

# FUTURE SCENARIO OF INCOME TAX DEPARTMENT

BY: PARAS KOCHAR, *Advocate*

Since the introduction of Income Tax Act in India, the Government has been continuously bringing changes in tax administration and tax compliance system from time to time. But in last two years, drastic changes have been made in respect of tax administration and tax compliance. Such changes were either by issuing circulars or instructions or by bringing amendments in the Income Tax Act. From the said circulars or instructions or amendments, we can understand the future steps to be taken by the Government of India. If we can understand the future scenario of the Income Tax Department, we will have to change our mind set so that we do not have to face any difficulty in future.

You are well aware that the books of accounts were written by hand till last ten years or more but now almost every person is using computer for book keeping, “*Lal Bahi*” or “*Lal Khata*” no more exists. The “*Dhotiwala Munim Ji*” has mostly been replaced by the Chartered Accountants or qualified accountants. Entire scenario has changed in respect of accounts. The assessee took long time in changing their mind sets in getting their accounts done through computer. But in the beginning, there were adverse comments from the assessee particularly aged assessee that accounts cannot be maintained from computers. But now the scenario has entirely changed.

Likewise, the Income Tax Department with the changing techniques also started computerisation and digitation and started asking the assessee for e-filing of returns of income. In the beginning, the assessee or the tax professionals were less interested for e-filing of return of income but gradually now most of the returns of income are being filed through computers. It has been possible partly due to change in mind set and partly under compulsion.

Not only computerisation or digitisation but also in the area of administration and compliance, the Government has brought various changes. Recently, CBDT has brought several Circulars, Instructions and Notifications for better administration and proper compliance. The said circulars, instructions are dealt in brief below –

## CLEANNESS OF WORK AREA –

In past, the Income Tax Offices were full of dirt and it was difficult to sit on chairs. There was no cleanness in most of the buildings. Like Swatch Bharat, the CBDT desires to keep its buildings and offices clean and proper furnishing of offices and vide its office memorandum no. F.N. Dir.(Hqrs.) CH.(DT) 25(10)/2014/774 dtd. 21-08-2014, the CBDT has brought following instruction to the notice of all the Cader Controlling Principal CCIT’ s –

There should be no dust, no old A/C's, Almirahs, and old furniture etc. Dust bins should be provided in the rooms, corridors and wash rooms etc. The concerned officer should also give a neat and tidy look to the sections. The Agency responsible for providing such services should provide highest standard services failing which panel provisions of the contract signed with the agency may be invoked.

### **PUNCTUALITY –**

The officers and staff has been asked vide the instruction no. F.N.Dir(Hqrs.) CH.(DT) 25(10)/2014/774 dtd. 21-08-2014 to observe the prescribed office timing. It has also been instructed that they should not over stay during lunch break and should also not leave office before closing of office hours. The heads of the department have been asked to monitor the punctuality checks and also to take disciplinary action against them. Apart from the punctuality, the CBDT has further instructed vide its office memorandum dtd. 7th November 2014 that any appointment given to public must be honoured and such appointments must not be cancelled or postponed without any unavoidable reason especially when the assessee or his representative is willing to attend.

### **HIGH PITCHED ASSESSMENT –**

Since long the assesses are being victimised by high pitch assessments. The CBDT vide its office memo dtd. 7th November 2014 has stated that Range heads are required to ensure that frivolous additions or high pitched assessments are not made without proper basis. The principle Commissioners of Income Tax are required to supervise the work of their subordinates to ensure the discharge of this function.

Furthermore, vide instruction no 17/2015 dtd. 9th November 2015, the Board has directed to constitute a local committee consisting of Pr. CIT, CIT(Judicial) and CIT(DR) in each Pr. CCIT region across the country to deal with the tax payers Grievances from high-pitched scrutiny assessment. Due to this committee, there shall be proper compliance of instructions given vide office memo dtd. 7th November 2014 by the Assessing Officers.

### **RECTIFICATION PETITION –**

It has been instructed by the CBDT vide its instruction no 01/2016 that the assessing officer will strictly follow the time limit of six months in disposing the rectification petition u/s154 of the Income Tax Act, 1961. The section 154(8) of the income tax act also mentions the same as regards time period for disposing of petition u/s154 is concerned. But nowhere in the act it is mentioned that in case of failure to do so what are the consequences so the CBDT has further states in the said instruction that the superior officers should monitor the adherence of

the prescribed time limit and suitable administrative action may be initiated in cases where failure to adhere to the prescribed time frame is noticed.

Vide this instruction, it appears that the CBDT may issue more such instructions and circulars for the accountability of the officers in future.

### **GRIEVANCE-**

For attending Grievances of the tax payers in time, time limits have been set out for their disposal under citizen's Charter. Vide office memorandum dtd. 7th November, 2014, the superior officers have been directed to ensure that grievances are disposed off within specified time period. Keeping in mind the same, the board vide its office memorandum dated 06th January, 2015, started the observance of '*Public Meeting Day*' as part of the Prime Minister's '*Good Governance Day*'. Under this office memorandum, heads of Local Income Tax Offices will meet the common public (without prior appointment) to try and resolve the grievance of the public.

### **REDUCTION OF LITIGATION -**

The board by its circular no.21/2015 dated 10th December, 2015 has increased the monetary limits for filing appeal before the ITAT, High Court and Supreme Court which in turn would help reduce litigation. The board has also issued circulars accepting the decisions of Hon'ble Courts and advised its officer to withdraw appeals on similar grounds. One such circular no.12/2016 dated 30th May, 2016, in respect of Bad-Debts where the Board accepting the view of the Hon'ble Supreme Court in the case of M/s TRF Ltd vs. CIT (323 ITR 397) advised its officers and office bearers to withdraw appeal on similar grounds filed before ITAT, High Courts or Supreme Court.

### **CONCLUSION -**

The latest trend shows that the Government is focusing mainly on compliances, proper administration, accountability, grievance redressal and discipline among the officers and the assessee. The CBDT also wants to give better services to the assessee in respect of refunds, rectification, PAN, assessment etc. It can be safely assumed that in future the scope of accountability of the Government officers will be increased. The assessee will be charged for their non-compliance heavily. It is the time for every assessee as well as the Government officers to change their mind set. But still the problem is regarding execution of instructions given by CBDT. In spite of various instructions and circulars as well as despite responsibilities to monitor being entrusted to superior officers, most of the instructions are not being followed properly by the officers of the Income Tax Department. Only circulars and written instructions will not bring perfection and discipline among the taxpayers and the Income Tax Authorities. It appears that the government will gradually extend the scope of accountability as well as monitor

the working of the Income Tax Department. At the same time, the government will also make the assessee responsible for all sorts of compliance by bringing strict provisions in the Act or by strict use of provisions of law such as penalty, prosecution, survey, search and seizures. However, the assessee and the officials of the Income Tax Department will have to change their mind set immediately looking at the future scenarios of the Income Tax Department.