Issues with Tax Collection Mechanism

Click here to know more about irregular ways carried out by tax officials to collect taxes.

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Why in news?

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Comptroller and Auditor General of India (CAG) has tabled its report on Central Board of Direct Taxes and the income tax department.

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Why income tax officials claim an exaggerated demand?

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- In a recent report CAG had found that Income tax department has made ‘exaggerated’ demands on large companies.
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- Exaggerated demand are Quid pro quo deals between the assessing officer and the assessee in the understanding that it will be refunded to the latter a few months later with interest.
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- This exaggerated demands usually happens to meet the stiff, and often unrealistic, targets set by the Government for tax collections.
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How irregular methods of tax collection affects economy?

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- The assessees are troubled by unreasonable demands and they have little choice but to comply.
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- Irregular mechanism of income tax collection and refunds make the assessee to avert from paying taxes.

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- Investor-friendliness of a nation is measured not only by helping an investor to start a business but also by ensuring a trouble-free access to factors of production.
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- Placing impromptu and unreasonable tax demands seriously affects the being investor-friendly metric.
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Source: Business Line

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