

MOHITE CONSULTANCY SERVICES

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2nd November, 2018

To,
The in Charge,
Office of the Addl. Director General (engg.) (WZ),
All India Radio & Doordarshan,
3rd Floor, Old CGO Building,
M. K. Road, Mumbai – 400020.

Sub: Proposal for rectification of TDS defaults of the Office of the Addl. Director General (Engg.) (WZ), for the FY 2007-08 to FY 2016-17

Ref: Your letter No. ADG I.TAX / TDS / Bill / A/c dated 2nd November 2018

Respected Sir,

With reference to the captioned subject and our discussion on 30th October 2018 please note our reply as follows

OVERVIEW

As per the provisions of the Income Tax Act, 1961 your office (The Deductor) is required to deduct TDS at source while making various types of payments for e.g Salaries, Payment to vendors for services rendered etc. The deducted TDS has to deposited to Govt. treasury on monthly basis. Further, details pertaining to the said deduction such as deductee details, challan details, date and amount of payment etc. are required to be submitted to Income Tax Dept. by filing quarterly returns. In many cases discrepancies are observed by Income Tax Dept. in such returns. These discrepancies which result in monetary effects are termed as 'Defaults' by the Income Tax Dept.

There could be numerous reasons due to which defaults could arise such as Short deduction, Short payments, Challan Mismatch, Challan Overbooking, Incorrect PAN to name a few.

THE CURRENT STATE OF AFFAIRS

- As on 31st October 2018 **Total outstanding demand** for TAN of your department (MUM002862G) **stands at Rs. 54,01,657/-** which spans over various quarters of the last decade. (FY 2007-08 to FY 2016-17)
- Defaults to the tune of 54 Lakh Rupees and that too unresolved for more than 10 years are quite concerning in case of Govt. Department. Due to this reason, your office is receiving frequent letters for recovery of the outstanding demand from Income Tax Department.

THE RAISON D'ETRE FOR THE DEFAULTS

- We have already discussed in depth the urgency and seriousness of the matter concerned with various senior officials of your office. However, despite various discussions and meetings no progress had been made on this front.
- As stated in point No. 2 of letter No. ACIT-(TDS)-2(1) / SD / 2018-19 / 90 dated 23rd October 2018 from the Income Tax Dept. by exercising prudence, we have already provided your office with justification reports of all the quarters having defaults in the month of May 2018 itself, however, till date required information was never provided to us.
- The above statement is not intended as measure to absolve us from our responsibility by saying that information was never received by us, but it is meant to bring to your attention that your office and the accounts team is having genuine hardship in compiling the decade old records.
- We would like to emphasize again on the fact as we also did in our earlier discussions that compiling data for filing TDS corrections is a very labour-intensive process. Further, even if the required data is available, analysing the data and filing correction returns on the basis of the analysis requires quite a bit of professional expertise and experience, both of which are outside the normal working of accounts team of any government department.
- It is our past experience that whenever additional income tax compliance such as TDS corrections are delegated to the accounts team, it puts unnecessary pressure on the them. It also hampers the day to day working of the office. We believe that due to the facts mentioned above the issue is being unnecessarily prolonged for years and years.

THE SOLUTION

- Hence, we would like to propose to your office to outsource the work related to rectification of TDS defaults. Outsourcing the work will provide an assurance that matter will be addressed on priority and in a time bound manner. Further, the work will be handled by professionals having expertise in the field of TDS and TRACES related matters.

OUR PROPOSAL

- We have been appointed by your office for providing consulting on the matters relating to Income tax and filing of TDS returns for the FY 2017-18 and 2018-19. Towards this end, we have assisted your office with various aspects of TDS compliance and implementation starting from April 2017. ***We would like to point out that all the TDS returns filed by us during the period April 2017 to June 2018 have been processed without any defaults. As a matter of fact, Financial year 2017-18 and 2018-19 are the only years which have 'NIL' outstanding demand.***
- We understand that prolonged outstanding demand could result in heavy fines and penalties. Also, coercive actions could be taken against your office by the Income Tax department for recovery of the dues. In order to avoid any such action, we would like to extend our professional services to your office with the following scope of services.

SCOPE OF WORK

Description of the work	Estimated Quantum involved
1. Compilation of the data required for filing correction returns.	<p>Maximum defaults are for the periods prior to FY 2010-11. Hence, retrieval of decade old the physical data requires considerable labour efforts. Further, in many cases, it would be required to co-ordinate with old vendors / staff of your office on consistent basis for resolving queries pertaining to old records. In exceptional cases physical visits to vendors offices may also be required.</p> <p>For this purpose, “Two qualified persons” will be deputed to your office FULL TIME during the tenure of assignment.</p>
2. Reconciliation of records and Preparation of correction template	<p>The reconciliation of each transaction made by your office (and where TDS is deducted), needs to be cross verified – both in the books of accounts of your office and also with the payments made through challans on the NSDL network.</p> <p>For this purpose, “One qualified person” will be allotted for this work FULL TIME during the tenure of assignment.</p>
3. PAN Verification through TRACES portal	<p>On an average each quarter having defaults contains approx. 100 expense entries for which original vouchers/invoices needs to be inspected.</p> <p>(26 Quarters * 100 Invoices = 2600 records/invoices) This process will be done at the backend.</p>
4. Filing of correction return and review	<p>Defaults pertain to 26 quarters (out of which 9 quarters pertain to periods prior to FY 2012-13 for which on-line corrections can be filed only after filing off-line correction first.)</p> <p>Hence, total correction returns required = 26 + 13 = 39 returns (Refer note 1)</p> <p>For this purpose, “One qualified person” will be allotted for this work FULL TIME during the tenure of assignment.</p>

Note 1 - Many a times multiple correction returns for the same quarter are required based on the complexity of the defaults. Hence, total corrections required shall increase accordingly.

FEE QUOTE AS PER THE SCOPE ABOVE

FOR ALL DEFAULTS DURING THE PERIOD FY 2007-08 TO FY 2016-17

: - Rs. 3,00,000/- (RUPEES THREE LAKHS ONLY) *

**GST and other Govt levies will be extra, at applicable rates.*

**The above quoted rates may be subject to revision if a significant change is made to the Income Tax regulations requiring additional efforts.*

TERMS OF THE PROPOSAL:

1. Payment for the contract shall be based on **percentage of completion method**.
Fee shall be payable by your office upon receipt of invoice as follows.
 - a. 30% - On rectification of 30% of the total outstanding demand *
 - b. 30% - On rectification of 30% of the total outstanding demand *
 - c. 30% - On rectification of 30% of the total outstanding demand *
 - d. 10% - On rectification of 100% of the total outstanding demand ****Total outstanding demand as on 31/10/2018 = Rs. 54,01,657/-**
2. As an assurance NIL liability certificate along with each invoice will be provided for the quarters for which rectification has been fully done.
3. We undertake to provide assurance that **at minimum 90 percent of the outstanding demand** for the period FY 2007-08 to FY 2016-17 as on 31st October, 2018 will be rectified.
4. Taking into account the complexity and quantum of the work an estimated **three months** would be required for the completion of the assignment.
5. For ensuring maximum rectification of the defaults co-operation from your office is required w.r.t availability of records such as invoices from vendors, challan copies, provisional receipts/ acknowledgment of returns filed etc. Please note that defaults can be rectified only to the extent the records are made available to us.
6. Your office shall make available required space necessary for working of the TWO persons as mentioned in point 1 of the scope. Access to computer system is appreciated but not mandatory.

CONCLUSION

We really appreciate the efforts of the management by taking the initiative to resolve the prolonged outstanding demand. Income tax compliance being our core area of practice, we are confident to complete the assignment well within time and put an end to the queries raised by the IT Dept.

We will be glad to discuss the above Scope and other details of the proposal and hope that our proposal is considered positively.

Thanking you,

For M/s Mohite Consultancy Services



Tushar Mohite
Managing Partner