

32 Recommendations of TARC Third Report -Acceptable/Acceptable with modification- Under Implementation (CBDT)			
Sr. No		Recommendation of TARC	Comments
	Chapter X Impact Assessment	Why impact assessment	Under Implementation
1	1.	a) Impact assessment process aids decision making and increases the involvement and accountability of decision makers at all levels, including the ministerial level, and demonstrates how the decisions of the government will benefit society at large. It should be initiated at the earliest. (Section X.4)	Under Implementation
2	7.	g) Proper capacity will have to be built in the Tax policy and Legislation unit of CBDT and the Tax Research Unit of CBEC (and in the recommended Tax Policy and Analysis Unit) as well as at the field level (in the directorates) so that vertical and horizontal integration of the overall capacity and accountability of the two organisations – the CBDT and the CBEC – increase and impact assessment before taking any initiative becomes part of the basic working process at all levels. The entire process has to be seen as a management tool for any tax action,	Under Implementation

		legislative or administrative. (Section X.4)	
3	8.	Stakeholder engagement h) Stakeholder consultation enhances the transparency of any decision making process, provides quality control on any tax action and improves the information on which decisions are based. Stakeholder consultation should not only form part of the decision making process, but should be considered an independent tool for decision making in its own right. (Section X.4.b)	Under Implementation
4	30	dd) ICT systems already generate a considerable amount of data. These data or information need to be evaluated for their immediate suitability or suitability after some changes. Storage and protection of existing data, and enabling data creation through data mining are crucial at this stage in both the CBDT and CBEC. External data may also be gathered through general surveys, secondary data sources or archival data and interviews or stakeholder consultations during seminars and conferences. (Section X.4.e)	Under Implementation
		v) Communicating results	
5	34	hh) It should be mandated that the CBDT or CBEC estimate the impact of proposed legislation on the costs to be borne by the taxpayers. This should be with a view to reducing the compliance burden which, of late, has increased due to regulatory creep. It is important that the impact assessment captures	Under Implementation

		the expected impact in qualitative and quantitative terms. (Section X.5)	
6	35	vii) Role of KAIC in implementation	Under Implementation
7	45	rr) Regular training programmes will need to be instituted to support the preparation of impact assessment programmes to familiarise officials with the scope of, and the work involved in, impact assessment, and their obligations during the impact assessment process. (Section X.4.i)	Under Implementation
	Chapter- XI Expanding the Base		
		ii) Collection, dissemination and effective use	
8	63	m) TDS coverage should be expanded to capture more and more transactions, especially those that involve large amounts of cash but remain outside the tax net. (Section XI.5.j)	Under Implementation
9	70	t) The presumptive taxation scheme should be backed by taxpayer education programmes to bring taxpayers up to the point at which they can enter the regular tax system. This should be an important goal of the scheme. (Section XI.5.b)	Under Implementation

		viii) Retail sector	
10	81	ee) There is a need to develop better assessment of the underground economy both in terms of its size and the economic and behavioural factors that motivate the players in that economy. There is no recent study on the issue. Therefore, there is an urgent need to promote research in this area within the expanded, analysis-oriented Knowledge, Analysis and Intelligence Centre (KAIC) as recommended in Chapter III of the TARC report. That would provide much needed insight into the functioning of the black economy and how to harness it with appropriate revenue yielding administrative measures. (Section XI.5.b)	Under Implementation
		xi) Services sector	
11	82	ff) The services sector has been growing over the years but has not been taxed in an optimal manner due to the tax administration's incapacity to determine the actual potential of individuals working in these sectors, as well as over estimation and obvious errors in estimation in some sectors. The tax administration needs to be fully equipped with data and understanding of the business processes to be able to work out the correct business volumes, expenses, receipts and profitability of the business sector being reviewed in conjunction with information gathered from, and consultations with, chambers of industry and commerce. These parameters should also be well documented and circulated so that the taxpayer has a fair idea about parameters used to determine his tax liability. This will curtail the discretion of the tax administration and increase the transparency of implementation of tax laws in question. (Section XI.5.j)	Under Implementation
		xii) High net worth individuals (HNWI)	

12	84	hh) Following international practices, the CBDT should also exclusively focus on HNWIs. Administratively there is need for a separate cell for HNWIs with a view to improving the understanding of different customer needs and behaviours in order to respond to them appropriately, assisting them to get their affairs right and pursuing those who bend or break the rules. (Section XI.5.g)	Under Implementation
13	88	ll) Specific economic parameters like growth rates of specific sectors, and growth of businesses and households should be identified and analysed for increasing the taxpayer base. The economic parameters, once selected, should be periodically verified, improved and modified. Schemes based on specific economic parameters should never be dropped midway without a critical evaluation of the effectiveness of the parameters selected and possible modification to suit revenue needs. Broad parameters should be narrowed down into more specific ones as experience in parameter analytics is gathered and consolidated. (Section XI.5.h)	Under Implementation
		xiv) Survey, search and seizure	
14	93	qq) Surveys and technology based information and intelligence systems should be used to identify potential taxpayers. Action needs to be taken jointly by the direct and indirect tax administrations in an integrated and co-ordinated manner to get better results. Databases of different agencies like the Medical Council of India and AADHAAR should be used to locate non-filers and stop filers. (Section XI.5.k)	Under Implementation
15	94	rr) Surveys should be based on growth trend in sectors and industries especially clusters of business units known for use of undocumented and cash transactions; expenditure and opulent life style etc. Tax administration should develop/use software to zero in on such behavioural indicators. (Section XI.5.k)	Under Implementation

16	96	tt) Search and seizure mechanisms should be used in a co-ordinated manner in limited cases. To achieve better results information should be shared in a structured and integrated manner as discussed in detail in Chapter IX of the TARC report. (Section XI.5.k)	Under Implementation
17	98	vv) Anti-avoidance provisions should be incorporated in tax laws to be implemented with great care and sensitivity. (Section XI.5.k)	Under Implementation
		xvii) Research and analysis	
18	102	zz) The TARC recommends that sanitised macro data on taxpayers, returns filed, tax collected, etc., should be made available in the public domain, so that research bodies are able to analyse them and provide their findings to the tax department from time-to-time. This will help in developing research input for decision making.	Under Implementation
	XII Compliance Management		
19	108	d) Both the Boards will need to infuse life in their Vision and Mission statements to create a value-based administration by strengthening their internal governance supported by an effective performance management framework. This would require the development of performance measures and indicators that would bring about coherence between organisational goals and individual behaviour. (Section XII.4.a)	Under Implementation

20	109	e) The NADT and NACEN must give the highest priority to shaping of leadership and inculcation of the code of ethics. This should be done through structured leadership programmes, designed with the help of national and international institutions of repute. (Section XII.4.a)	Under Implementation
		ii) Customer focus	
21	117	m) A scheme similar to <i>Samman</i> but based on more sophisticated parameters should be jointly developed with suitable incentives including public recognition. (Section XII.4.b)	Under Implementation
22	118	n) Customer convenience and compliance cost should form a central aspect of any planning for change, whether in law or procedures. (Section XII.4.c)	Under Implementation
		iv) Compliance risk management	
23	121	q) A common compliance risk management framework should be developed by both the Boards to manage strategic as well as operational risks using a structured risk management process. This should be based on: <input type="checkbox"/> Extensive research and analysis <input type="checkbox"/> A robust segmentation strategy for addressing compliance risks based on the relevant structural, economic and behavioural factors <input type="checkbox"/> The use of all compliance tools, namely taxpayer services, compliance verification and enforcement, in a manner that is calibrated according to behavioural segmentation of taxpayers <input type="checkbox"/> Continuous review of the effectiveness of risk treatment actions <input type="checkbox"/> Rewarding highly compliant behaviour by launching a scheme similar to	Under Implementation

		<i>Samman</i> but based on more sophisticated parameters and providing more attractive incentives, besides public recognition. (Section XII.4.b)	
24	122	r) Both the Boards should develop a robust compliance measurement framework to enable robust compliance risk management. (Section XII.4.b)	Under Implementation
25	123	s) A high degree of coordination between the Boards as well as between different functional verticals within each Board needs to be ensured through coordination committees. This process needs to be a structured, formal one. (Section XII.4.b)	Under Implementation
26	124	t) While the organisation-wide risk management should be the responsibility of the Strategic Planning and Risk Management (SPRM), the responsibility for risk management for functions such as compliance verification and enforcement would be with the relevant vertical. (Section XII.4.b)	Under Implementation
27	135	ee) On the CBDT side, the ITD-MS should be used for audit selection. (Section XII.4.e)	Under Implementation
28	137	gg) The mandatory selection criteria for audit/scrutiny selection in both the Boards should be dispensed with. Both Boards should move towards multi-year audits from the current single year audits and the frequency of audits should be determined by risk assessment and compliance behaviour of the taxpayers and the availability of resources for audit. (Section XII.4.e)	Under Implementation
29	143	mm) Audit officers in both Boards should encourage voluntary disclosures and refrain from resorting to penal actions in the case of <i>bona fide</i> disclosures. (Section XII.4.e)	Under Implementation
		vi) Transfer pricing audits	

30	146	pp) The present accounting data does not provide gross profit and so the databases used for TP analysis provide only net profit of a company or entity, and not gross profit. The CBDT needs to work with the ICAI on changing the existing accounting rules so that gross profit is available in a uniform manner to undertake better comparisons. (Section XII.4.e)	Under Implementation
31	147	qq) The APA team should have trained economists embedded for making economic analysis on advance prices. (Section XII.4.e)	Under Implementation
		vii) Enforcement	
32	154	xx) Provisions for publication of details of tax offenders should be used for giving wide publicity so that a deterrent effect is created. (Section XII.4.f)	Under Implementation