

39 Recommendations of Third Report of TARC which are Implemented			
Sr. No.		Recommendation of TARC	Comments
	Chapter- XI Expanding the Base	i) Number of taxpayers	
1	51	a) There has been a gradual increase in the number of non-corporate taxpayers for the categories Rs.2 lakh-Rs.5 lakh and Rs.5 lakh-Rs.10 lakh over the period FY2007-12 but only a moderate fluctuation in the category below Rs.2 lakh over the same period. The department should ascertain the reasons by analysing the data it is collecting and use the results to enhance the expansion of tax payer base. (Section XI.2.g)	Implemented
2	52	b) There is a gap in the number of corporate tax payers registered with the I-T department vis-à-vis the number of working companies registered with the Registrar of Companies (ROC), even though all of them are legally required to file returns mandatorily. The department should pursue this lead to identify corporates that are registered but have not filed returns. (Section XI.2.g)	Implemented
3	55	e) The tax base is not commensurate with the growth in both corporate and individual incomes in recent years that reflect the growth in the economy. An effective mechanism for collecting information from varied sources should be put in place to identify potential taxpayers and bring them into the tax net, broadening the tax base. (Section XI.2.g)	Implemented
4	56	f) The number of tax payers should be considerably more than it is at present. (Section XI.2.g)	Implemented

5	57	g) The number of income taxpayers should be doubled, from slightly more than 3 crore to 6 crore in three years, which would entail commensurate staff and financial resources to administer them. (Section XI.2.g)	Implemented
6	58	h) The CBDT should comprehensively identify reasons for the widening gap between PAN card holders and actual number of taxpayers as also between number of entities to whom TAN has been allotted vis-a-vis number of deductors filing TDS returns. The result obtained should be used to enhance the taxpayer base. (Section XI.2.g)	Implemented
7	59	i) The compliance system should be made simple and more user friendly to encourage voluntary compliance, thereby broadening the tax base. (Section XI.2.g)	Implemented
		ii) Collection, dissemination and effective use	
8	60	j) There is at present no structured mechanism for matching PAN with non-PAN data. More data based investigation is required to develop such a mechanism as this would contribute to deepening and widening of the tax base. (Section XI.3.a)	Implemented
		iii) Tax deducted at source (TDS)	
9	61	k) TDS leaves an audit trail that acts as a deterrent to tax evasion and in early collection of tax as soon as a transaction takes place. It is a non-intrusive method of expanding the base. Regular monitoring of the tax deduction transactions should be made and compared with the tax return data to identify whether deductees file tax returns. (Section XI.5.j)	Implemented
10	62	l) TDS deductors must file the TDS returns on time, each quarter and must include the details of name of the deductees, their PAN and amount of transaction. (Section XI.5.j)	Implemented

11	64	n) The taxpayer base may not necessarily increase merely by introduction of TDS unless deductees and deductors file correct returns. To ensure that correct returns are filed, TDS needs to be supplemented by enhanced enforcement methods. (Section XI.5.j)	Implemented
		vi) Presumptive taxation	
12	67	q) There is still a large number of individuals in businesses, trade, services and professions, (especially in the unorganised informal sector and sectors where large scale transactions take place in cash) who are outside the tax net. Therefore, the presumptive profit estimation scheme should be reviewed based on appropriate analysis and its scope enlarged. (Section XI.3.i)	Implemented
13	68	r) Many small businesses in the informal economy elude the tax net and remain untaxed. For these groups, the tax administration should design, promote, and establish simple, optional presumptive tax schemes, including those based on turnover or a compounding (turnover) basis, in service tax below a threshold. (Section XI.5.b)	Implemented
14	69	s) Since there is some scope for presumptive taxation in the I-T Act, which is applicable to only some business sectors with a turnover below a threshold limit, data mining remains crucial for analysis based strategies to examine if its scope should be expanded. (Section XI.5.b)	Implemented
15	71	u) In the ultimate analysis, under no circumstance should a taxpayer be allowed to hide for his entire productive life as a non-filer or in the comforting embrace of an unduly favourable presumptive taxation system. Progressive assimilation should be not only through education, but also through increased risk perception regarding the likelihood of penalties being imposed. (Section XI.5.a)	Implemented

16	72	v) It is equally important to ensure that large and medium enterprises which are in the normal system or should be there should not be allowed to migrate into the simplified system to avoid paying tax. (Section XI.5.a)	Implemented
17	74	<p>x) High tax rates, the inability to understand a complex tax system and procedures, and lack of confidence in government efficiency in the use of revenues are added reasons for low voluntary compliance. Therefore, tax administration measures to improve SMEs tax compliance should include</p> <ul style="list-style-type: none"> • quick and easy processes for registration and PAN issuance • clear and easily available information on tax registration, filing and payment obligations and procedures, and a turnover based regime • targeted risk selection and audit activities taking into account the specific characteristics of different groups of SMEs • once compliance behaviour is understood, raising compliance is likely to again call for simplified returns, with simple profit and loss statement and simplified capital allowance so that whichever SME is selected, their audit remains fair and transparent and not prone to disputes • setting up of at least 8 call centres for responding to, and resolving basic queries and • visit by specialised officers in a group for SME support. (Section XI.5.b) 	Implemented

18	75	y) Unorganised retailers often have a tendency not to pay taxes and most are not even registered for VAT at the state level or income tax and service tax at the central level. There is a distinct aversion to paying taxes. A conducive environment and tax culture should be created to encourage them to pay their tax dues voluntarily. (Section XI.5.d)	Implemented
19	89	mm) Exemptions/deductions based on area and industry should be minimised, if not done away with. If at all, investment incentives could receive a tax preference since they directly affect growth; even such incentives should be for a specific period of time and a sunset clause should be introduced to ensure a review of the benefit arising from a lower rate of tax or development of an industry/area. For all other categories, including SSIs, every attempt should be made to reduce tax preferences even if the likelihood of success in curbing the incentives may be expected to remain low. (Section XI.5.h)	Implemented
20	149	ss) In selected cases, teams led by senior officers should undertake on-site visits in complex cases, scheduled in consultation with the taxpayer. A move should also be made from multi-year audits rather from the current single-year audits, to include all pending assessments so that repeated visits to the same assessee are avoided. (Section XII.4.e)	Implemented
		x) Cash economy	
21	79	cc) The cash economy is a major problem in the Indian economic system as large scale transactions reportedly take place in cash, especially in land dealings and the construction sector. A non-intrusive verification system should be designed so that more cases of capital gains liability are detected. (Section XI.5.c)	Implemented

22	80	dd) Certain measures should be put in place to discourage cash transactions. For example, municipalities should be encouraged to bridge the gap between the circle rate that is used by them for property valuation for tax imposition, and the market value of properties (even allowing for a lower property tax rate), and increase the digital footprint of transactions. Mandatory mention of PAN should be made more prevalent, backed by robust information exchange between tax authorities and banks and other financial institutions (as detailed in Chapter IX of the TARC report) and the adoption of a common business identification number (CBIN). Indeed, the PAN should be used as a CBIN as recommended in Chapter VI of the TARC report. (Section XI.5.c)	Implemented
23	85	ii) There should be a comprehensive review of exemptions. Both the Boards should consider measures to phase out unwarranted tax exemptions that continue in the form of various tax preferences. (Section XI.2.e)	Implemented
		<i>xiv) Survey, search and seizure</i>	
24	97	uu) Enforcement should be strengthened to heighten the perception of the risk of being caught and of penalty for non-compliance being high. (Section XI.5.k)	Implemented
		<i>xvi) Tax amnesty</i>	
25	100	xx) Taxpayers keep waiting for amnesty schemes to be announced and take advantage of these schemes to build their capital. Amnesty schemes also cause inequity among taxpayers, and there is no proof that they improve taxpayer behaviour among evaders. They, therefore, should not be encouraged through amnesties. (Section XI.5.l)	Implemented

26	103	aaa) Generating an environment and tax organisational ethos that encourages maximum voluntary compliance is the direction in which the two Boards should move. (Section XI.5.o)	Implemented
		<i>xix) Tax Forum</i>	
27	104	Bbb) A permanent body should be set to analyse procedural issues and solve them quickly, on an on-going basis. Analysis should consider administrative as well as policy obstacles. The recommendations of this permanent body on policy and administrative procedures should be sent to the Boards for consideration and comments within a specific time frame, say a maximum of 2-3 months. In case the response of the Boards is not received within the specified time frame, such recommendations may be placed directly before the Finance Minister for consideration. The operation of such a Tax Forum was extremely successful in the previous government, although it has not continued thereafter. Considering the extent of customer satisfaction it generated, it needs to be revived urgently. (Section XI.5.q)	Implemented
	XII Compliance Management		
28	105	<p>a) Timely clarificatory circulars can substantially reduce disputes and litigation. The TARC found very little proactive use of the statutory provisions that enable the Boards to issue such circulars. The TARC therefore recommends that:</p> <ul style="list-style-type: none"> <input type="checkbox"/> The two Boards must proactively issue clarificatory circulars. <input type="checkbox"/> Such circulars should invariably invoke the relevant statutory provisions under which they are issued. They should be expressed in simple and lucid language, avoiding jargon. <input type="checkbox"/> The Boards must ensure that all officers adhere to these circulars and avoid 	Implemented

		taking legal positions in disputes contrary to the circulars. (Section XII.4.a)	
29	106	<p>b) The TARC found that the success rate of the Departments in litigation was very low. This is on account of the poor quality of orders and aggressive revenue target-oriented decisions. The TARC recommends that:</p> <ul style="list-style-type: none"> <input type="checkbox"/> The Boards should ensure avoidance of such decisions by reviewing and improving the quality of orders from the perspective of fairness, legality and propriety, irrespective of the revenue consequences. <input type="checkbox"/> They should desist from filing of appeals against well-reasoned and sound orders passed by their officers simply because they are pro-taxpayer. <input type="checkbox"/> They should take notice of capricious orders, irrespective of revenue consequence and discipline the errant officers - even by meting out punishment where required. (Section XII.4.a) 	Implemented
30	107	c) At present, there is lack of trust and mutual suspicion between the taxpayers and the administration, which impedes the promotion of voluntary compliance. Therefore, the Boards must strive actively to create a trust-based administration. (Section XII.4.a)	Implemented
31	112	h) The values of taxpayer service should be imbibed not only in the taxpayer services function, but across the whole organisation. (Section XII.4.a)	Implemented
32	113	i) A code of ethics containing the delineation of the standards of behaviour and conduct should be jointly developed by the Boards in order to give concrete shape to values such as professionalism, objectivity, courtesy and helpfulness and be actionable where deviance is noticed. This code could supplement the Conduct Rules governing the conduct of civil servants. (Section XII.4.a)	Implemented

33	114	j) A coherent and clearly articulated framework should be developed by the two Boards that would weave the different aspects of the Departments' functioning together into a well-directed movement towards the goal of compliance maximisation. This would enable an assessment of the overall performance against goalposts on that journey. (Section XII.4.a)	Implemented
34	115	k) The strategic goal of the tax administration should be to exert such influence on the compliance environment as would maximise voluntary compliance and minimise non-compliance. All decisions, whether strategic or operational, should be tested against the touchstone of whether they promote such movement or not. (Section XII.4.a)	Implemented
35	116	l) Both the Boards need to develop and implement an effective communication policy intended to eliminate asymmetry of information between the taxpayer and the tax administration and ensure that taxpayers have access to all information that is relevant to compliance. (Section XII.4.c)	Implemented
		iii) Cultivating a culture of compliance	
36	119	o) In order to engender a sound tax compliance culture among the youth at an early stage, a tax awareness programme directed at undergraduate students should be considered for implementation in co-ordination with the Ministry of Human Resource Development and the University Grants Commission. (Section XII.4.d)	Implemented
		vi) Transfer pricing audits	
37	144	nn) The CBDT should issue standard positions on specific issues as guidance to the TPOs for TP disputes to help ease uncertainty and litigation for the taxpayers. (Section XII.4.e)	Implemented

38	145	oo) The CBDT should also develop detailed guidelines for developing comparability adjustment. (Section XII.4.e)	Implemented
39	148	rr) The workload across all TPOs should be rationalised. (Section XII.4.e)	Implemented