Report on CBDT and Income tax

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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What are the findings of the report?

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- CAG has find out that there has been persistent and pervasive irregularities in respect of corporation tax and income tax assessment cases over the years.
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- The latest audit report takes note of 457 high-value cases of such irregularities.
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- They include some the best-known entities in the public and the private sectors.
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- The CAG has also detailed various ways in which tax officials have bungled in collecting these taxes.
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What are the irregular ways used by tax officials?

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- IT department had raised exaggerated demands to the tax payers to achieve its revenue collection target.
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- This is not only unwarranted but also a financial burden.
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- This is because the taxpayers has to be paid refunds with interest by the department for the additional amount collected, which could have been

avoided.
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- One of the ways that these exaggerated demands are made is by not giving full credit for the taxes already paid.
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- IT department did not adopt a uniform approach in dealing with cases of fictitious donations or fake purchases.
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- The assessment officers did not take cognisance of reports filed by the investigation wing.
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- They also failed to initiate necessary follow-up action regarding fictitious donations that has resulted in loss of revenue.
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What are the implications of the report?

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- Corporation tax and income tax together constitute 33% of the Union government’s revenues.
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- Wide-scale discrepancies in such taxes could upset the overall budgetary calculations and also affect trust among honest taxpayers.
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- The CAG has stated that “recurrence of such irregularities, despite being pointed out repeatedly” in earlier audit reports points to structural weaknesses on the part of the tax administration.
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- Lack of transparency in taxation is also a massive disincentive for business in the formal sector.
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What measures needs to be taken?

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- The tax department must ensure that taxpayers do not need to submit multiple returns and have quicker options of redress should a dispute arise.
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- This is important as a huge amount of money is locked in litigation due to complicated tax rules and varying interpretations.

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- Costly compliance and loopholes keep majority outside the income tax net, and this can be sorted out by implementing electronic assessments.
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Source: Business Standard

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