

**STATEMENT OF THE RECOMMENDATIONS OF THE TAX REFORM ADMINISTRATION COMMISSION, WHICH ARE NOT
ACCEPTED
CBEC**

ANNEXURE II

FIRST REPORT		
CUSTOMER FOCUS (CHAPTER II)		
SL	TARC's RECOMMENDATIONS	STATUS
1.	Taxpayer service delivery will be located under one umbrella for large tax payers, i.e., the CBDT and CBECE will jointly function for large taxpayers through Principal DG (LBS). For other taxpayers, i.e., medium and small, the operations of the CBDT and CBECE will continue in separate chains.(Section 11.6c.)	NOT ACCEPTED
2.	In redressing taxpayer grievances, the decision of the Ombudsman should be binding on tax officers. To bring independence and effectiveness to the office of the Ombudsman, non-government professionals should also be inducted in the post (Section II.6.b)	NOT ACCEPTED
STRUCTURE AND GOVERNANCE (CHAPTER III)		
3.	The two Boards must embark on selective convergences immediately to achieve better tax governance, and, in next five years, move towards a unified management structure with a common Board for both direct and indirect taxes, called the Central Board of Direct and Indirect Taxes. For a unified management structure, apart from the common Board, the functions that can easily support the framework would be in the areas of human resource management and vigilance, finance, ICT, infrastructure and logistics, and compliance verification. (Section III.4.e)	NOT ACCEPTED
4.	The convergence can begin for large business segment by setting up of a large business service (LBS) which will be integrated and operated jointly by both the Boards. This will be a taxpayer segmentation by the tax administration, and joining LBS will not at the option of the taxpayer. All the core tax functions will be managed jointly by officers of both the Boards. (Section III.4.b)	NOT ACCEPTED
5.	The post of Revenue Secretary should be abolished. The present functions of the Department of Revenue should be allocated to the two Boards. This would empower the tax departments to carry out their assigned responsibilities efficiently. (Section III.7)	NOT ACCEPTED
6.	A Governing Council, headed by chairperson of the two Boards, by rotation, and with participation from outside the Government, should be set up at the apex level to oversee the functioning of the two Boards. (Section III.4.c)	NOT ACCEPTED
7.	An Independent Evaluation Office (IEO) should be set up. Its main work would be to monitor the performance of the tax administration, promote accountability, evaluate the impact of tax policies and assess all factors that affect tax	

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	administration. IEO will report to the Governing Council so as to ensure its independence. (Section III.4.c)	
8.	The two Boards would be responsible only for policy dimensions of tax administration, while the directorates under them would be responsible for operations in the field formations. These directorates would have a vertical and horizontal alignment with functions, and would interact with each other in a matrix-like structure of responsibilities and accountability. (Section III.5)	NOT ACCEPTED
9.	A common approach for developing robust and comprehensive enterprise risk management framework should be adopted by the two Boards. This should be approved by the Governing Council to bring coherence. (Section III.5.a.i)	NOT ACCEPTED
10.	There should be one Knowledge, Analysis and Intelligence (KAI) centre for both the Boards and its role should be recognized and used for policy and operational effectiveness. (Section III.6)	
11.	The present Boards are not aligned to various needs nor are they geared to respond to emerging and future challenges in an effective and efficacious manner. Keeping that in mind, the two Boards should be expanded to have ten Members, apart from the Chairperson. (Sections III.5)	NOT ACCEPTED
12.	The field formations are currently organized to handle all key functions in a particular geographic region. In order to bring about a functional orientation, field offices will need to be restructured along the core functions of taxpayer services, compliance, audit, dispute management, enforcement and recovery, etc. (Section III.5)	NOT ACCEPTED
PEOPLE FUNCTION (CHAPTER IV)		
13.	Provision should be made for lateral entry of experts in key roles and specialized areas. While they may be on contract for 5 years, subject to their suitability and willingness they should be able to integrate with the organisation at the end of the contract period. (Section IV.3.c)	NOT ACCEPTED
14.	Key performance indicators, detailing the performance areas, objectives, key initiatives, performance indicators and performance targets, should be arrived at using the Balanced Scorecard methodology. (Section IV.3.d)	NOT ACCEPTED
15.	The performance appraisal process needs to be made more wholesome and reliable by making it more open and by introducing a mid-year review. (Section IV.3.d)	NOT ACCEPTED
16.	The tax administrations should extend the performance appraisal system to elements of 360° appraisal to include feedback from subordinates. (Section IV.3.d)	NOT ACCEPTED
17.	The outcome of discussions during the performance appraisal process should result in the superior taking responsibility for juniors by putting in place an improvement plan to overcome their weaknesses. (Section IV.3.d)	NOT ACCEPTED

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18.	Performance needs to be recognized through non-pecuniary measures such as giving important assignments in chosen areas of work or specialization. (Section IV.3.d)	NOT ACCEPTED
19.	The career of IRS officers should be divided into three phases: <ul style="list-style-type: none"> • The first 9-10 years should be spent rotating through different functional areas to gain familiarity • The next 8-9 years should be in two or more specialist areas • Persons showing the ability for top leadership will go into the third phase and constitute the pool from which selection will be made for top positions (Section IV.3.d) 	NOT ACCEPTED
20.	A common assessment centre for the two Boards needs to be set up by the people function to make a thorough, all round assessment of officers at the first transition point. (Section IV.3.d)	NOT ACCEPTED
DISPUTE RESOLUTION (CHAPTER V)		
21.	Dispute management should be a functionally independent structure with adequate infrastructural support.	NOT ACCEPTED
22.	The present structure of Commissioner (Appeals) should be changed to two forums, namely, single Commissioner (Appeals) and 3-member Commissioner (Appeals) panel for significant cases (Section V.5)	NOT ACCEPTED
23.	The DRP in income tax should replicate in Indirect Taxes. Collegium of three Commissioners would be deciding complex cases involving extended period of limitation, related party transactions and taxability of services. (Section V.4.e)	NOT ACCEPTED
24.	ADR processes, Arbitration and Conciliation, should be statutorily introduced in both direct and indirect taxes legislations. (Section V.4.f)	NOT ACCEPTED
25.	The Settlement Commission should act as part of taxpayer services, and be made available to the taxpayer to settle disputes at any stage. There should also be an increase in the number of benches of the Settlement Commission. It should be manned by serving officers to enhance its accountability. (Section V.5).	NOT ACCEPTED
KEY INTERNAL PROCESS (CHAPTER VI)		
26.	Joint audits should be undertaken by field formations of the CBDT and the CBEC to shorten the examination processes and reduce costs, both the for tax administration and for taxpayers. This may require a change in procedures for the CBDT as at present, the I-T Act does not have a provision for open audit as is done in indirect taxes.	NOT ACCEPTED
27.	Refunds should be issued within a strict time frame. There should be a separate budgetary head for refund of direct tax and	NOT ACCEPTED

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	indirect taxes in the annual budget out of which refunds should be issued so that there is transparency. Adequate allocation should be made by the government under this head.	
28.	The rate of interest on refunds should be the same as the interest charged by the tax department. This would ensure equity between the two interests and would not disadvantage the taxpayer unduly.	NOT ACCEPTED
29.	The test to determine whether there is unjust enrichment in indirect taxes should be limited to cases of refunds where there is direct passing on of amounts claimed as refunds. In any other situation, this concept should not be applied.	NOT ACCEPTED
INFORMATION AND COMMUNICATION TECHNOLOGY (CHAPTER VII)		
30.	All decisions should be taken with ICT compatibility in mind. Similarly, all legislation should be ICT – compatible	NOT ACCEPTED
31.	A shared knowledge, analysis and intelligence centre, headed by an expert professional, should be set up for advanced data analytics and research. The SPV can support it by providing the platform, tools and technologies, and expertise	NOT ACCEPTED
32.	A common special purpose vehicle (SPV) should be set up for servicing the ICT needs of the Boards	
33.	It should be incorporated as a company with limited liability under the Companies Act and should have a private ownership of 51 per cent and government ownership of at least 26 percent. It should have operational independence and institutional flexibility even as government retains strategic control	
34.	The SPV should preferably have a net worth of around Rs.300 crore. This will ensure that the SPV is well-capitalized, can hire the best people at competitive salaries, and invest adequately in infrastructure to manage large-scale national projects.	
35.	The relationship between the departments and the SPV should be a complementary one. The tax administration would develop an overall strategy with the ICT inputs provided by the DG (Systems). The SPV will develop the ICT strategy within the framework of the overall strategy, which will be approved by the Boards. The DG (Systems) of the two Boards will continue to exist, and will perform more strategic roles and be the Boards' interface with the SPV	
36.	It should aim to be financially self-sustaining through an appropriate business model	
37.	It should be operationally aligned and maintain relationships with the concerned entities in DG (Systems) to ensure effective ICT service delivery	
38.	The Boards, DG (Systems) and the SPV together should work out the plan for the transformation to “digital by default” status. The plan should begin with a visioning exercise to define the end state and should be programme, as opposed to project, oriented.	

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2ND REPORT		
CUSTOMS CAPACITY BUILDING (CHAPTER VIII)		
39.	A Directorate of Origin should be set up in the CBEC to handle RTA related issues. It should develop specialised expertise on rules of origin and related areas. (Section VIII.4.p)	NOT ACCEPTED
40.	Posting of customs officers in the Directorate General of Anti-dumping will ensure enhanced co-ordination and better management of anti-dumping measures. (Section VIII.4.q).	NOT ACCEPTED
INFORMATION EXCHANGE (CHAPTER IX)		
41.	The focus of all collaborating organisations must be on organizing the data within its own inventory and thereafter having a common database. Section IX.4.a).	NOT ACCEPTED
42.	Data or information exchange must necessarily be done through a common utility, tailored to the specific data availability or framework for data creation or collection by a particular organisation, so that data matching with the CBDT's and CBEC's existing data is seamless and the error percentage is minimal. (Section IX.C)	NOT ACCEPTED
43.	There will be portal of the SPV for access to data or information. Access to the SPV portal can be granted only to persons who are authorised and the portal will have a log of all such accesses. The terms of usage of the SPV portal will govern aspects relating to disclosure and authorisation. (Section IX.6.c).	NOT ACCEPTED
44.	The SPV will also develop SLAs/MoUs for data or information exchange between different collaborating organisations. These SLAs/MoUs will be triggered when further information or data are required, in addition to what is accessible on the portal. SLAs/MoUs will normally contain procedures for making requests, response time for such requests, reasons for refusing data or information access, mechanisms for audit so as to assess data or information usage, safeguard mechanisms for access rights, storage and disposal, archiving of data or information to enable their re-use, frequency of requests and special provisions for time-critical responses to requests that have imminent bearing on national security, public safety, etc. (Section IX.6.e)	NOT ACCEPTED
45.	In line with the recommendations in the first report for the creation of an SPV, the SPV will facilitate sharing and utilisation of data or information from one portal with common standards and taxonomy so that the present disparate data assets can be	NOT ACCEPTED

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	leveraged. (Section IX.6.c)	
46	The consolidation of multiple data warehouses and other operational data stores that consolidates and integrates multiple sets of data and information will be an optimal approach to provide a single view of the inflow and outflow of data or information. An integrated enterprise data warehouse will also enable cross functional analysis. (Section IX.6.k)	
47	The Independent Evaluation Office will evaluate the performance of this activity and present its report and suggest course-correction, if required, to the Governing Council for the successful implementation of data and information exchange by collaborating organisations. (Section IX.6.j)	NOT ACCEPTED
48	The CEIB will work under the Governing Council, recommended in the first report, to play a strategic oversight advisory role to the Governing Council on data or information exchange. The Governing Council would thus play a key role in data and information exchange between the CBDT, CBEC, FIU, CEIB, SEBI and banks, and develop strategies to reduce the incidence of non-compliance and reduce the tax gap. (Section IX.6.i)	
49	Since the CEIB is the only agency carrying out such an oversight role even under the present dispensation and there is no parallel agency functioning at the state level, the term “Central” should be done away with as it is considered superfluous. CEIB will then be known as Economic Intelligence Bureau (EIB). The role of EIB will be to act as the nodal agency collecting, collating and disseminating information and intelligence to relevant agencies and to be the national repository of information on economic offences. (Section IX.6.i)	
50	The Independent Evaluation Office will evaluate the performance of this activity and present its report and suggest course-correction, if required, to the Governing Council for the successful implementation of data and information exchange by collaborating organisations. (Section IX.6.j)	NOT ACCEPTED
51	On the same lines, the FIU, while being placed under the CBDT as recommended in the first report of the TARC, will report for strategic purposes to the Governing Council through the CBDT. (Section IX.6.i).	NOT ACCEPTED