

Income Tax Department cracks down on bogus claims of deductions & exemptions

Investigations uncover organised rackets operated by certain ITR preparers and intermediaries filing returns, claiming fictitious deductions and exemptions

Data analysis reveals misuse of deductions under sections 10(13A), 80GGC, 80E, 80D, 80EE, 80EEB, 80G, 80GGA, and 80DDB

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The Income Tax Department initiated a large-scale verification operation across multiple locations in the country today, targeting individuals and entities facilitating fraudulent claims of deductions and exemptions in Income Tax Returns (ITRs). This action follows a detailed analysis of the misuse of tax benefits under the Income-tax Act, 1961, often in collusion with professional intermediaries.

Investigations have uncovered organised rackets operated by certain ITR preparers and intermediaries, who have been filing returns claiming fictitious deductions and exemptions. These fraudulent filings involve the abuse of beneficial provisions, with some even submitting false TDS returns to claim excessive refunds.

To identify suspicious patterns, the IT Department has leveraged financial data received from third-party sources, ground-level intelligence, and advanced artificial intelligence tools. These findings are further substantiated by recent search and seizure operations conducted in Maharashtra, Tamil Nadu, Delhi, Gujarat, Punjab, and Madhya Pradesh, where evidence of fraudulent claims was found to have been used by various groups and entities.

Analysis reveals misuse of deductions under sections 10(13A), 80GGC, 80E, 80D, 80EE, 80EEB, 80G, 80GGA, and 80DDB. Exemptions have been claimed without valid justification. Employees of MNCs, PSUs, government bodies, academic institutions, and entrepreneurs are among those implicated. Taxpayers are often lured into these fraudulent schemes with promises of inflated refunds in return for a commission. Despite a fully e-enabled tax administration system, ineffective communication remains a significant hurdle in assisting taxpayers. It has been observed that such ITR preparers often create temporary email IDs solely for filing bulk returns, which are later abandoned, resulting in official notices going unread.

In line with its guiding principle of 'Trust Taxpayers First', the IT Department has emphasised voluntary compliance. Over the past year, the IT Department has carried out extensive outreach efforts, including SMS and email advisories, nudging suspected taxpayers to revise their returns and pay the correct tax. Physical outreach programs, both on and off campus, have also been conducted. As a result, approximately 40,000 taxpayers have updated their returns in the last four months, voluntarily withdrawing false claims amounting

to ₹1,045 crore. However, many remain non-compliant, possibly under the influence of the masterminds behind these evasion rackets.

The IT Department is now poised to take stern action against continued fraudulent claims, including penalties and prosecution wherever applicable. The ongoing verification exercise across 150 premises is expected to yield crucial evidence, including digital records, that will aid in dismantling the networks behind these schemes and ensure accountability under the law.

Further investigations are currently underway.

Taxpayers are again advised to file correct particulars of their income and communication coordinates and not be influenced by advice from unauthorised agents or intermediaries promising undue refunds.

NB/KMN

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