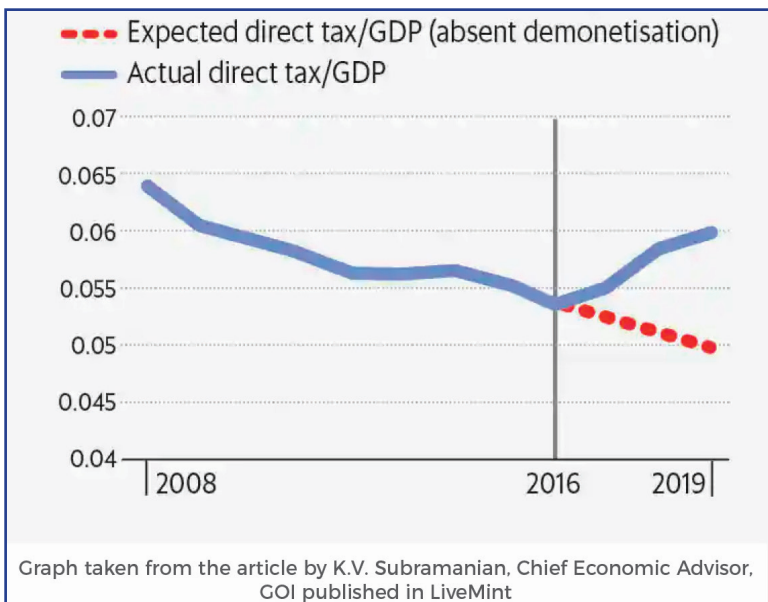
Besides, the number of persons filing return increased from 5.4 crore in FY 2017-18 to 6.3 crore in FY 2018-19

## Steep Rise in Number of ITR Filers Added Over the Years



Income Tax Department Time Series Data

Since 2016-17, cumulative of 3.77 crore new ITR filers added, more than double the cumulative number of new ITR filers added between 2013-14 and 2015-16



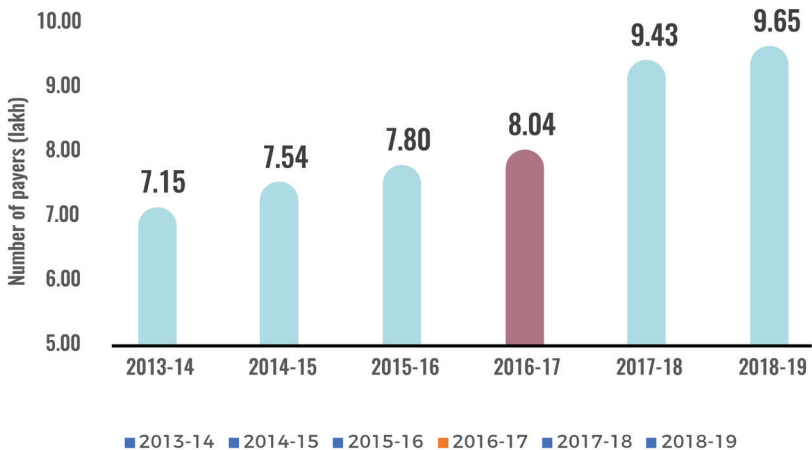
# Demonetisation Brings Corporate and Compliance Together Like Never Before

During FY 2016-17, 8.03 lakh returns were filed by corporate taxpayers

During FY 2017-18, corporate tax returns increase more than 17% to cross 9.42 lakh; figure crosses 9.64 lakh in 2018-19

Corporate taxpayer returns in 2018-19 are 35% higher compared to 2013-14, underscoring success of the move

## Corporate Returns Filed (lakh)



**Brothers and sisters, the informal sector occupies a major segment in our economy and in our pattern of life and mostly these people are paid wages for their labour and hard work in cash. They are paid their salaries in cash and we know that due to this, they are exploited also. If they are to receive 100 rupees, they get only 80 rupees, if they are to be paid 80 rupees, they are given only 50 rupees. They are deprived of facilities like insurance and those associated with health sector**

*- PM NARENDRA MODI*



## OTHER BENEFITS OF DEMONETISATION

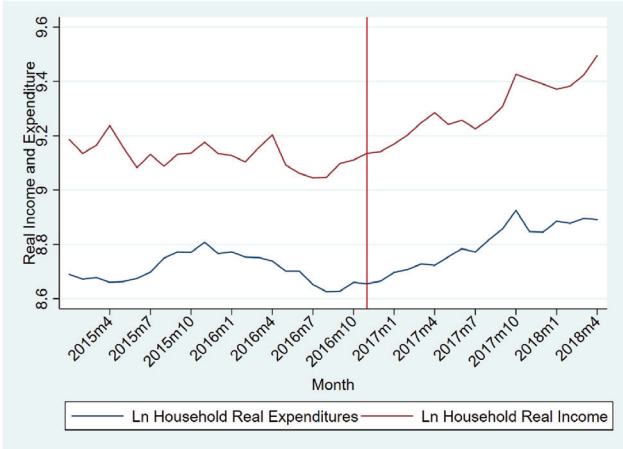
### Financial Benefits Due to Demonetisation

As per a paper titled 'Was India's Demonetisation Redistributive? Insights from Satellites and Surveys' by Professor Chanda and Professor Cook (2020), while expenditure and income of poorest households saw larger increase, income and expenditures of all households increased dramatically post demonetisation

It concluded that the medium-term effects of India's demonetisation experiment were quite different, if not the polar opposite of the short run disruption. These expansionary effects of demonetisation could even be seen in the raw aggregate statistics, from night time lights to household income and expenditures

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# Real Household Income and Expenditures (Consumer Pyramids)



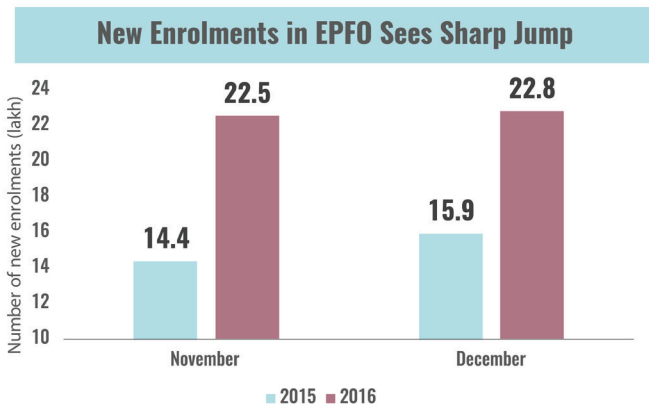
**Summary & Notes:** The figure shows household expenditures and incomes from the Consumer Pyramid survey. The values are deflated using the CPI (base 2012=100). Survey weights were used to arrive at the mean values depicted in the figure.

Courtesy: A Report by Areendam Chanda and C. Justin Cook

# Ensuring Social Security Net for All; Demonetisation Led a Jump in the Subscriber Base of the EPFO and ESIC

Demonetisation led to greater economic formalisation, thanks to the creation of more formal jobs and bringing benefits to people otherwise missed out

During September 2017 to November 2018, 1.1 crore new enrolments happened with the EPFO

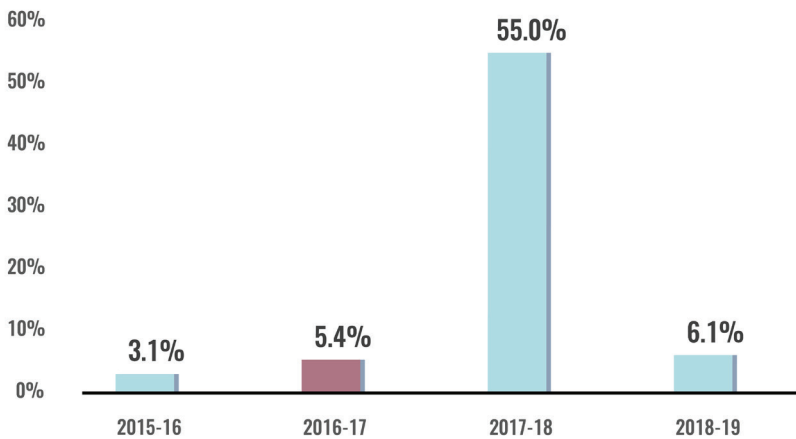


Source: Employees Provident Fund Organization Enrolment Data

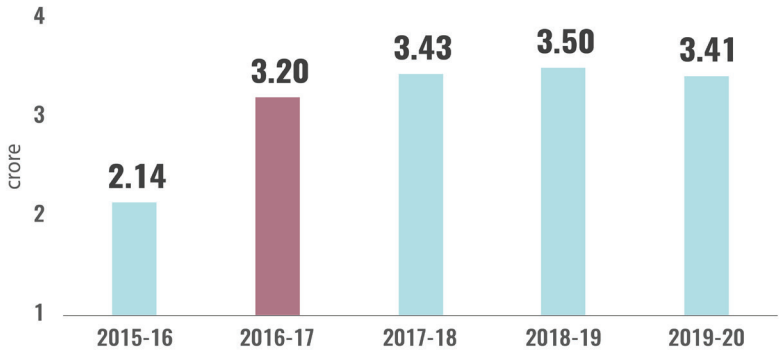
55% increase in ESIC registrations took place with the Employees State Insurance Corporation (ESIC) in 2017-18

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## Growth in ESIC Employee Enrolment



## Increase in number of insured persons covered by ESIC



Source: ESIC Enrolment Data







سوق

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MINISTRY OF  
**INFORMATION AND BROADCASTING**