ONE-STOP DESTINATION FOR TAXMAN AND TAXPAYER

Parliamentary Panel Shakes Underbelly of Tax Administration

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THE Parliamentary Standing Committee on Finance (PSC) has turned torchlight on nebulous terrain of direct and indirect taxes administration. In its report on the Department of Revenue's (DOR's) demand for grants for 2022-23, PSC has focussed on issues such as search & seizure operations (SSO), tax refunds and tax arrears. These are sensitive issues on which the Government of the day is reluctant to allow requisite transparency and accountability that inspires taxpayers' trust in the authorities.

We urge the Finance Ministry to take corrective measures on these issues as recommended by PSC, which is chaired by former minister of state Mr. Jayant Sinha. He also has impressive credentials in the Finance domain.

It has recommended that the Government should take steps to prevent SSO from "***becoming an instrument of harassment and even corruption***". As put by PSC, "***Many individual taxpayers have made representations to committee members that they are treated as felons by revenue officers while the search is underway. Moreover, they are often asked for bribes so that the search process is truncated and/or abandoned*** ".

Presented to Parliament this week, the report suggests: "***This type of wrongdoing needs to be fully investigated by the Department and taxpayers should be provided an opportunity to provide confidential complaints against wrongdoers*** ".

It is here pertinent to cite news of CBI arresting an official of Directorate General of GST Intelligence, seeking a bribe of Rs 1 crore from a businessman. Such instances are rare to read as corruption is mutually beneficial. Bribery deals are hence hard to detect and prove. Only God knows how much revenue the exchequer loses because of millions of such deals which are clinched at the three tiers of governance right upto local governmental bodies every year.

Referring to the time-lag between search and assessment order issuance, PSC observes that this gap "***defeats the intended purpose*** " of SSOs. DOR does not maintain central data on actual revenue yield from SSOs. To judge efficacy of SSOs, DOR should prune down delays and maintain central data bank on SSOs'yields.

Pitching for confidentiality of documents seized during SSO, PSC wants DOR to hold accountable officials who leak unverified information to the Press.

Describing soaring tax refunds (TRs) as a "***troubling issue***", PSC has recommended "***a thorough inquiry***" into "***ever-increasing trend*** " of refunds that has now become "***a phenomenon with large implications for revenue***".

According to the Report, the Government has provided substantial TRs along with accruing interest on TRs in both direct and indirect taxes domains in last three years.

PSC thus believes that TRs is "***a case of double jeopardy for the exchequer*** ". It has rightly noted that the assessees may be constrained to pay excess advance tax to fulfil DOR's revenue targets. The Report says: ***"The practice of excess refunds may also encourage connivance between tax officials and assessees"*** to the detriment of DOR.

As for tax arrears, this is neither the first nor the last time PSC has voiced its anguish over unstoppable rise in uncollected taxes.

PSC has advised DOR to prepare a "***concrete action plan and a roadmap*** " to clear arrears. This should be done under a time-bound, fast-track mechanism, it suggests. It has found DOR caught in "***vicious cycle of tax arrears*** " which now stand at more than Rs 21 lakh crore (both direct and indirect tax arrears combined). It has taken note of the fact that substantial arrears remain non-recoverable. This fact, PSC believes, "***poses serious questions***" on DOR that has left arrears pending for long.

PSC has also touched upon arrears-related issue of piling up of appeals filed by tax assessees against assessment orders. It is "***extremely concerned***" over more than 6.6 lakh appeals at various fora. A whopping Rs 31 lakh crore of direct and indirect taxes is locked up in all such appeals. While calling income tax department to avoid making arbitrary tax demands, it expects both the Government and tax-payers to exercise restraint in engaging in "***frivolous and speculative litigation***".

It has also urged DOR to implement 2021-22 Budget proposal to set up a Dispute Resolution Committee for small taxpayers. PSC also makes certain observations and recommendations in the budget-making and implementation process.

We hope Finance Minister Nirmala Sitharaman would appreciate PSC's recommendations and observations as positive criticism. It is pertinent to recall her retort against Rahul Gandhi's jibe on 1 February, branding Budget 2022-23 as "zero-sum budget".

Mrs Sitharaman had stated: "***I take criticism but not from somebody who has not done his homework***." We believe PSC did a good home work. We wish all parliamentary panels do better home work to help the Government govern better.