

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 period 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 with senior officials of your office on 30th October 2018 please note our reply as follows.

OVERVIEW

- As per Part B of Chapter XVII of the Income Tax Act, 1961 certain persons are required to deduct Tax at source (Deductors) while making various types of payments for e.g. Salaries, fees for professional services obtained etc. **The tax deducted at source has to be deposited with the Govt. treasury on monthly basis.** Further, details pertaining to the said deduction such as deductee details (Person from whom TDS was deducted), challan details, date and amount of payment etc. are required to be submitted to Income Tax Dept. **by filing quarterly TDS returns.**
- TRACES portal of the Income Tax Dept. processes the TDS returns filed by the Deductor's and also points out discrepancies in the reported data, if any. Seldom the discrepancies observed by TRACES portal results in **increasing the liability** of the deductor to deduct and deposit the TDS, by an amount exceeding the amount **which was originally reported** by the deductor in the TDS return.
- Such additional liability is termed as '**default**' by the TRACES portal and demand is raised on the Deductor asking to make good the default by making the payment of under reported liability along with interest and penalties. There could be numerous reasons due to which defaults could arise such as Short deduction, Short payment, Challan Mismatch, Challan Overbooking, Incorrect PAN to name a few.

THE CURRENT STATE OF AFFAIRS

- As on 31st October 2018 **total defaults/ total outstanding demand** for your office as per TAN - 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 notices from the income tax department for recovery of the outstanding demand.

THE RAISON D'ETRE FOR THE DEFAULTS

- On many occasions we have discussed in depth, the urgency and seriousness of the matter concerned with various senior officials of your office. However, till date, despite various discussions and meetings no progress had been made on this front.
- In the month of May 2018, we have provided your office with justification reports (JR state the reason for defaults) of all the quarters having defaults. Same was also asked in point No. 2 of letter No. ACIT-(TDS)-2(1) / SD / 2018-19 / 90 dated 23rd October 2018. Since then five months have been passed and your office was unable to provide with the information required for rectification of defaults.
- The above fact clearly points out the genuine hardship faced by the accounts department of your office 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 tedious and 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 department of any government office.
- It is our past experience that whenever additional income tax compliance such as TDS corrections are delegated to the accounts department, it puts additional workload as well as unnecessary pressure on the them. It also hampers the day to day working of the department. We believe that due to the facts mentioned above the rectification of defaults has already been unnecessarily prolonged for 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.
- Please note that every single day of delay in rectifying the TDS defaults increases the interest liability of your office due to late payment. **Making the prompt action on this matter the need of the hour.**

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 FY 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>Total 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. 3,49,000/- (RUPEES THREE LAKHS FOURTY NINE THOUSAND 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. Since the Income tax compliance is our core area of practice, we are very much confident that assignment will be completed well within time and queries raised by the IT Dept. will be put to an end.

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