

ACCEPTED AND IMPLEMENTED RECOMMENDATIONS OF TARC (RELATING TO BOTH CBDT AND CBEC)

FIRST REPORT – CHAPTER III STRUCTURE AND GOVERNANCE

S. No.	Para No	Recommendation	Status
1	III.8.(g)	A Tax Council should be set up to develop a common tax policy, analysis and legislation for both direct and indirect taxes. The council will be headed by the Chief Economic Adviser of the Ministry of Finance. (Section III.4.d)	A Tax Policy Council constituted vide order dated 2.2.16. The Tax Policy Council will look at all the research findings coming from Tax Policy Research (TPRU) Unit and suggest broad policy measures for taxation. The Council will be advisory in nature, which will help the Government in identifying key policy decisions for taxation.
2	III.8.(h)	Common Tax Policy and Analysis (TPA) unit comprising tax administrators, economists, and other specialists such as statisticians, tax law experts, operation research specialists and social researchers should be set up for both Boards. The existing TPL in CBDT and TRU in CBEC should be subsumed in the common TPA. TPA will report to the Tax Council through the concerned member of each Board. TPA will be responsible for all three major components of tax policy formulation – policy development, technical analysis, and statutory drafting. (Section III.4.d)	<p>Tax Policy and Research Unit is constituted vide order dated 2.2.16.</p> <p>The Tax Policy Research Unit (TPRU) will be a multi disciplinary body with the following objectives:-</p> <ul style="list-style-type: none"> (i) carry out studies on various topics of fiscal and tax policies referred to it by CBDT and CBEC and will provide independent analysis on such topics; (ii) will also prepare and disseminate policy papers and background papers on various tax policy issues; (iii) will assist Tax Policy Council chaired by FM in taking appropriate tax policy decisions; and (iv) liaise with State Commercial Tax Departments.

RECOMMENDATIONS OF TARC REPORTS (I TO IV)- ACCEPTED AND IMPLEMENTED BY CENTRAL BOARD OF DIRECT TAXES

**FIRST REPORT -CHAPTER II
CUSTOMER FOCUS**

S.No.	Para. No.	Recommendation	Status
1.	II.8.(i)	There should be a dedicated organisation for delivery of taxpayer services with customer focus for each of the Boards. There should be an exclusive Member in each Board for the taxpayer services. The taxpayer services vertical under each Board would be headed by an officer of the rank of Principal Chief Commissioner, who would be responsible for delivery of taxpayer services. This implies dedicated resources and personnel for this vertical. (Section II.6.c)	A dedicated vertical for delivery and monitoring of Taxpayer Services has been set up in CBDT, its attached Directorates and at field offices.(Order No. 1/Ad.VII/2016 dated 26 th February, 2016)
2.	II.8.(vii)	<u>Prefilled Tax Returns</u> Pre-filled tax returns should be provided to all individuals. The taxpayer will have the option to accept the tax return as it is or modify it. In either event, the filing process would be completed with the submission of the tax return electronically.	The concept of pre-filled Returns is already prevalent. Presently, such facility is being offered in the e-filing portal in two modes- Online return preparation facility is available in respect of ITR-1 and ITR 4S where personal details as well as tax payment details are pre-filled. In respect of other ITRs the facility is available in offline mode- the option for pre-filling the personal details as well as tax payments details is available. As per records, in the current year around 1.77 Cr taxpayers have availed of this pre-filling facility (over 50%). The TARC recommendation regarding pre-filling tax returns has already being implemented in the most comprehensive manner as is feasible. This is an on-going process. With further maturity of information systems, better quality of reporting by third parties and deductors, more and more information is being included for pre-filling in tax return form.
3.	II.8.(x)	<u>Online tracking of dak/ grievance/ applications for refund</u> There should be a system for online tracking of dak/grievances/applications for refund etc. It should be made mandatory to receive all dak through a central system generating a unique ID. The ASK software implemented by CBDT provides such a mechanism in a limited manner. This needs to be extended to all offices.	The mechanism for online tracking as suggested is already present in the Sevottam Software in use in Aayakar Seva Kendra (ASK Centre). CBDT has approved the proposal for all Income Tax Office Buildings to have an ASK Centre. Till March 2015, ASKs have been set up in 250 buildings and 58 are to be set up by 31 st March 2016.

		The functionality to enable the taxpayer to track the status of his application/grievance online should be added to the ASK system. Similar system for online receipt of application should be enabled on the indirect tax side.	Online tracking of grievances by taxpayers has already been enabled on the e-filing web site for grievances with regard to e-filing and CPC. A Unified Grievance Module is being designed under the Income Tax Business Application project. A dedicated vertical for delivery and monitoring of Taxpayer Services has been set up in CBDT, its attached Directorates and at field offices.(Order No. 1/Ad.VII/2016 dated 26 th February, 2016)
4.	II.8.(xi)	<u>Continuous benchmarking of tax administration vis-à-vis TPS</u> Continuous benchmarking of the tax administration, particularly in relation to delivery of taxpayer services, with that of other tax administrations should be done to highlight the area of focus.	Benchmarking of services is taken up by various projects like CPC-ITR and e-filing as part of project requirement. CPC-ITR has obtained ISO Certification ISO-15489 for record management and ISO-27001 for information security and ISO-9001 certification for Quality Management System. Similarly, 56 ASK Centres have also obtained IS: 15700-2005 from BIS and 20 Centres are under process for such certification. The benchmarking of Tax Payer Services is an ongoing process. Two studies on 'Barriers to compliance' and 'Cost of Compliance' had been instituted through ICRIER. A survey by AC Nielsen has also been carried out in this regard. ICRIER has recently made a presentation of its report to the Board. The Board has asked ICRIER to carry out more data analytics for finding out more focused action points. Thus, bench-marking of services provided by the department is an ongoing exercise. The areas of focus of each tax administration depend on the complexity of law, processes and the level of understanding of the taxpayers and therefore it has specific needs and requirements.
FIRST REPORT – CHAPTER III STRUCTURE & GOVERNANCE			
5.	III.8.(o)	There should be one Knowledge, Analysis and Intelligence (KAI) centre for both the Boards and its role should be recognised and used for policy and operational effectiveness.	The CBDT has taken several steps to enhance its analytical capability under Project INSIGHT by setting up an integrated Data Warehousing and Business Intelligence (DW&BI) platform to enable the following: i. Enable capture, linkage and analysis of structured data, unstructured data and localised information for discovering non-filers with potential tax liabilities, identifying potential under-reporting taxpayers,

			<p>applying risk-based collection strategies, detecting frauds etc.</p> <p>ii. Use wide range of analytics methods and technologies to understand what happened (descriptive analytics), why did it happen (diagnostic analytics), what will happen (predictive analytics), and what is required to make it happen (prescriptive analytics).</p> <p>iii. Use collaborative approach for information and knowledge sharing.</p> <p>iv. Pre-process information to free resources for effective analysis and investigation.</p> <p>The newly set up Directorate of Risk Assessment will leverage the analytical and research capability being developed under Project INSIGHT</p>
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**FIRST REPORT -CHAPTER IV
PEOPLE FUNCTION**

S.No..	Para No.	Recommendation	Status
6.	IV.5.(i)	Both the Departments should shift all the key operations to the digital platform so that performance can be reliably measured.	<p>CBDT is alive to the need for shifting all its key processes to the digital platform. The two Centralised Processing Centres (CPCs), one for processing and rectification of returns as well as issue of refunds and the other for the monitoring of TDS processes have already stabilised. Projects for integration of all business applications on a common digital platform called Income Tax Business Application (ITBA) as well as for data warehousing and business intelligence (DW&BI) are already initiated which would further digitise the key processes within the Income Tax Department. The tax accounting processes have already been digitised. Thus digitisation of processes is an on- going exercise which is being actively pursued by the Department.</p> <p>In recognition of its e-Governance initiatives, the CBDT was conferred 'Prime Minister's award for excellence in Public Administration' for 'Easy Tax Compliance through Quality Service' on 21st April, 2015.</p>
7.	IV.5.(vi)	A comprehensive performance management system needs to be set up for tax administrations by revisiting and reconstructing the RFD.	CBDT develops a detailed annual action plan for its field formations and RFD for its attached directorates. Both put together constitute the detailed action points required by the subordinate and attached offices of

			<p>CBDT. The action plan targets and targets under the RFD are set for each year on the basis of the priorities identified by CBDT. These are in tune with the performance appraisal system suggested by DoPT for the organised civil services. Recently the APAR for Assessing officers has been revised to include specific parameters to assess performance in respect of making quality assessments and non-filers monitoring systems.</p>
8.	IV.5.(viii)	<p>The performance appraisal process needs to be made more wholesome and reliable by making it more open and by introducing a mid- year review.</p>	<p>The current performance appraisal system is as per the guidelines of the Government. The current APAR form already includes a specific column for mid- year review.</p>
9.	IV.5.(x)	<p>The outcome of discussion during the performance appraisal process should result in the superior taking responsibility for juniors by putting in place and improvement plan to overcome their weaknesses.</p>	<p>The current performance appraisal system is as per the guidelines of the Government. The current APAR form includes a specific column for mid -year review. In the course of such mid- term review of the annual action plan, the supervisory authority assesses the weak areas and try to put in place the improvement plan based on the limited resources available to the Officer concerned.</p>
10.	IV.5.(xv)	<p>A formal mentorship programme may be set up, with carefully selected mentors.</p>	<p>National Academy of Direct Taxes has set up a mentorship framework in the Income Tax Department, for the newly recruited Indian Revenue Service Officers. This process has started in the year 2013 by identifying the surrogate trainers, training them in their mentorship with the help of outside experts. A number (121) of surrogate trainers have been identified and trained. These surrogate trainers help NADT in the On the Job Training of the officer trainees.</p>
11.	IV.5.(xxi)	<p>Code of ethics needs to be developed congruent with the values in the vision and mission statement.</p>	<p>The Conduct Rules for officers of Government of India prescribe a code of ethics to be followed by all organized services of the Government including the Income tax department. Recently the DoP&T has notified the amendment to CCS (Conduct) Rules 1964 on 27 November 2014. Vide this amendment, new clauses have been introduced in Rule 3 sub Rule (1) after Clause (iii) spelling out the code of ethics for all Government servants. This is equally applicable to the Income Tax department.</p>

12.	IV.5(xxiii)	The provisions of Rule 56(j) of the Fundamental Rules should be effectively utilised for weeding out officers who are inefficient or of doubtful integrity. The criterion for review should be changed to completion of 20 years of service.	As an organized Group A service, the service rules applicable to a Group A service are applicable to the income Tax Department also. Instructions have been issued for review as prescribed under Rule 56 of Fundamental Rules.
13.	IV.5.(xxv)	No cognizance should be taken of anonymous complaint as laid down in the existing DOPT instruction.	Instructions to this effect already exist and are being followed.

**FIRST REPORT -CHAPTER V
DISPUTE MANAGEMENT**

S.No..	Para No.	Recommendation	Status
14.	V.7.(a)	For clarity in law and procedures, a process based on best practices outlined in Section V.4.b should be followed. (Section V.4.b)	CBDT has issued specific guidance notes, circulars and instructions for uniformity in approach on interpretation of taxation provisions from time to time. This process is being further strengthened with the issue of Circulars on the recommendations of the High level Committee set up by the Finance Minister to identify issues requiring clarification.
15.	V.7.(b)	Retrospective amendment should be avoided as a principle. (Section V.3.e)	This has been stated by the Finance Minister.
16.	V.7.(c)	Fundamental approach should be collaborative and solution oriented. (Section V.3.d)	CBDT is already following a collaborative and solution oriented approach. Almost 99 percent of the tax returns filed by the tax payers are accepted by the Department. A miniscule number is taken up for scrutiny based on specific criteria in which the taxman has no discretion. CBDT has also issued specific instructions from time to time to deal with issues that arise during scrutiny process.
17.	V.7.(e)	Dispute management should be a functionally independent structure with adequate infrastructural support. (Section V.4.a)	The dispute management apparatus within the department is functionally independent. Necessary infrastructure has also been provided.
18.	V.7.(g)	To minimize the potential for disputes, clear and lucid interpretative statements on contentious issues should be issued regularly. These would be binding on the tax department. (Section V.4.b)	AS at '(a)' above.
19.	V.7.(i)	The process of pre-dispute consultation before issuing a tax demand notice should be put into practice.(Section V.4.b)	The present system of scrutiny of cases provides for a consultation with the taxpayer through issue of specific show cause notices and a limited number of hearings. This instruction has recently been reiterated by the CBDT.

			In the sphere of international taxation, the DRP is providing this mechanism.
20.	V.7.(j)	Disputes must get resolved in time as the time lines are mentioned for decisions in the respective enactments. The law should also prescribe the consequences of not adhering to the time lines, which would be that the case in question would lapse in favour of the taxpayer. (Section V.5)	Although there are no statutory time lines for disposal of appeals by departmental officers, CBDT has issued administrative instructions on 19th June 2015 reiterating the contents of Instruction No. 20/2003 which makes it mandatory to issue appellate orders within 15 days of the last hearing conducted by the CIT(Appeals).
21.	V.7.(o)	The jurisdiction of AAR should be made available for domestic cases also. More benches of AAR should be established at Mumbai, Bangalore, Chennai and Kolkata, with the principal bench at Delhi. (Section V.4.c)	The Income Tax Act has been amended to extend the AAR jurisdiction to domestic cases arising out of a transaction undertaken or proposed to be undertaken w.e.f. 01.10.2014 subject to a monetary ceiling. Two new benches have been established to address the workload.
22.	V.7.(p)	The Settlement Commission should act as part of taxpayer services, and be made available to the taxpayer to settle disputes at any stage. There should also be an increase in the number of benches of the Settlement Commission. It should be manned by serving officers to enhance its accountability. (Section V.5)	Settlement Commission is part of the dispute resolution structure. The Income Tax Act has been amended to expand the scope of settlement commission to settle the disputes in cases where proceedings have been reopened, or can be reopened under the IT Act. More benches of Settlement Commission have been created.
23.	V.7.(q)	Appeals to high courts and the Supreme Court should only be on a substantial question of law. (Section V.5)	This is already a part of the statutory provisions.

**FIRST REPORT -CHAPTER VI
KEY INTERNAL PROCESSES**

S.No..	Para No.	Recommendation	Status
24.	VI.18.(b)(ii)	Promote e-payment. Payment gateways should be increased for better customer convenience :- Electronic methods often used are direct debit and internet banking. India has also started encouraging electronic payments. Going forward, the use of multiple platforms for payment of taxes needs to be encouraged. These channels can be payments using credit/debit cards, e-banking as well as mobile platforms. (para VI.2.c,)	Taxpayers can pay through net banking or through ATM. The main reason for non-acceptance of payment using credit card is the merchant charge levied by credit card companies which may not be acceptable to taxpayers. To encourage e-payments, banks have been given access to online verification of PAN/TAN through NSDL or E-filing. In case of mismatch in PAN/TAN, the bank or NSDL or Department can generate an SMS so that defective data can be corrected at source quickly.
25.	VI.18.(c)(i)	Single return for IT and WT.(VI.3.a)	Wealth tax has since been abolished.
26.	VI.18.(d) (iv)	1. Passbook Scheme for TDS with some safeguards:- Credit is available only in the year the relevant income is declared. This leads to anomalous situations because there is a difference in the treatment of a transaction by a deductor and taxpayer if the taxpayer follows a cash basis of	The present Income Tax return forms already provide for disclosure of carry forward of TDS by taxpayers to account for the difference between cash and mercantile systems or where the TDS is to be accounted for a different assessment year. The 26 AS statement of taxes paid already functions as a pass book of the taxpayer for

		accounting. A passbook scheme for TDS may be adopted with some safeguards. Once TDS is deducted from a payment, TDS should get credited to the taxpayer's account. This should be like an account with running balance to be utilized by the taxpayer at his option to set off his tax liabilities. Advance-tax should not be tax liability minus TDS but should be calculated over all after taking all taxes paid. The taxpayer may settle an installment of advance-tax by debiting this account. (VI.7)	the year.
27.	VI.18(j)	Working of the Directorate of Intelligence and Criminal investigation should be ICT based :- At present, there is a separate on-going project of data-warehousing and business intelligence (DW&BI). Further, a separate directorate of risk management is also proposed to be established under the approved schemes of restructuring. The functions and activities of the DW&BI project and the Directorate of Intelligence are closely integrated and linked, which may provide vital inputs to the directorate of risk management. In this context, the issue relating to the merging of the activities of DW&BI project with the Directorate of Intelligence and Criminal Investigation needs to be considered. (VI.15)	The functions and activities of the DW&BI project and the Directorate of Intelligence and Criminal Investigation are closely integrated and linked, which provide vital inputs to the Directorate of Risk Assessment.
THIRD REPORT-CHAPTER- XI EXPANDING THE BASE			
S.No..	Para No.	Recommendation	Status
28.	XI.7.(i)(a)	There has been a gradual increase in the number of non-corporate taxpayers for the categories Rs.2 lakh-Rs.5 lakh and Rs.5 lakh-Rs.10 lakh over the period FY2007-12 but only a moderate fluctuation in the category below Rs.2 lakh over the same period. The department should ascertain the reasons by analysing the data it is collecting and use the results to enhance the expansion of tax payer base. (Section XI.2.g)	The CBDT has taken up a programme of widening the tax base. It is an integral part of the Central Action Plan 2015-16. The total number of taxpayers now stands at approximately 5.48 Crore. CBDT has already drawn up an action plan to add 1 crore new taxpayers during the F.Y. 2015-16
29.	XI.7.(i)(b)	There is a gap in the number of corporate tax payers registered with the I-T department vis-à-vis the number of working companies registered with the Registrar of Companies (ROC), even though all of them are legally required to file returns mandatorily. The department should pursue this lead to identify corporates that are	This activity is an integral part of the Central Action Plan of CBDT.

		registered but have not filed returns. (Section XI.2.g)	
30.	XI.7.(i)(e)	The tax base is not commensurate with the growth in both corporate and individual incomes in recent years that reflect the growth in the economy. An effective mechanism for collecting information from varied sources should be put in place to identify potential taxpayers and bring them into the tax net, broadening the tax base. (Section XI.2.g)	Information available with the Department under AIR, CIB and NMS are being used to broaden the tax base.
31.	XI.7.(i)(f)	The number of tax payers should be considerably more than it is at present. (Section XI.2.g)	Various Reports have indicated that the taxpayer base is commensurate with the current stage of development of the economy particularly considering that there is no income tax on agricultural income. Nevertheless the Department is aware of the need to increase the number of taxpayers. CBDT has already drawn up an action plan to add 1 crore new taxpayers during the F.Y. 2015-16.
32.	XI.7.(i)(g)	The number of income taxpayers should be doubled, from slightly more than 3 crore to 6 crore in three years, which would entail commensurate staff and financial resources to administer them. (Section XI.2.g)	Expanding the tax base is an on-going exercise. It is an integral part of the Central Action Plan. The total number of taxpayers now stands at approximately 5.48 Crore. CBDT has already drawn up an action plan to add 1 crore new taxpayers during the F.Y. 2015-16.
33.	XI.7.(i)(h)	The CBDT should comprehensively identify reasons for the widening gap between PAN card holders and actual number of taxpayers as also between number of entities to whom TAN has been allotted vis-a-vis number of deductors filing TDS returns. The result obtained should be used to enhance the taxpayer base. (Section XI.2.g)	The gap between TAN holders and deductors is being monitored by CPC TDS. PAN is being used voluntarily as an identification document by individuals, and the gap does not necessarily reflect number of non-filers.
34.	XI.7.(i)(i)	The compliance system should be made simple and more user friendly to encourage voluntary compliance, thereby broadening the tax base. (Section XI.2.g)	A simple and non-intrusive compliance module called Non-filers Monitoring System(NMS)for broadening of tax base is already in place.
35.	XI.7.(i)(j)	There is at present no structured mechanism for matching PAN with non-PAN data. More data based investigation is required to develop such a mechanism as this would contribute to deepening and widening of the tax base. (Section XI.3.a)	Currently a stand-alone Integrated Taxpayer Data Management System (ITDMS) is being used by the Directorate of Intelligence (I&CI) for assigning PAN to non-PAN data. A software based bulk matching system is being tested for quicker results.
36.	XI.7.(i)(k)	TDS leaves an audit trail that acts as a deterrent to tax evasion and in early collection of tax as soon as a transaction takes place. It is a non-intrusive method of expanding the base. Regular monitoring of the tax deduction transactions should be made and compared	TDS transactions are already being monitored and information about gaps is utilized for issue of non-filer notices based on prioritization by CBDT. In cases where return has been filed, the gap between TDS transaction and income reported is included as a parameter for

		with the tax return data to identify whether deductees file tax returns. (Section XI.5.j)	selection of the return for scrutiny. The monitoring of deductors is being done regularly by CPC(TDS) and CsIT (TDS) across the country. TDS returns are one of the sources which are being used in the NMS to identify whether deductees are filing tax returns.
37.	XI.7.(i)(l)	TDS deductors must file the TDS returns on time, each quarter and must include the details of name of the deductees, their PAN and amount of transaction. (Section XI.5.j)	This is being monitored by CPC-TDS.
38.	XI.7.(i)(n)	The taxpayer base may not necessarily increase merely by introduction of TDS unless deductees and deductors file correct returns. To ensure that correct returns are filed, TDS needs to be supplemented by enhanced enforcement methods. (Section XI.5.j)	This is being monitored by CPC-TDS.
39.	XI.7.(i)(cc)	The cash economy is a major problem in the Indian economic system as large scale transactions reportedly take place in cash, especially in land dealings and the construction sector. A non-intrusive verification system should be designed so that more cases of capital gains liability are detected. (Section XI.5.c)	For immovable property transactions, the law mandates registration at Circle rates. This information is also obtained by the Department under AIR/CIB depending upon the thresholds prescribed. As has been mentioned, CBDT has already launched the DW&BI project INSIGHT which has provision for an Analysis and Intelligence centre. A simple and non-intrusive compliance module for broadening of tax base (NMS) is already in place.
40.	XI.7.(i)(dd)	Certain measures should be put in place to discourage cash transactions. For example, municipalities should be encouraged to bridge the gap between the circle rate that is used by them for property valuation for tax imposition, and the market value of properties (even allowing for a lower property tax rate), and increase the digital footprint of transactions. Mandatory mention of PAN should be made more prevalent, backed by robust information exchange between tax authorities and banks and other financial institutions (as detailed in Chapter IX of the TARC report) and the adoption of a common business identification number (CBIN). Indeed, the PAN should be used as a CBIN as recommended in Chapter VI of the TARC report. (Section XI.5.c)	Discouraging cash transactions through Income Tax provisions is an on-going exercise. Cash transactions of Rs. 20,000/- and above in all property transactions have been prohibited by the Finance Act, 2015. Quoting of PAN has been made mandatory by persons entering into 18 specified transactions as notified by CBDT through Income Tax (22nd Amendment) Rules, 2015 on 30th December, 2015.
41.	XI.7.(xiii)(ii)	There should be a comprehensive review of exemptions. Both the Boards should consider measures to phase out unwarranted tax exemptions that continue	The FM has announced in the Budget speech of 2015 that a review of tax exemptions and deductions will be undertaken by the Government as the corporate tax

		in the form of various tax preferences. (Section XI.2.e)	rates are brought down over a period of next four years. The roadmap of phasing out plan of deductions/exemptions has already been placed in public domain.
42.	XI.7(xiv)(uu)	Enforcement should be strengthened to heighten the perception of the risk of being caught and of penalty for non-compliance being high. (Section XI.5.k)	The NMS module includes a compliance window for the taxpayer through which enforcement is being done in a non-intrusive manner, based on information available in the System.
43.	XI.7(xvi)(xx)	Taxpayers keep waiting for amnesty schemes to be announced and take advantage of these schemes to build their capital. Amnesty schemes also cause inequity among taxpayers, and there is no proof that they improve taxpayer behaviour among evaders. They, therefore, should not be encouraged through amnesties. (Section XI.5.l)	There is no proposal for any tax amnesty.
44.	XI.7.(xviii) (aaa)	Generating an environment and tax organisational ethos that encourages maximum voluntary compliance is the direction in which the two Boards should move. (Section XI.5.o)	The CBDT has already started moving in this direction. The Central Action Plan 2015-16 includes a chapter on Communication Strategy designed to create tax awareness and to inculcate the culture of paying tax from school level itself. Senior Officers in the field are visiting schools to talk to children about the role of taxes in nation building. Schools are also being encouraged to bring their children in the age group of 16-18 to visit Income Tax offices across the country.
45.	XI.7.(xix)(bb b)	A permanent body should be set to analyse procedural issues and solve them quickly, on an on-going basis. Analysis should consider administrative as well as policy obstacles. The recommendations of this permanent body on policy and administrative procedures should be sent to the Boards for consideration and comments within a specific time frame, say a maximum of 2-3 months. In case the response of the Boards is not received within the specified time frame, such recommendations may be placed directly before the Finance Minister for consideration. The operation of such a Tax Forum was extremely successful in the previous government, although it has not continued thereafter. Considering the extent of customer satisfaction it generated, it needs to be revived urgently. (Section XI.5.q)	The Government has constituted a High Level Committee (HLC) under the Chairmanship of Dr. Ashok Lahiri to interact on regular basis with trade and industry to ascertain areas where clarity in tax laws is required and to give their recommendations on these issues. The recommendations of HLC have been considered by the CBDT and majority of the recommendations contained in their first two reports have already been implemented.

**THIRD REPORT-CHAPTER XII
COMPLIANCE MANAGEMENT**

S.No.	Para No.	Recommendation	Status
46.	XII.6.(i)(a)	<p>Timely clarificatory circulars can substantially reduce disputes and litigation. The TARC found very little proactive use of the statutory provisions that enable the Boards to issue such circulars. The TARC therefore recommends that:</p> <ul style="list-style-type: none"> • The two Boards must proactively issue clarificatory circulars. • Such circulars should invariably invoke the relevant statutory provisions under which they are issued. They should be expressed in simple and lucid language, avoiding jargon. • The Boards must ensure that all officers adhere to these circulars and avoid taking legal positions in disputes contrary to the circulars. (Section XII.4.a) 	<p>This is an on-going process. CBDT brings out Circulars and Instructions clarifying legal and procedural issues based on references or feedback from the taxpayers or practitioners and officials of the department. Circulars have also been issued to implement recommendations of the HLC set up to interact with trade and industry for clarity in tax laws. These are aimed at bringing in uniformity, certainty and reduction in disputes.</p>
47.	XI.6.(i)(b)	<p>The TARC found that the success rate of the Departments in litigation was very low. This is on account of the poor quality of orders and aggressive revenue target-oriented decisions. The TARC recommends that:</p> <ul style="list-style-type: none"> • The Boards should ensure avoidance of such decisions by reviewing and improving the quality of orders from the perspective of fairness, legality and propriety, irrespective of the revenue consequences. • They should desist from filing of appeals against well-reasoned and sound orders passed by their officers simply because they are pro-taxpayer. • They should take notice of capricious orders, irrespective of revenue consequence and discipline the errant officers - even by meting out punishment where required. (Section XII.4.a) 	<p>Dispute management and resolution is one of the focus areas of the Department. Recently,</p> <ul style="list-style-type: none"> (i) Monetary limits for filing appeals before ITAT, High Courts and Supreme Court have been raised and applied retrospectively in respect of pending appeals. (ii) Collegium of Chief Commissioner have been constituted to review all old appeals having tax effect above the monetary limits for identifying appeals to be withdrawn. (iii) Circulars on accepted judgements have been issued by CBDT for the benefit of the taxpayer with a direction to the Tax Officers to follow these judgements in all pending and future cases. (iv) To deal with capricious orders, CBDT has directed the constitution of a collegium of senior officers. Tax payers

			<p>can approach the collegium if he is aggrieved by a high pitched assessment order.</p> <p>(v) Annual Performance Appraisal Report of assessing officers has been modified to bring about greater accountability.</p>
48.	XI.6.(i)(c)	<p>At present, there is lack of trust and mutual suspicion between the taxpayers and the administration, which impedes the promotion of voluntary compliance. Therefore, the Boards must strive actively to create a trust-based administration. (Section XII.4.a)</p>	<p>CBDT is already following a trust based approach in tax administration. Over 99% of the tax returns filed by the taxpayers are accepted as such. Less than 1% of the returns are selected through Computer Aided Scrutiny Selection (CASS) in a non-discriminatory and non-discretionary manner. Processing of returns not taken up for scrutiny is also done by CPC-ITR in a non-discriminatory and non-discretionary manner.</p>
49.	XI.6.(i)(h)	<p>The values of taxpayer service should be imbibed not only in the taxpayer services function, but across the whole organisation. (Section XII.4.a)</p>	<p>A dedicated vertical for delivery and monitoring of Taxpayer Services has been set up in CBDT, its attached Directorates and field offices for ensuring timely delivery of taxpayer services as well as redressal of their grievances.</p> <p>Training programme on soft skills is being devised.</p>
50.	XI.6.(i)(i)	<p>A code of ethics containing the delineation of the standards of behaviour and conduct should be jointly developed by the Boards in order to give concrete shape to values such as professionalism, objectivity, courtesy and helpfulness and be actionable where deviance is noticed. This code could supplement the Conduct Rules governing the conduct of civil servants. (Section XII.4.a)</p>	<p>Being an organised service the Officers and staff of the Income Tax department are governed by the CCS(Conduct) Rules applicable to all government servants. Recently the Government has amended these rules to include professionalism, objectivity, courtesy and helpfulness etc., to be observed by all the Govt. servants.</p>
51.	XI.6.(i)(j)	<p>A coherent and clearly articulated framework should be developed by the two Boards that would weave the different aspects of the Departments' functioning together into a well-directed movement towards the goal of compliance maximisation. This would enable an assessment of the overall performance against goalposts on that journey. (Section XII.4.a)</p>	<p>The Vision 2020, Strategic Plan Document, Citizen's Charter and Result Framework Document together articulate the framework through which the Department aims to achieve its objectives encapsulated in the Vision Statement i.e., "To partner in the nation building process through progressive tax policy, efficient and effective administration and improved voluntary compliance."</p>
52.	XI.6.(i)(k)	<p>The strategic goal of the tax administration should be to exert such influence on the compliance environment as would maximise voluntary compliance and minimise non-compliance. All decisions, whether strategic or</p>	<p>The Vision 2020 document spells out the goals and the strategic plan 2011-15 to achieve these goals which include those highlighted in this recommendation. The Vision Document contains timelines for review of the</p>

		operational, should be tested against the touchstone of whether they promote such movement or not. (Section XII.4.a)	Strategic Plan. On the basis of review of the strategic Plan 2011-15, the draft Strategic Plan 2016-2020 has been prepared and is being deliberated upon for finalisation.
53.	XI.6(i)(l)	Both the Boards need to develop and implement an effective communication policy intended to eliminate asymmetry of information between the taxpayer and the tax administration and ensure that taxpayers have access to all information that is relevant to compliance. (Section XII.4.c)	All information relevant for compliance has been made available to the taxpayers through Income Tax Department's national website and e-filing portal. In addition, the CBDT also alerts the taxpayers of their responsibilities to file their tax returns and payment of due taxes through audio-visual publicity and through sms and email.
54.	XI.6(iii)(o)	In order to engender a sound tax compliance culture among the youth at an early stage, a tax awareness programme directed at undergraduate students should be considered for implementation in co-ordination with the Ministry of Human Resource Development and the University Grants Commission. (Section XII.4.d)	The Central Action Plan 2015-16 includes a chapter on Communication Strategy designed to create tax awareness and to inculcate the culture of paying tax from school level itself. Senior Officers in the field are visiting schools to talk to children about the role of taxes in nation building. Schools are also being encouraged to bring their children in the age group of 16-18 to visit Income Tax offices across the country.
55.	XI.6.(vi)(nn)	The CBDT should issue standard positions on specific issues as guidance to the TPOs for TP disputes to help ease uncertainty and litigation for the taxpayers. (Section XII.4.e)	CBDT has issued guidelines for Transfer Pricing Officers on specific issues. This is an on-going process. Besides, instructions for procedures to be followed have also been issued.
56.	XI.6.(vi)(oo)	The CBDT should also develop detailed guidelines for developing comparability adjustment. (Section XII.4.e)	Guidelines have been issued on specific issues. This is an on-going activity of the Board.
57.	XI.6.(vi)(rr)	The workload across all TPOs should be rationalised. (Section XII.4.e)	CBDT has issued appropriate instructions in this regard.

**FOURTH REPORT-CHAPTER XIV
PREDICTIVE ANALYSIS**

S.No.	Para No.	Recommendation	Status
58.	XIV.6.(i)(a)	Both the Boards need to take urgent steps to integrate the data across the two tax administrations and begin working jointly on the analysis of the pooled data so that their efforts are synergised and the combined talent in both organisations is brought to bear on the task. This will pave the way for mutual understanding that will lay the foundation for sustained collaboration and co-operation. And this should be only the first step leading to eventual integration of the databases as recommended by TARC earlier. (Section XIV.5.a)	CBDT and CBEC have undertaken data exchange and matching of service tax and commercial tax (Tax 360 pilot) data. Matching of customs data will be carried out on receipt of data from CBEC. A streamlined automatic exchange mechanism is included under Project INSIGHT (Data exchange module).

59.	XIV.6.(i)(d)	As recommended in VII.6 of the TARC's report, both the Boards need to commence the journey to the "digital by default" status in order to reach a level of maturity in the use of data analytics comparable to the best international peers. (Section XIV.5.a)	The percentage of e-filed returns is steadily increasing over the years. More than 97% income tax returns are filed electronically. The tax accounting system has also been digitised. Third party information under AIR and CIB is also received in digital format as is information from other agencies such as FIU-Ind. Streamlined processes for data quality assessment and management is a part of Project INSIGHT (Data Processing, Data Analytics modules).
60.	XIV.6.(i)(e)	Data analytics should be made an integral part of the strategic planning process and the analytical efforts should to be integrated with the programme and project management. (Section XIV.5.b.iii)	Data analysis is being used to support decision making in certain areas. Data analytics and research capability will be greatly enhanced in Project INSIGHT (Data Analytics, Research modules).
61.	XIV.6.(i)(f)	Based on such strategic plans, analytics plans needs to be developed in a project mode – setting out the resources needed, defining the business goals and the expected business outcomes. (Section XIV.5.b.iii)	The Project charter of Project INSIGHT approved by CBDT consists of specific goals and outcomes. The achievement of goals will be monitored during the implementation phase of Project.
62.	XIV.6(ii)(h)	<p>The leadership of the two Boards needs to play a critical role in laying the foundation of analytics in organisations' culture through visible actions to move the ICT functions to the core of the organisations. They need to do this by</p> <ul style="list-style-type: none"> • Imbibing a data driven approach, acquiring a working knowledge of data analytics and learning the value of information as a key asset. • Embracing the idea that data are central to the organisation's business and seeking areas where data analytics could deliver quantum leaps in performance. • Ensuring that the use of ICT and data analytics become a core ingredient of the strategic and operational plans in the different functional domains. (Section XIV.5.b.i) 	<p>Most of the key processes within the Income Tax department have moved to the digital platform through CPC-ITR, CPC-TDS, ITBA, NJRS, Project INSIGHT etc., thereby enhancing capacity of data analysis.</p> <p>ITBA will computerize all business processes of the department. This will bring transparency and uniformity to procedures and decision making process in the department.</p> <p>Project INSIGHT will leverage data analytics as a core ingredient of the strategic and operational plans in the different functional domains.</p>
63.	XIV.6.(ii)(i)	<p>Frontline employees' buy in needs to be secured by</p> <ul style="list-style-type: none"> • Improving the quality and accuracy of communication and improving the reliability of the system and user friendliness of the interface. • An ongoing programme of user training and education including hands-on guidance. 	The digitisation of processes in the income Tax department started in 2009 and the use of electronic medium for interface with the taxpayers and within the Department has been growing incrementally. The user-friendly tools to facilitate the taxpayer and the department's officers are being added regularly. Necessary training is imparted to the Departmental users

		<ul style="list-style-type: none"> Investments in user friendly “self-service” tools that can increase business users’ confidence in analytics. Progressive automation of routine processes, for example, as its risk management system matures and is made more potent and effective through advanced analytical models and tools, customs can explore the option of “machine release” that will lead to release of certain types of cargo without human intervention. Similarly, with improved CASS supported by advanced analytics, the income tax department can vastly sharpen the selection of returns for scrutiny and avoid unproductive workload on their assessing officers, leaving them with a scrutiny basket that is more challenging and productive. (Section XIV.5.b.ii) 	with the introduction of every feature introduced. For the taxpayers the ASK centres and Tax Return Preparers provide the assistance required by them. 32 services are being provided by the e-filing portal of the Department. These have resulted in improved quality and accuracy of communication and also improved reliability of the system and user friendliness of the interface.
64.	XIV.6.(ii)(j)	Analytics-based selection for audit or scrutiny need to be designed to ensure that the probability of a productive outcome is high so that officers do not go after the cases predicted not to win. This will enhance audit or scrutiny productivity and infuse confidence amongst officers and taxpayers. (Section XIV.5.b.ii)	<p>CASS parameters are being fine-tuned based on</p> <ul style="list-style-type: none"> Suggestions received from the field formations Analysis of addition made in cases selected under CASS in previous years Assessment of information available (Return , Forms, Third party Information sources, data exchange etc.) <p>Implementation of alert management framework and use of advanced data analytics to sharpen the selection of returns for scrutiny and avoid unproductive workload for assessing officers is a part of Project INSIGHT (Data Analytics, Alert management, Case Analytics Modules).</p>
65.	XIV.6.(iii)(k)	Analytical capacity needs to be developed on the basis of clearly laid out plans with defined business outcomes. (Section XIV.5.b.iii)	The Department is already working on improving its analytical capability on the basis of the priorities set for itself. Pilot Projects like non-filers monitoring system (NMS), return mismatch verification system (RVMS), Verification of Foreign Remittances etc. give short term results and provide learning opportunities.
66.	XIV.6.(iii)(l)	Recognising that progress towards maturity is a painstaking journey, there are benefits in starting small, launching pilots and capturing low hanging fruit along the way to build confidence and then scaling up.	The Department is already following this approach.

		(Section XIV.5.b.iii)	
67.	XIV.6.(iii)(m)	The planning, however, should factor in the requirements of scaling up. (Section XIV.5.b.iii)	This is being done.
68.	XIV.6.(iii)(n)	The implementation should be accompanied by regular programme and project evaluation. (Section XIV.5.b.iii)	This is being done.
69.	XIV.6.(iv)(o)	The KAIC needs to be made a hotbed of learning and innovation with continuously increasing R & D capabilities to achieve breakthrough insights and should be staffed by an adequate strength of multidisciplinary expertise, including domain experts with strong ICT/analytics skills. (Section XIV.5.b.iv)	Project INSIGHT (Data Analytics, Research modules), Risk Assessment and Intelligence Directorates put together perform the functions of the KAIC as proposed by TARC. Steps are being taken to support training and skill building in the organisation for enhancing the ICT/analytics skills.
70.	XIV.6.(iv)(p)	It should also support the analytical efforts with the different functional verticals through collaboration and guidance to projects that they may on their own undertake. (Section XIV.5.b.iv)	As above
71.	XIV.6.(iv)(q)	It should also support training and skill building in the organisation. (Section XIV.5.b.iv)	As above
72.	XIV.6.(v)(r)	A cadre of data analysts should be groomed within the organisation to service analytical needs in both the KAIC and the functional verticals. They can also act as “translators” who interpret technology for business leaders and operational staff. (Section XIV.5.b.v)	Steps are being taken to support training and skill building in the organisation for enhancing the ICT/analytics skills. ITBA and Project INSIGHT envisage conducting different types of trainings for various categories of users.
73.	XIV.6.(v)(s)	Focused and well-structured training courses should be designed and mandatorily implemented for all levels in the organisation to equip them with the necessary knowledge and skills. (Section XIV.5.b.v)	List of courses relating to ICT/analytics skills have been identified for preparing a training plan for Directorate of Systems.
74.	XIV.6.(v)(v)	Partnerships need to be built with industry, academic and research institutions to build and sustain highly specialised skills and to promote research in KAIC. (Section XIV.5.b.v)	The Department is conscious of this requirement and has been collaborating with research institutions like NIPFP , ICRIER , NIFM, NCAER etc. Data analytics and research capability will be enhanced in Project INSIGHT (Data Analytics, Research modules).

**FOURTH REPORT- CHAPTER XV
RESEARCH FOR TAX GOVERNANCE**

S.No.	Para No.	Recommendation	Status
75.	XV.6(i)(a)	The requirements of the tax administration are not static; they have a dynamic character, requiring constant evaluation and assessment to enable the tax administration to seamlessly modernise itself and look into its future needs. These demands require continuous, on-going research in tax governance so that	The Department has embarked on an large scale modernisation programme in a calibrated manner to transform itself to meet the requirements of the digital era. In recognition of its e-Governance initiatives, the CBDT was conferred ‘Prime Minister’s award for excellence in Public Administration’ for ‘Easy Tax

		there is sufficient and modern thinking available to improve processes, structures, and people functions in the tax administration, leading to better tax governance. (Section XV.1)	Compliance through Quality Service' on 21st April, 2015.
76.	XV.6.(i)(b)	Many with a traditional mind set in the tax department may not consider developing research as being part of the core work of the tax administration. Traditional mind sets, however, need to be transformed to develop processes, taking into account human, organisational and institutional considerations, which encourage research to provide the inputs needed to improve tax administration. (Section XV.5)	The traditional mind sets and approach in the Department has under gone a change as the Department has moved to ICT based processes. There has also been a change from purely enforcement based approach to a service oriented approach.
77.	XV.6.(i)(c)	Research in tax administration needs to include international comparisons by identifying good practices adopted by different tax administrations, understanding them and drawing lessons from them to raise the standards of tax governance. (Section XV.1)	This approach is being followed. The Department is committed to improve its service delivery by adopting best practices from across the world.

RECOMMENDATIONS OF TARC REPORTS (I TO II) - ACCEPTED AND IMPLEMENTED BY CENTRAL BOARD OF CUSTOMS AND CENTRAL EXCISE

**FIRST REPORT – CHAPTER II
CUSTOMER FOCUS**

S.No.	Para no.	RECOMMENDATIONS	STATUS
1.	II.8.(i)	There should be a dedicated organization for delivery of tax payer services with customer focus for each of the Boards. There should be an exclusive Member in each Board for the taxpayer services. (Section II.6.c)	The Directorate General of Tax Payers Services in Central Board of Excise & Customs has been created vide order no. 02/Ad.IV/2015 dated 27.08.2015 (F.NO. A-11013/20/2015-Ad.IV). Member (TPS) has also been given charge of taxpayer services. The Directorate is headed by the Chief Commissioner level officer and its Regional offices at Mumbai, Kolkata, Chennai, Bengaluru, Hyderabad.
2.	II.8.(v)	Sufficient funds must be allocated to conduct customer research including, in particular, on customer surveys. (Section II.6.b)	The first survey on tax payer experience was undertaken by Central Board of Excise & Customs in coordination with FICCI and KPMG. Sufficient funds for customer research including in particular customer service are earmarked.
3.	II.8.(ix)	There should be regular stakeholder consultations on the issues of tax disagreements and tax law charges. (Section II.6.b)	A High Level Committee has already been constituted by the Government in this regard. CBEC holds regular stakeholder consultation through Regional Advisory Committees/Permanent Trade Facilitation Committee (PPFC).
4.	II.8.(x)	There should be a system for online tracking of dak/grievances/ applications for refund etc. It should be made mandatory to receive all dak through a central system generating a unique ID. The ASK software implemented by CBDT provides such a mechanism in a limited manner. This needs to be extended to all offices. The functionality to enable the taxpayer to track the status of his application/grievance online should be added to the ASK system. Similar system for online receipt of application should be enabled on the indirect tax side. (Section II.,6.c).	CBEC is one of the 10 Central Government organizations (with large citizen interface) to implement quality management systems for high standard public services popularly called as SEVOTTAM. Under this, CBEC is committed to acknowledge all written communications including declarations, intimations, applications and returns immediately and in no case later than 7 working days of their receipt; convey decision on matters relating to declarations or assessments within 15 working days of their receipt; and dispose of a refund claim within 3 months of receipt of a complete claim. At present, 53 Commissionerates have been certified as 'Sevottam' compliant and BIS 1515:700 certificate has been issued by the Bureau of Indian Standard (BIS).

FIRST REPORT - CHAPTER IV

PEOPLE FUNCTION

<u>S.No</u>	<u>Para no.</u>	<u>RECOMMENDATIONS</u>	<u>STATUS</u>
5.	IV.5.(i)	Both the departments should shift all their key operations to the digital platform so that performance can be reliably measured. (Section IV.3.d)	CBEC has already initiated the IT Based Service Delivery Mechanism by way of Automation of Central Excise and Service Tax (ACES), Indian Custom EDI System (ICES), (CAAP), Risk Management System (RMS) etc. Further, in order to capture critical performance data electronically, CBEC has developed a Monthly Information System (MIS).
6.	IV.5.(vi)	A comprehensive performance management system needs to be set up for both tax administrations by revisiting and reconstructing the RFD. (Section IV.3.d)	The Director General of Inspection is renamed as Director General of Performance Management for Comprehensive Performance Management. The RFD for the year 2015-16 is available on CBEC website.
7.	IV.5.(xvi)	A formal mentorship programme may be set up, with carefully selected mentors. (Section IV.3.d)	Mentorship programme is already in place.
8.	IV.5.(xvii)	DGs (HRD) should assist the Boards in transfers and postings and they should be member secretaries of the placement committees. The administration section should have no role to play. (Section IV.3.e)	DG (HRD) is already assisting the Board in transfer and posting of the officers.
9.	IV.5.(xviii)	Learning and development should occupy a central place in people advancement and all officers must undergo a minimum 10 days of training every year. (Section IV.3.f)	E-learning modules and e-books have already been developed by NACEN and is available on NACEN website.
10.	IV.5.(xxii)	There should be more proactive approach to preventive vigilance. (Section IV.4.b).	In order to have a pro-active approach to Vigilance, instructions have been issued to Field Formations.
11.	IV.5.(xxv)	No cognizance should be taken of anonymous complaint as laid down in the existing DoPT instruction. (Section IV.4.d)	Instructions issued by DoPT are followed.

**FIRST REPORT – CHAPTER V
DISPUTE RESOLUTION**

SL	Para No.	RECOMMENDATIONS	STATUS
12.	V.7.(a)	For clarity in law and procedures, a process based on best practices viz, Consultative Policy making should be followed. Need to do away with the impression that the taxpayers views are not taken into cognizance while framing the statute and the attendant rules (Section V.4.b).	<ul style="list-style-type: none"> i. Consultative meetings with trade associations are regularly held at the time of preparation of budget. ii. Draft circulars etc., are put on CBEC website for comments by the trade. iii. Only in respect of tariff related changes public consultation is neither desirable or feasible
13.	V.7.(b)	Retrospective amendment should be avoided as a principle. (Section V.3.e)	<ul style="list-style-type: none"> i. Retrospective amendments are made only to iron out the deficiencies in the law. ii. No additional liabilities are created by the retrospective amendments.
14.	V.7.(c)	Fundamental approach should be collaborative and solution oriented. (Section V.3.d)	CBEC has a institutionalize mechanism to consult all stakeholders to while framing its policy. It has been the effort over the years to simplify the tax laws, reduce the compliance cost for taxpayer and minimize interface with the revenue authorities.
15.	V.7.(g)	To minimize the potential for disputes, clear and lucid interpretative statements on contentious issues should be issued regularly. These would be binding on the tax department. (Section V.4.b)	<ul style="list-style-type: none"> i. On contentious issues, Board already issues clarifications from time to time. ii. After every Budget, Joint Secretary (TRU) issues a detailed letter to the field formations clearly explaining the scheme of amendments made in the legislations and also the notifications. iii. On the basis of the references received from the field formations or the trade and industry association, Board issues the required clarifications.
16.	V.7.(i)	The process of pre-dispute consultation before issuing a tax demand notice should be put into practice.(Section V.4.b)	Instructions have been issued on 21.12.2015 to hold pre-Show Cause Notice consultation with the Principal Commissioner and Commissioners in case the demand of duty is above Rs. 50 Lakh (other than offence cases).
17.	V.7.(j)	Disputes must get resolved in the times lines as mentioned in the respective enactments. The law should also prescribe the consequences of not adhering to the time lines, which would be that the case in question would lapse in favor o f the taxpayer. (Section V.5).	<ul style="list-style-type: none"> i. Timelines are already provided in the respective Acts for adjudications. However, these are only indicative. ii. The failure to adhere can be on account of various reasons beyond the control of adjudicating authorities. iii. The suggestion that cases should lapse for delay in adjudication cannot be accepted because in that case the party's will get the matters delayed in the course

DISPUTE RESOLUTION

SL	Para No.	RECOMMENDATIONS	STATUS
			<p>of adjudication to get benefit of this provision.</p> <p>iv. Senior Officers in the rank of Chief Commissioners/ Commissioners are responsible for monitoring the adjudication and ensure that most of the cases are decided in the prescribed time limits.</p>
18.	V.7.(k)	Ordinarily appeal should not be filed against appeals of Commissioner (Appeals), except where the orders are ex-facie perverse. (Section V.5).	Appeals are filed on merit upon review by the Committee of Commissioners
19.	V.7.(o)	The jurisdiction of AAR should be made available for domestic cases also. More benches of AAR should be established at Mumbai, Bangalore, Chennai and Kolkata, (Section V.4.c).	<p>i. The jurisdiction of AAR has already been made available for domestic cases.</p> <p>ii. Present work load of AAR does not justify creation of additional benches.</p>
20.	V.7.(r)	Authorized representatives from the departments should be carefully selected and given sufficient incentives, necessary infrastructural support and specialized training. CDR function should also be in the dispute management vertical. (Section V.5).	<p>i. Authorized representatives are provided incentives in the form of special pay and also infrastructure support. However, increase of the special pay could be considered.</p> <p>ii. System of in-house training of the AR's is being evolved by the Chief Commissioner (AR)</p>
21.	V.7.(s)	On disposal of a case by Supreme Court/High Court and if the judgment is accepted by the Department, an instruction should be issued to all authorities to withdraw appeal in any pending case involving the same issue. (Section V.6)	Departmental instructions has been issued vide DO letter date 28.01.2016 to review the appeals filed in view of the judgment of the Supreme Court in a similar case.

FIRST REPORT- CHAPTER VI

Key Internal Process

SL	Para no.	RECOMMENDATIONS	STATUS
		a) Registration	
22.	VI.18.(a) (iii)	It is necessary to provide for de-registration, cancellation or surrender of registration numbers and PAN.	The Notification No. 35/2001-CE (N.T.) dated 26-6-2001 as amended issued under Rule 9 of Central Excise Rules already provides for deregistration/surrender of registration, revocation and suspension of registration. Similarly, in Service Tax, the Rule 4(7) of the Service Tax Rules provides for surrender of the registration, if the assessee ceases to provide the service for which it is registered.
		b) Tax payment	E-payment of taxes in Central Excise and Service Tax and in Customs for ACP clients and for all imports above Rs. 1 lakh, has been made mandatory. Other recommendations relate to Principal Controller General of Accounts.
23.	VI.18.(b) (i)	Banks should be left to authorize their branches to collect taxes, and the present process of selection of banks needs to be purely standards-based and transparent.	
24.	VI.18.(b) (ii)	Payment gateways should be increased for better customer convenience.	
		c) Filing of Tax Returns	
		Scrutiny in Direct Taxes and Audit in Indirect taxes	
25.	VI.18.(c) (iii)	Audit Commissionerates in the CBEC should undertake integrated audit covering central excise and service tax together and the onsite customs post clearance audit (OSPCA) in case of accredited clients (ACP), as the records and books to be verified are common to all the taxes administered by the CBEC. In major cities where exclusive Central Excise or Service Tax Commissionerates are functional, the audit function should be assigned to a specific Audit Commissionerate for carrying out integrated audit of customs, central excise and service tax.	With the creation of Audit Commissionerates, integrated audit has been launched. Circular No. 985/09/2014-CX dated 22.09.2014 issued in this regard.

Key Internal Process

SL	Para no.	RECOMMENDATIONS	STATUS
26.	VI.18.(c) (v)	Broad-based selection filters for the risk assessment matrix should be put in place. There is also a need to set up a standard operating procedure which recognizes the iterative method, testing them ex-post, to develop effective and efficacious parameters for the risk assessment matrix.	Selection of units for audit is done based on risk parameters developed by DG Audit.
		e) Refunds	
27.	VI.18.(e) (ii)	Refunds sanctioned should be paid along with the applicable interest automatically as is done in the case of income tax and not on demand by the taxpayers. As in the case of direct taxes and customs duty drawback, the refund and interest payment should be directly credited to the bank account of the taxpayer.	Circular No. 1013/1/2016-CX dated 12.01.2016 issued.
28.	VI.18.(e) (vi)	Refund claim subjected to pre-audit verification should be issued within a specified time. The post-audit verification of refund claim should be risk-based.	The relevance and practicality of the present practice of pre-audit and post-audit of refund claims are being reviewed in the light of coming into existence of exclusive Audit Commissionerates.
29.	VI.18.(e) (vii)	An easier and simplified scheme should be introduced for service exporters. The entire refund filing and processing mechanism should be online.	Circular No. 187/6/2015-ST dated 10.11.2015 lays down a scheme for speedy dispersal of pending refund claims of exporters of services under Rule 5 of the CENVAT Credit Rule, 2004.
		g) Tax collections	
30.	VI.18.(g) (i)	There should be a separate vertical for tax collection as recommended in Chapter III of this report. To improve the efficiency of debt collection activities, both the Boards should work on setting up risk assessment models to compute risk scores for each new tax debt case that reflects the likelihood of the taxpayer paying their debt based on objective criteria.	Directorate General of Performance Management (DGPM) monitors the recovery of Indirect Tax arrears.
31.	VI.18.(g) (ii)	Stay of demand information should be uploaded electronically on the central server of the	In view of the introduction of the provision for pre-deposit, there is no longer any relevance to capture such

Key Internal Process

SL	Para no.	RECOMMENDATIONS	STATUS
		departments so that tax collectors can have system generated prior intimations regarding the expiry of stay orders.	information. Nonetheless, as a part of action to build MIS for CBEC, modules are being developed to capture such information as well.
		h) Related party transactions	
32.	VI.18.(h) (i)	Both Boards should frame detailed documentation requirements for transfer pricing as well as custom valuation, keeping in view that such documentation should be reasonable, to bring certainty and predictability for the taxpayers.	Circular nos. 4/2016 and 05/2016 dated 09.02.2016 have been issued for revising the systems and procedures surrounding the SVB process.
33.	VI.18.(h) (ii)	There is a need to align the process in India with global best practices and to do away with the current process. With self-assessment in place, import transactions should only be subjected to post-clearance audit. Valuation risks would be an important component of the risk matrix for audit selection.	Import transactions are already subjected to Post Clearance Audit. The expansion of scope of On-site Post Clearance Audit (OSPCA) to cover other categories of importers is under examination.
		l) Manual of tax departments	
34.	VI.18.(l) (i)	Departmental manuals should be annually updated and put up on the website for easy downloading by both taxpayers and tax officers.	Already such manuals have been developed and placed on the CBEC website.

**SECOND REPORT – CHAPTER VIII
CUSTOMS CAPACITY BUILDING**

S.no	Para no.	Recommendations	Status
		i) Governance	
35.	VIII.6.(i) (a)	The CBEC should immediately commence work on the development of a customs vision and strategic plan, setting out the strategic goals and the implementation strategy that will ensure its place among “best in class” customs administrations. (Section VIII.4.a)	DRISHTI is an overall vision document for the Department which was submitted to the Finance Minister.
		v) SAFE Framework and Trade Facilitation	
36.	VIII.6.(v) (cc)	The CBEC should follow best international practice by regularly undertaking and publishing time release studies. (Section VIII.4.g)	Time Release Study on the lines of WCO guidelines are conducted in 6 monthly basis and the results of the same are uploaded in the website.
37.	VIII.6.(v) (dd)	The CBEC should be enabled, through appropriate administrative and legal empowerment, to play a leadership role among the various border agencies to ensure proper co-ordination at the border. ensure trade facilitation, allow greater participation of all agencies in a common risk management framework and enable the development and implementation of a single window(Section VIII.4.h)	Indian Customs Single Window project is under implementation. Seamless electronic messaging is already operational on pilot basis with Food Safety Standards Authority of India (FSSAI) & Plant Protection, Quarantine and Storage (PQIS) Department. It will be operational by 31.03.2016.

**SECOND REPORT – CHAPTER IX
INFORMATION EXCHANGE**

S. No.	Para No.	Recommendation	Status
		iii) Third Party Exchange	
38.	IX.8 (iii) (k)	All collaborating organisations must categorise the data or information into what can be granted general accessibility and what can be considered for limited sharing or for somewhat spontaneous sharing. The categorisation must be known <i>a priori</i> to the other organisations. (Section IX.5.g)	The CBEC’s data sharing policy already categorises the data as sensitive or non-sensitive and has indicated the process through which the same could be shared with third party.
39.	IX.8 (iii) (l)	This categorisation will help the organisations in being specific in their requests. These requests must be mutually respected. (Section IX.5.g)	It has been incorporated in the CBEC Data sharing Policy.
40.	IX.8 (iii) (m)	The data or information exchange with third parties must be on a digital platform in a seamless manner and exchange of data or information through physical media, i.e., through paper, compact disc, external drive, etc., should be avoided. (Section IX.5.c)	The CBEC Data Sharing Policy categorically mandates exchange of information through a secure manner in a seamless electronic environment with the third party entities.
41.		vii) Audit and Accountability	
42.	IX.8 (vii) (gg)	A robust audit and accountability policy must be developed to address the purpose and scope of information sharing, roles and responsibilities of dedicated teams, authorization layers access to data, review of the safeguards put in place by an agency receiving information and the secure storage, disposal and confidentiality of the data and information. Along with the policy, sound processes are required to facilitate the implementation of the policy. These audits must be conducted by dedicated teams who should report the findings of the audit to the DG (Systems) of the two Boards for course correction. (Section IX.5.l)	<p>CBEC has already implemented a half yearly Information Security audit by a Third Party Auditor for IT controls related to Information Security. In addition CBEC has adopted an ISO: 27001 compliant security policy for which STQC has conducted Annual compliance audits.</p> <p>As regards the business audit across organizations in respect of data shared, this is a policy matter and can be implemented only after an in-principle decision has been taken and the modalities finalized.</p>