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Recent initiatives by Income Tax Department to promote growth

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THE Income Tax Department under dynamic leadership of CBDT has taken several steps to streamline the Tax system, with a view to promote growth and to reduce the compliance burden so as to promote ease of doing business. These steps include, rolling out of 'faceless assessment and appeal system', facility of pre-filled tax returns, creation of 100 posts of Joint Commissioner (appeals) to fast track appeals disposal and to reduce litigation, front loading of information in possession of the department through improved 26 AS and AIS (Annual Information System), facility of filing updated returns in case any income is left out and e-verification system, as also demand facilitation and management to reduce infructuous tax arrears. These are path breaking initiatives to simplify the tax system, to promote voluntary compliance, with a view to promote ease of doing business. Besides various reliefs have been granted in the recent budgets by the Hon'ble FM, like raising the income up to which no taxes are required to pay from Rs.5 lakhs to Rs.7 lakhs, reduction in tax rates for start-ups and new corporate entities, increasing the limits of tax-free leave encashment to Rs. 25 lakhs, bringing new savings scheme to women and elderly, relief to start ups and cooperatives, reducing compliance burden and decriminalizing various violations. A huge impetus has been given on capex, infrastructure development and clean energy to spur growth. Besides entire Tax System has been made automated and online, be it registration, tax payments, tax return filing, tax refunds or grievances. Now a taxpayer really need not visit a tax office for any work and can discharge his/her tax obligations, 24x7, sitting at home.

2. Faceless Assessment and Appeal System : The system of Faceless Assessment and Appeal was set into motion by the Income Tax Department three years back, with a view to create *transparency, accountability and fairness in the Tax system* . In fact, the *Faceless Assessment and Appeal system has been hailed as one of the major reforms in Direct Tax system in last few decades* .Under the faceless assessment scheme, the old territorial jurisdiction system has given way to a new dynamic country wide jurisdiction, as per which, an Assessing Officer is assigned cases for assessment from anywhere in the country, out of the total pool of the cases selected for scrutiny/investigation during the year. Normally the cases related to that station/place/state are not assigned to the assessing officers of that area. Under the faceless system, the assessments are done completely online, through a fully automated system and there is absolutely no interference between the tax payer and the assessing officer. So far, there has been three years of implementation of this new system and the satisfaction level of the taxpayers has been fairly high, of the order of over 70%. In fact, as per reliable sources, majority of the cases are assessed on returned income. Though in a few cases the tax payers have reported difficulties, like lack of proper opportunity and lack of physical representation before the AO, however, in due course, these things will be sorted out.

Similar approach has been adopted in respect of the faceless appeal system, which is completely a system driven and technology supported. Besides 100 new posts of Joint Commissioner (Appeals) have been created with a view to settle minor disputes faster and to give relief to the taxpayers and is going to be a big game changer.

4. Prefilled Returns: Pre-filled return has been one of the most innovative steps, which the department could implement with the help of technology and has turned out to be a major boon for the salaried tax payer and other smaller tax payers where income may be obtained from salary, rent, interest, dividend, pension, etc. These tax payers now can simply have a look at the details already pre-filled against their PAN by the department, sign it and send it to the department. This reduces the compliance burden and costs in a big way and has been hugely welcomed by the tax payers across the spectrum.

5. E-Verification System: It may happen in many cases that some minor income may be left out

by an assessee ignorantly, like income from dividend, interest or rent, etc. To take care of such situation, an e-verification system has been implemented by the department. In this system, wherever a particular income or transaction is not reported or considered by tax payer while filing his tax return, a query or message is sent to him through e-verification portal to clarify his position. In case he accepts, he can file a revised return or an updated return, may pay some additional tax and the matter closes there. In case the assessee does not agree he can put forward his comments and arguments on the portal itself which will be considered by the officer and in case he finds it O.K. the matter will get closed. This is a very welcoming step taken by the department to reduce unnecessary litigation and to avoid unnecessary proceedings. In fact, an updated return can be filed by a taxpayer within two years to include any income left out, can pay a minor additional tax and matter ends there. No penalty or any other action is taken. This promotes trust and mutual understanding.

6. Demand Facilitation and Management: A lot of infructuous tax demand has been outstanding in the department for several years, especially on account of legacy issues. In many cases, such demand is not enforceable as it has arisen on account of processing under Section 143(1)(a) which may be for the reasons that TDS credit/Advance tax payment is not reflected in the system and therefore not given credit to. In few cases, such tax demand may have already got nullified on account of an appeal order but may still be existing in the system. In some cases, the demand may have been paid by the assessee but challan may not have been linked and therefore demand is still outstanding. In few cases, multiple demand entries for the same year may be reflected out of which only one entry may be relevant. With a view to sort out these problems, the CBDT constituted a committee for "Demand Facilitation and Management" under a Commissioner Rank officer. This committee has been coordinating with the assessing officers all over the country and has been calling the assesseees and helping them to reduce unnecessary infructuous demand. It is learnt that on account of efforts of this committee, tax arrears running into few thousand crores have been reduced.

7. Unified Tax Return: The CBDT has drafted a unified return form, with a view to reduce large number of income tax return forms ranging from ITR-1 – ITR-7. This new return is in public domain and suggestions from the public has been invited. Once approved, this form will help the department in processing tax return and tax payment faster and will also help the taxpayers and tax professionals to comply to the tax obligation in a lot easier way. This is with a view to reduce compliance burden and promoting ease of doing business.

8. Upgraded 26-AS and AIS : The department has also upgraded 26-AS which includes details of TDS in a particular case, details of relevant receipts of transactions, etc. and since details are available to the tax payer before due date of the tax return, he can take the same into consideration before filing his return. This helps the tax payer in filing proper tax return and reduces unnecessary litigation.

9. Similarly, the department has initiated improved Annual Information System (AIS) which reflects all financial transactions of a tax payer which may or may not have tax implication. This helps the assessing officer to have a look at the affairs of the assessee and do proper risk assessment which will go a long way in assessing correct tax liability and reducing the unnecessary litigation.

10. Digitalization of Tax System: As of now, the Income Tax Department is fully automated and almost all functions are online. Be it process of tax filing, tax payment, assessment, refund are all systems and technology driven, where AI and ML is being used in a big way. All notices/communications sent by the department carry a unique DIN (Document Identification Number) so as to have authenticity of the departmental communication. Today, a tax payer can pay the taxes online 24x7, can file his tax return at any time 24x7, can register and obtain his PAN again online. The tax return processing time has been reduced to below one month and refunds if any are sent to his bank account directly again online. The assessment is happening online, the appeal is also happening online, the assessee can also raise any grievance online and can have a track of his affairs online. This promotes growth, ease of doing business and trust.

11. Improved Compliance: These initiatives have changed the entire landscape of tax system in the country. This has also improved the tax compliance which is reflected number of tax returns filed and the overall taxes paid in the country. It may be pertinent to mention over here that over 72 million tax returns were filed in the country electronically during the financial year 2022-23 and taxes of 16.62 Lakh Crores were collected during the relevant period, which is a remarkable milestone. The CBDT has done tremendous job in modernization of tax administration and streamlining the tax system in the service of nation.

12. Rise of Gurgaon on Tax Map: Gurugram as a tax mobilization centre has arrived on the

scene and has been doing very well. It collected a sum of Rs 36,200 Crores in the financial year 2022-23, which is doubled from FY 2020-21. It has a tax base of 6.54 Lakh taxpayers. Seeing the importance of the station, the infrastructure is being upgraded and a new, state of the art, office building is being constructed at a cost over Rs. 190 crores, to provide modern facilities and taxpayer services. Besides a new residential complex is also being built at a cost of 323 crores at Gurgaon. Since a lot of fortune 500 companies are based at Gurgaon, a new post of Commissioner (APA) has been created here which will help the new investors and global companies in a big way.

The station has been serving the taxpayers through *Ayakar Sewa Kendra* and a dedicated vertical for taxpayer services under an ITO, which has been appreciated by the taxpayers and general public.

[The views expressed are strictly personal.]

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