NUDGE Campaign

Prelims: *Current events of national and international importance | Governance*

Why in News?

Recently, the Income Tax Department's data-driven NUDGE campaign has improved tax compliance, leading to Rs. 8,800 crores in additional tax.

- **Aim –** To *encourage voluntary tax compliance through behavioural nudges* using data analytics and digital communication instead of enforcement.
- NUDGE stands for ***Non-intrusive Usage of Data to Guide and Encourage.***
- **Launched in – NUDGE 1.0 –** 2024
  - Focus – General compliance
- **NUDGE 2.0 –** 2025
  - Focus – Foreign assets and foreign income disclosure.
- **Organised by –** ***Income Tax Department under the Central Board of Direct Taxes (CBDT), Ministry of Finance.***
- **Key Highlights – Digital Nudges** – Uses targeted emails, SMS, and e-verification.
- **Target** – Focus on high-risk 'A category' taxpayers with income above ₹12 lakh.
- **Preventive Approach** – Uses data analytics and behavioural insights to prompt voluntary compliance before enforcement action.
- **SAKSHAM Framework** – Structured tax nudging process. It includes,
  - S – Sankalan (Compilation of Data),
  - A – Anusandhan (Research and analytics),
  - K – Kriyanvyan (Identifying whom to nudge),
  - S – Sampark (Communicating to create awareness and guide behaviour),
  - H – Hastak (Handholding and facilitation, such as through FAQs),
  - A – Adhikaar (Allowing revision of returns to foster trust),
  - M – Mulyankan (Assessment).
- **Significance –** Generated crores of additional tax in two years.
- **Outcome –** ***60% of 1.11 crore respondents were non-filers***, showing behavioural impact.
- **Error Reduction** – Rs. 1,750 crore refund claims reduced.
- **Trust Building** – Promotes a collaborative, non-adversarial tax system.
  - Reduces the burden of mass scrutiny.

Reference

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