

**THIRTY-EIGHTH REPORT  
PUBLIC ACCOUNTS COMMITTEE  
(1985-86)**

**(EIGHTH LOK SABHA)**

**COST OF COLLECTION**

**MINISTRY OF FINANCE  
(DEPARTMENT OF REVENUE)**

**[ Action taken on the 217th Report of the Public  
Accounts Committee (Seventh Lok Sabha) ]**



*Presented in Lok Sabha on 8-4-1986*

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**LOK SABHA SECRETARIAT**

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**PUBLIC ACCOUNTS COMMITTEE**

(1985-86)

**CHAIRMAN**

**Shri Erasu Ayyapu Reddy**

**MEMBERS**

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3. Shri Amal Datta
4. Shri Ranjit Singh Gaekwad
5. Shrimati Prabhawati Gupta
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17. Shri Nirmal Chatterjee
18. Miss Jayalalitha
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21. Shri K. L. N. Prasad
22. Shri Ramanand Yadav

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1. Shri N. N. Mehra—*Joint Secretary*
2. Shri K. H. Chhaya—*Chief Financial Committee Officer.*
3. Shri Brahmanand—*Senior Financial Committee Officer*

## INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee do present on their behalf this Thirty-Eighth Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their Two Hundred and Seventeenth Report (Seventh Lok Sabha) on Cost of Collection.

2. In the 217th Report the Committee had noted a considerable increase in the pendency of income-tax assessments, income-tax arrears and income-tax appeals. They had recommended that Government should take all necessary steps with a view to liquidating pendency of assessments, arrears and appeals. The Committee have expressed dissatisfaction over the mere issue of instructions and other steps in this direction and have desired that the Central Board of Direct Taxes should evaluate the impact of these measures on reduction of pendency of assessments, and arrears of taxes. They have also recommended that the Ministry of Finance should lay down a time-limit for the Appellate authorities for their decisions on the appeals. They have desired that Government should require appeals to be disposed of expeditiously, every efforts being made to dispose of appeals within a time-limit and any failure to do so being explained to the satisfaction of the Ministry.

3. The Report was considered and adopted by the Public Accounts Committee at their sitting held on 18 March, 1986, Minutes of the sitting form Part II of the Report.

4. For facility of reference and convenience, the recommendations and conclusions of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in the Appendix to the Report.

5. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

NEW DELHI;  
April 3, 1986  

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Chaitra 13, 1908 (S)

E. AYYAPU REDDY,  
Chairman,  
Public Accounts Committee.

## CHAPTER I

### REPORT

This Report of the Public Accounts Committee deals with the action taken by Government on the recommendations and observations of the Committee contained in their Two Hundred and Seventeenth Report (Seventh Lok Sabha) on Paragraph 1.05 of the Report of Comptroller and Auditor General of India for the year 1981-82, Union Government (Civil) Revenue Receipts, Volume II, Direct Taxes relating to Cost of Collection.

1.2 The Two Hundred and Seventeenth Report of the Committee was presented to Lok Sabha on 30 April, 1984 and contained 28 recommendations/observations. Action taken notes in respect of all the recommendations/observations have been received from Government. These have been categorised as follows:—

- (i) Recommendations and observations that have been accepted by Government.

Sl. Nos. 1 to 8, 10, 11, 13, 17, 18 to 22, 24 and 27.

(Total 19).

- (ii) Recommendations and observations which the Committee do not desire to pursue in the light of the replies received from Government.

Sl. Nos. 12, 16, 23 and 28.

(Total 4)

- (iii) Recommendations and observations replies to which have not been accepted by the Committee and which require reiteration.

Sl. Nos. 9, 14, 15, 25 and 26.

(Total 5)

- (iv) Recommendations and observations in respect of which Government have furnished interim replies.

**NIL**

1.3 The Committee will now deal with action taken by Government on some of their recommendations.

#### *Arrears of Assessments*

(Sl. Nos. 9 and 14, Paragraphs 5.9 and 5.14)

1.4 In their 217th Report (Seventh Lok Sabha) while dealing with cost of collection of direct taxes, the Committee had also com-

mented upon the performance of the Department in three vital areas of work, viz. assessments, collections and appeals.

1.5 The Committee had noted that during the five year period from 1978-79 to 1982-83, the strength in the cadres of Commissioners of Income-tax Officers and Income-tax Inspectors had increased from 7891 (1978-79) to 8504 (1982-83). The number of Commissioners of Income-tax had gone up by 138, that of Inspecting Assistant Commissioners/Appellate Assistant Commissioners by 115 and Income-tax Officers by 286. The Committee had also noted that during the recent years the Department had taken certain measures to simplify the procedures for assessments like, creation of the Institution of Inspecting Assistant Commissioner (Assessment) with effect from October, 1978, enlarging the scope of Summary Assessment Scheme, and providing for assessment by Income-tax Inspectors etc. In this connection, the Committee in Paragraph 5.7 of the Report had observed:—

“The Committee, however, regret to observe that despite the above reforms and measures taken by the Department to simplify the procedures, the number of pending assessments has been constantly going up in the last five years. The pendency has increased from 15.38 lakhs at the end of the year 1977-78 and 19.26 lakhs at the end of the year 1978-79 to 26.61 lakhs at the end of the year 1981-82. What is more surprising is that the pendency of even Summary Assessments has been going up from year to year, the number at the end of 1980-81 being 16.76 lakhs as against 6.62 lakhs at the end of 1977-78. In Company cases also, the pendency has been constantly going up. It rose from 40,563 in 1978-79 to 43,886 in 1979-80, 52,250 in 1980-81 and 55,861 in 1981-82.”

1.6 Emphasising the need for speedy disposal of Income-tax assessments, the Committee in paragraph 5.9 and 5.14 of the Report had observed/recommended:

“The Ministry’s explanation that the increase in the pendency of assessments is mainly due to greater addition of new cases and due to non-availability of adequate man-power resources is far from convincing. From a statement furnished by the Ministry, the Committee observe that the number of assessments completed by the Department during the years 1978-79 and 1979-80 was substantially less than in 1977-78 and even in 1980-81 the number of assessments completed was a shade below that in 1977-78.

This shows that arrears were not wholly due to new assessment cases but also due to deterioration in the performance of the Department. The Committee note in this connection that while the achievement of some Commissionerates exceeded the Action Plan targets, that of others fell far below the targets. From this, the Committee are led to the conclusion that the performance of each individual Commissionerate was almost wholly dependent on the performance of individual officers. In the opinion of the Committee, the Board had failed in its duty to ensure that the performance of each Commissionerate *vis-a-vis* its manpower was optimal.

The Committee were informed in evidence that the Board was thinking of "introducing a concept of watching the 100 top cases of each Income-tax Officer and each Assistant Commissioner. In all these cases, there will be some sort of supervision". The Committee would like the Ministry to introduce this measure.

The Committee would further like the Board to examine the matter in all its aspects and take all necessary steps with a view to liquidation of pendency of assessments in the shortest possible time. The Committee would await the steps taken in this regard, together with the outcome, thereof."

1.7 In their action taken note furnished to the Committee, on 2 August 1985, the Ministry of Finance (Department of Revenue) have stated:

"The Board has introduced the concept of watching 100 top cases with each Inspecting Assistant Commissioner's Range. With the enlargement of the scope of summary assessment Scheme and on account of further steps taken towards the reductions of pendency of assessment, the disposal in all areas of assessments, have increased in comparison to earlier years. The Scheme of assessments in a summary manner has gradually been liberalised with a view to substantially reduced pendency of cases upto Rs. 1 lakh. The emphasis on tax assessments is shifted from routine examination of a very large number of cases to a thorough scrutiny of bigger cases. A copy each of the Instructions No. 31499, 1538, 1566 and 1617 issued in this behalf is enclosed."

18. In their 217th Report, the Committee had observed that the pendency of income tax assessments had increased from 15.38 lakhs in 1977-78 to 26.61 lakhs in 1981-82. They had pointed out that despite the departmental measures to reduce pendency, like, creation of the posts of Inspecting Assistant Commissioner (Assessment), enlarging the scope of Summary Assessment Scheme, empowering Inspectors also for completion of income-tax assessments; and by substantial increase in staff strength etc., the number of pending assessments had still been constantly going up. Emphasising the need for expeditious disposal of income-tax assessments, the Committee had recommended that the Central Board of Direct Taxes should examine the matter in all its aspects and take all necessary steps with a view to liquidating pendency of assessments in the shortest possible time. In their action taken note, the Ministry of Finance have cited certain instructions since issued by the Board laying down revised guidelines for income-tax assessments and have maintained that the disposal in all areas of assessments have now increased. The Committee are not satisfied with the mere issue of instructions. They would like the Central Board of Direct Taxes to assess the positive impact of these instructions towards liquidation of pendency of assessments and inform the Committee of (i) the precise extent of success achieved in this regard so far, and (ii) the further steps if any they propose to take in order to reduce the pending cases to unavoidable minimum level.

### *Tax Arrears*

(S. Nos. 15, Para 5.15)

1.9 Dealing with the issue of tax arrears, the Committee in para 5.15 of their 217th Report (Seventh Lok Sabha) had recommended as follows:—

“The Committee are concerned over the rapid increase in effective tax arrears during the period 1978-79 to 1981-82. They find that the amount of arrears which was Rs. 735 crores as on 31.3.1979 rose to Rs. 977 crores as on 31.3.1982. The Committee are amazed at the extent of these arrears as over 90 per cent of tax collections are made up of pre-assessment collections i.e. taxes paid by the assessee on their own and only less than 10 per cent of the tax is to be collected by way of regular assessments. The Committee are disappointed to note that as against the moderate Action Plan target of 55 per cent in regard to collection of Income-tax arrear demand, the achievement



during the period 1979-80 to 1982-83 has ranged between 38 to 43.20 per cent. The Committee desire that the Ministry should examine this aspect in depth and take affective steps with a view to reduce the tax arrears to the barest minimum. The Committee would like to be apprised of the precise action taken in this regard, together with its outcome."

1.10 The Ministry of Finance (Department of Revenue) have in their action taken note stated as under:—

"Some of the important steps taken recently for reduction of tax arrears are as under:—

- (i) The Commissioner of Income-tax (Recovery) will identify cases involving demand of Rs. 10,000/- and below with respect to which recovery certificates were issued upto 31.3.1979 and where no recovery was made during the last 5 years.
- (ii) Such cases will be processed for write off. This will involve the convening of monthly meetings by the concerned Inspecting Assistant Commissioners with the Income-tax Officers and Tax Recovery Officers. Commissioners of Income-tax (Recovery) will liaise with the local Commissioners and convene these meetings.
- (iii) The arrear demands in the above cases will be written off within the existing procedures and instructions.

At the Board's meeting held on 27.8.1984, the following decisions were taken:

- (a) It was found that in 99 cases, the arrears exceeded Rs. 1 crore as on 31.3.1984. The Commissioners of Income-tax were asked to identify the demands locked up in appeals with AAC, CIT (Appeals), ITAT as also in proceedings before the High Courts and Supreme Court, where the matter is pending with the CIT (Appeals) Member (R&A) will write to the CIT (Appeals) for early disposal of appeals. As regards appeals pending with ITAT and the Court proceedings, the Commissioners of Income-tax were requested to take steps for the early disposal of appeals and references.
- (b) The Commissioners of Income-tax were also asked to take other follow up measures like keeping a watch

over the stay cases, over payments of instalments and auction of immovable properties, expediting disposal of wavier petitions and write off proposals giving effect to appellate orders etc.

- (c) The Commissioners of Income-tax were asked to keep a strict watch on the dossier cases of arrears of Rs. 10 lakhs and above and particularly in cases where the arrears exceed Rs. 25 lakhs and take follow up steps for reduction of arrears. The Commissioners of Income-tax were made personally responsible to ensure that 50 per cent of the arrears are brought forward as on 1-4-1983 are reduced.
- (d) The members of the Board were asked to have personal discussions with the Commissioners of Income-tax concerned when they go on tour so that a break through is achieved in arrear reduction.
- (e) The Director (Recovery) was asked to pay particular attention to the cases of arrears of Rs. 10 lakhs and above in view of the fact that the arrears involving in such cases form a substantial portion of the total arrears.
- (f) It was found that the figure of current demand raised in 1983-84 has gone up Rs. 3711 crores as compared to the current demand of Rs. 3104 crores raised in 1982-83. The reasons for this sharp increase in current demand is being ascertained.
- (g) It was also found that the arrears involved in cases of arrears upto Rs. 1 lakh is also substantial. The CITs are requested to pursue recovery in such cases also.
- (h) The vacancies of Asstt. Directors in the Directorate of Recovery are being filled up to ensure review and follow up action in 1128 cases of arrears of Rs. 10 lakhs and above.

2. Since the above mentioned steps were taken only recently, the outcome thereof would be known only at the end of the current financial year.

1.11 In their earlier Report, the Committee had noted that the effective income-tax arrears had increased rapidly from Rs. 735 crores in 1978-79 to Rs. 977 crores in 1981-82. Expressing their concern over the extent of the arrears particularly in view of the fact that 90 per cent of tax collections were made up of pre-assessment

collections, i.e. taxes paid by the assesseees on their own either by way of deduction at source or advance payment of tax or payment of tax on self assessment, the Committee had recommended that the Ministry of Finance should examine the issue in depth and take effective steps with a view to reducing the tax arrears to the barest minimum. The Ministry of Finance have in their action taken note enumerated some of the steps taken recently for reduction of tax arrears. These measures include steps for early disposal of appeals and references, taking up follow-up measures like keeping a watch over the stay cases, payments of instalments and auction of immovable properties, expediting disposal of waiver petitions and write off proposals giving effect to appellate orders, keeping strict watch on the dossier cases of arrears of Rs. 10 lakhs and above and personal discussions of the members of Board with the Commissioners etc. According to the Ministry, as some of these steps were taken only recently, the outcome thereof would be known only at the end of the financial year. The Committee desire that the Central Board of Direct Taxes should evaluate the impact of these measures on reduction of tax arrears during each year since these measures began to be taken and apprise them of the concrete results achieved within the next six months.

#### *Pendency of Appeals*

(S. Nos. 25 & 26, Paras 5.25 & 5.26)

1.12 In their 217th Report (Seventh Lok Sabha) the Committee had taken a serious view of the heavy pendency of appeals. In this connection, the Committee had in Para 5.20 of the Report observed:—

“They observe that pendency of appeals has gone up from 2.22 lakhs at the end of 1977-78 and 3.50 lakhs at the end of 1979-80 and 3.60 lakhs at the end of 1980-81. During 1981- there has been a marginal decline to 3.53 lakhs. The above increase is particularly regrettable in view of the fact that during the last few years, the appellate machinery has been considerably strengthened.

As many as 101 posts of Commissioner and 60 posts of Assistant Commissioner have been added in the last few years. The explanation given by the Ministry that the increase in the pendency of appeals is mainly due to increase in the scrutiny assessment cases i.e. from 19.3 lakhs to 20.78 lakhs does not carry conviction.”

Emphasising the need for speedy disposal of appeals, the Committee in paras 5.25 and 5.26 of the Report had recommended:

"The Appellate Assistant Commissioners and Commissioners (Appeals) and Appellate Tribunal are departmental quasi-judicial authorities. The Committee feel that unless a time limit is fixed for their decision, the tendency is for the arrears to get accumulated. The Committee would like the Ministry to examine this aspect and fix a time limit for decision by these authorities.

Similarly a time limit is necessary for disposal of revision petitions filed before the Commissioners of Income-tax.

1.13 The Ministry of Finance (Department of Revenue) have in their action taken note on the recommendation in para 5.25 furnished on 4 September, 1985 stated as under:

"Under the existing provisions of law, there is no time limit in regard to disposal of appeals by Appellate Assistant Commissioners, Commissioners (Appeals) or the Income-tax Appellate Tribunal. However, imposition of a statutory time limit as recommended by the PAC would lead to a number of practical difficulties in implementation.

If a statutory time limit is laid down in the law in this behalf, the law will have to provide for consequences of the failure of the appellate authorities to dispose of appeals in time. If the law were to provide that the consequence would be that the appeal shall be treated as disposed of of non-disposal of an appeal within the limitation period would be that the appeal shall be treated as disposed of in favour of the tax-payer, the provision would lead to an unjustified and unwarranted benefit to the tax payer. Further, such a provision would open up possibilities of misuse by unscrupulous persons who would so manipulate that appeals are not disposed of within the limitation period. On the other hand if it is provided that the consequence of non-disposal of an appeal within the limitation period would be that the appeal shall be treated as decided against the taxpayer, it would result in denial of justice to the tax-payer.

For the reasons mentioned above, the problem of delay in disposal of appeals cannot be solved by prescribing a time limit in the law for their disposal. However, the objective underlying the recommendation made by the Public Accounts Committee can be appropriately achieved by administrative measures. The Board would accordingly issue appropriate instructions for prompt disposal of appeals by the Appellate Assistant Commissioners and Com-

missioners (Appeals). The Board would also ensure, through monthly reviews and periodical inspections, that these instructions are strictly adhered to. The Law Ministry would be requested to similarly monitor and regulate the disposal of appeals by the Appellate Tribunal.

1.14 In their reply to the recommendation in para 5.26 also furnished on 4 September, 1985, the Ministry have stated:

“Section 264 of the Income-tax Act, 1961, provides that the Commissioner may, either on his motion or on an application by the assessee, call for the record of any proceeding and pass such order thereon, not being an order prejudicial to the assessee, as he thinks fit.

2. Under the existing provisions, there is no time limit for disposal of a revision application by the Commissioner. However, imposition of a time limit for disposal of revision applications, as recommended by the PAC, would lead to a number of difficulties in implementation.

3. If a statutory time limit is laid down in the law in this behalf, the law will have to provide for consequences of the failure of the Commissioner to dispose of the application in time. If the law were to provide that the consequence of non-disposal of an application within the limitation period would be that the application shall be treated as disposed of in favour of the taxpayer, the provision would lead to an unjustified and unwarranted benefit to the taxpayer. Further, such a provision would open up possibilities of misuse by unscrupulous persons who would so manipulate that such applications are not disposed of within the limitation period. On the other hand, if it is provided that the consequence of non-disposal of an application within the limitation period would be that the application shall be treated as decided against the taxpayer, it would result in denial of justice to the taxpayer.

4. For the reasons mentioned above, the problem of delay in disposal of revision applications cannot be solved by prescribing a time limit in the law for their disposal. However, the objective underlying the recommendation made by the Public Accounts Committee can be appropriately achieved by administrative measures. The Board would issue instructions for prompt disposal of such applications by the Commissioners. The Board would also ensure through periodical inspections that the instructions are strictly adhered to”.

1.15 In their earlier Report, the Committee had taken a serious view of the heavy pendency of income-tax appeals. They had observed that pendency of appeals had gone up from 2.22 lakhs in 1977-78 to 3.53 lakhs in 1981-82. The number of appeals pending as on 31-1-1986 is 3.13 lakhs. Stressing the need for timely disposal of appeals, the Committee had recommended that the Ministry of Finance should lay down a time-limit for the appellate authorities, viz., the Appellate Assistant Commissioner, the commissioners (Appeals) and the Income-tax Appellate Tribunal for their decisions. The Committee had also expressed their view that a similar time limit was necessary for a disposal of revision petitions filed before the Commissioners of Income-tax. The Ministry of Finance have in their action taken reply maintained that the problem of delay in disposal of appeals cannot be solved by prescribing a time-limit in the relevant law. According to the Ministry, if a statutory time-limit is laid down in the law in this behalf, the law will have to provide for consequences of the failure of the appellate authorities/Commissioners to dispose of appeals in time. The Ministry have also contended that such a provision would open up possibilities of misuse by unscrupulous persons who would so manipulate that appeals/revision applications are not disposed of within the period of limitation. The Committee was aware of the difficulties that may arise if a statutory or informal but rigid time limit is laid down in such matters. Their objections was and is that the appellate authorities should act with a sense of urgency. What the Ministry now propose to do may work well only if the frequency of the periodic inspections is adequate and the inspecting authority satisfies himself that every ground for delay in disposal was sustainable. And in any case it should be possible for all to see that the work is done expeditiously. The Committee desire that Govt. should require appeals to be disposed of expeditiously, every effort being made to dispose of appeals within a time limit, and any failure to do so being explained to the satisfaction of the Ministry.

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## CHAPTER II

### RECOMMENDATIONS AND OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT.

#### Recommendation

The Committee note that during the five years from 1977-78 to 1981-82, the cost of collection of direct taxes has gone up from Rs. 46.07 crores to Rs. 73.91 crores. The cost of collection for the year 1982-83 is stated to be Rs. 78.66 crores (provisional). The Collection of tax revenue has also increased from Rs. 2289.90 crores in 1977-78 to Rs. 5551.63 crores in 1981-82. The gross collection for the year 1982-83 is Rs. 3900.48 crores as reported by the Ministry of Finance (Department of Revenue). With the increase of tax revenue during these years the cost of collection per hundred crores of revenue should have come down. In the case of indirect taxes, the cost of collection per hundred crores of revenue has come down by 24 per cent during the period 1977-78 to 1981-82, whereas in the case of direct taxes the cost of per hundred crores of revenue has actually gone up by 3 per cent. This is a cause for concern. As the Committee find the expenditure on collection of direct taxes, as a percentage of the total tax yield had come down during the period 1977-78 to 1979-80 having reached 1.87 per cent during 1979-80, thereafter it has gone up.

The relatively high cost of collection of direct taxes will be more conspicuous on a deeper analysis of the data relating to the work of the Income-tax Department. As the Committee observe, over 90 per cent of the collection of taxes on income (including the Corporation Tax) are made up of pre-assessment collections, i.e. taxes paid by the assessee on their own either by way of deduction at source or advance payment of tax or payment of tax on self-assessment. The tax recovered on regular assessment is under 10 per cent of the gross collection. Thus, as against the total gross collection of Rs. 3794 crores on account of taxes on income (including the Corporation tax) for the year 1981-82, only Rs. 327 crores related to post-assessment collections. As the functions devolving on the officers of the Department in respect of pre-assessment collections, by and large, comprise linking of such payments and crediting the same

to the tax payers in their final assessments, the expenditure of Rs. 73.91 crores on the collection of the above taxes can be said to be mainly relatable to post-assessment collection which amounted to only Rs. 327 crores in 1981-82. The Committee are not fully satisfied with the explanation of the Ministry that the increase in cost of collection is inevitable as 80 per cent of the expenditure is on salaries. The Committee feel that with determined efforts on the part of the Department together with further streamlining of procedures and greater attention to bigger cases, the expenditure on collection of direct taxes as a percentage of total tax yield can be brought down considerably. The Committee would like the Ministry to make all endeavours to this end.

[S. Nos. 1 and 2 (Para Nos. 5.1 & 5.2) of the 217th Report of Public Accounts Committee (1983-84) (7th Lok Sabha).]

#### Action Taken

Under the provisions of Income-tax Act, 1961, the assesseees are required to pay tax voluntarily in the form of Advance Tax, tax deduction at source and self-assessment tax. The important points concerning maximising of collection from each of the above sources are discussed below:—

Advance Tax is payable in the financial year immediately preceding the assessment year in three equal instalments. Where the accounting year of the tax payer and on or before 31st December of the financial year, Advance tax is payable on 15th June, 15th September and 15th December. In any other case, it is payable on the 15th September, 15th December and 15th March of the financial year. Under the existing provisions in force since 1978, every tax payer is required to send to the ITO a statement of the Advance Tax payable by him on or before the date on which the first instalment of Advance Tax is payable by him. For this purpose, the Advance tax is computed with reference to the total income of the latest year in which regular assessment has been finalised or on the basis of the higher total income of a later year for which the tax payer has paid the self-assessment tax. ITO is also empowered to issue a notice to an existing tax payer to pay Advance Tax in specified instalments. A new tax payer is required to make an estimate of Advance Tax payable by him on or before the date on which the last instalment of Advance Tax is payable by him. After the statement or estimates has been filed, the tax payer is entitled to revise downwards the amount of Advance Tax payable by him on his current income by filing an estimate of Advance Tax on or before the date on which the last instalment of Advance Tax is payable by him. Conversely, it will be obligatory on a person to pay



higher amount of Advance Tax if the Advance Tax computed on his estimated current income exceeds the amount of Advance Tax payable according to the statement or estimate by more than the percentage fixed in the Act.

2. In order to have an effective control on the collection of Advance Tax, the CsIT have been asked to watch the receipts of estimates/statements and take suitable follow up action in all cases where the estimates/statements have not been received. For this purpose, certain registers have been prescribed which are required to be maintained by the ITOs. Besides, the procedure envisages checking of tax collections in respect of Advance Tax Statement/estimates with total income of Rs. 25,000/- and above in each case.

T.D.S.

After Advance Tax TDS is the most important contributor to the net budget collections. At present income tax from the following payments are required to be deducted at source:—

- (i) Salaries`
- (ii) Interest on Securities
- (iii) Interest payments other than 'Interest on Securities'
- (iv) Dividends.
- (v) Prize Winnings and cross-words puzzles.
- (vi) Payments to contractors and sub-contractors.
- (vii) Payments of Insurance Commission.
- (viii) Winnings from Horse Races.

In the Income-tax Department the deduction of tax from salaries constitute single most important source of collection from TDS. Some ITOs have been exclusively employed on the work relating to TDS from this source.

Instructions are being issued from time to time regarding the enforcement of the provisions relating to tax deduction at source. The latest introductions on the subject were issued on 2nd December, 1981, wherein the Commissioners were asked to ensure that proper deduction is made and the amounts so deducted are promptly paid to the Government. The instructions lay down that immediate action should be taken against the defaulters in cases of lapses. The Board is also keeping a watch on the performance of the various Commissioners' charges in this regard. Recently, the Government have decided to introduce computerisation of the verification of

returns of tax deducted at source. For strengthening the TDS work in big metropolitan cities, some ITOs have been exclusively employed on the work relating to TDS.

### 3. *Self-assessment Tax*

Every assessee is required under sub-section (1) of Section 140A of the Income-tax Act, 1961, to pay the tax dues on the basis of return of income. Instructions were issued to all Commissioners of Income-tax by Board's letter No. 370|42|80-IT(B) dated 5th September, 1980 asking them to watch the compliance of the provisions of 140A by the Scrutiny of returns with a view to optimising tax collection. It was also stated therein that the returns of income in company cases with returned income of Rs. 5000|- or more and in non-company cases those earmarked for scrutiny assessment should be scrutinised with a view to ensuring that the tax on self-assessment tax has been paid fully. If not, action for levy of penalty should be initiated. In order to have a control over the progress of this work the CITs. have to get certificates from the ITOs that all cases of the type referred to above are scrutinised and appropriate action taken. Streamlining of procedure in respect of pre-assessment procedure has also been considered by Economic Administration Reforms Committee in para II in EARC Report No. 24 dated 30-6-1983 on "Direct Taxes: Tax Administration and Procedures" on p. 164. under the heading "pre-assessment collection of tax."

The above has been summarised at pp. 174—185 also as follows:

#### II. *Pre-assessment collection of taxes:*

- (i) Employers may be empowered (without any legal obligation or liabilities) to deduct at source from the salary the tax payable on income from sources like house property, interest on deposits etc., if so authorised by the employees in writing. The employees liability to file returns of income should, however, remain intact. (Para 4)
- (ii) No tax should be deducted from dividends or interest on debentures paid by listed companies to non-corporate tax payers through crossed account-payee cheques. (Para 5)
- (iii) A suitable system should be devised whereby the work of monitoring and checking the deduction of tax at source could be centralised and computerised. For this purpose, an appropriate identification code for persons (i.e. payers) liable to deduct tax at source should be developed. (Para 6)

- (iv) Advance tax may be made payable on the tax payer's own estimate in all cases without the need to file a statement based on the last assessed income, with an option to revise the estimate before the last instalment falls due.

[This should be read with III(i) below] (Para 7)

Out of the above, item (ii) has been given effect to by adding clause V in Section 103 and proviso under Section 194 by amendment in the Finance Act, 1984. As regards computerisation, already a Study Group has been formed as per the recommendation of the Conference of Commissioners of Income-tax, 1984.

[Ministry of Finance (Department of Revenue) O.M. No. 241/6/84-A&PAC-I dated 1-12-84]

#### **Recommendation**

Over the years, there has been increase in the strength of staff and attempts have been made to simplify and streamline the procedures in order to save manpower for re-deployment in more crucial areas of work.

[S. No. 3 (Para 5.3) of the 217th Report of Public Accounts Committee (1983-84) (7th Lok Sabha)]

#### **Action Taken**

The Hon'ble Committee has not made any recommendation in the above para. It is true that there has been increase in the staff strength but not to the required extent to cope with the continuous rise in the workload and to combat tax evasion. However, the observation of the Hon'ble Committee has been noted.

[Ministry of Finance (Department of Revenue) O.M. No. 241/6/84-A&PAC-I]

#### **Recommendation**

As regards the strengthening of the Income-tax Department for better tax administration, the Committee find that in the last five years, i.e. from 1978-79 to 1982-83, the strength in the cadre of Commissioners, Inspecting Assistant Commissioners, Income-tax Officers and Income-tax Inspectors has been increased from 7891 (1978-79) to 8504 (1982-83). Save areas of 'Recovery' and 'Acquisition' there is a considerable increase in strength in all the area such as 'General Administration Assessment', 'Appeals' and 'Survey'.

The number of Commissioners of Income-tax has gone up by 138, that of Inspecting Assistant Commissioners/Appellate Assistant Commissioners by 115 and Income-tax Officers by 286. In addition, in the lower cadres, over 2500 posts of Inspectors, Tax Assistants, UDCs have been added. In spite of these increases, the Committee regret to observe that the position in three vital areas of work of the Department—assessments, collection and appeals has not shown any improvement. The Committee would like the Ministry of Finance to conduct a study as to how far the heavy expenditure on the increased strength has served its purposes and if the results have not been as expected, what are the reasons therefor and what remedial measures ought to be taken to improve the position.

[S. No. 4 (Para 5.4) of the 217th Report of Public Accounts Committee (1983-84) (7th Lok Sabha)]

#### Action Taken

The data on the performance in the three vital areas of work viz. Assessment, collection and appeals for the years 1978-79 to 1983-84 has been analysed in the succeeding paragraphs:

TABLE—I

Year	Sanctioned strength of ITOs (Asst. & collection)/ IAC (Asst.)	No. of IACs/ITOs d-ployed on assessment work	Assessments completed (IT, WT & GT) Figure in lakhs	Demands raised (IT, WT, GT) Figure in lakhs	Average disposal per IAC/ IOT based on deployment
1978-79 . . . . .	3257	2747	38.66	1773.14	1407
1979-80 . . . . .	3257	2758	38.79	1971.52	1406
1980-81 . . . . .	3257	2754	44.47	2411.80	1614
1981-82 . . . . .	3257	2818	50.14	2533.84	1779
1982-83 . . . . .	3257	2832	49.36	2747.31	1743
1983-84 . . . . .	3257	2956	53.59	3518.48	1813

It would be observed from the above table that the average disposal per assessing officer has gone up from 1407 in 1978-79 to 1813 in 1983-84. Similarly the demand raised in 1978-79 at Rs. 1773.14 crores, has risen to 3518.48 crores in 1983-84. On the basis of the above table it is also evident that the overall disposal of assessments (Col. 4) has shown considerable improvement from 38.66 lakhs to 53.59 lakhs, though the strength of assessing officers did not increase proportionately.

TABLE—II

Year	Sanctioned strength of ITOs (Asstt.) & Collection/IAC (Asstt.)	No. of IACs/ITOs deployed on assessment and collection work	Net Budget collection (IT, WT, GT) (Figures in crores)
1978-79 . . . . .	3257	2747	2489.39
1979-80 . . . . .	3257	2758	2775.77
1980-81 . . . . .	3257	2754	2891.01
1981-82 . . . . .	3257	2818	3506.88
1982-83 . . . . .	3257	2832	3824.33
1983-84 . . . . .	3257	2956	4232.38

From Col. 4 of the table it is seen that the net budget collection has increased remarkably from Rs. 2489.39 crores in 1978-79 to Rs. 4232.38 crores in 1983-84.

The above facts and figures prove that there has been an overall increase in the output in the areas of assessment and collection work.

### APPEALS

Prior to the year 1978-79, the appellate work of the department used to be handled by AACs. With the creation of 69 posts of CIT (Appeals) in 1978 the higher revenue yielding cases were taken away from the purview of AACs and were assigned to CIT (Appeals) with a view to improve the quality of appellate orders. Subsequently, the strength of CIT (Appeals) increased to 101 in 1981 to cope with the increased workload. The performance of CIT (Appeals)/AACs during 1979-80 to 1983-84 is in the Table III and IV respectively:—

TABLE—III

Year	Sanctioned strength of CIT (appeals)	Disposal of appeals
1979-80 . . . . .	69	36879
1980-81 . . . . .	69	34980
1981-82 . . . . .	101	35650
1982-83 . . . . .	101	48333
1983-84 . . . . .	101	53604

TABLE - IV

Year	Sanctioned strength of AACs	AACs deployed on appeal work	Appeals disposed of by AACs
1979-80 . . . . .	121	111	155319
1980-81 . . . . .	157	130	173563
1981-82 . . . . .	181	159	200430
1982-83 . . . . .	181	157	212615
1983-84 . . . . .	181	147	206087

From Table III above it would be seen that the disposal of appeals during 1981-82 did not show much increase though the strength of CIT (Appeals) went up by 32 during the year. This is on account of the fact that these extra Commissioners (Appeals) were in position only after November, 1981 and that too without adequate supporting staff. The disposal figures of subsequent year i.e. 1982-83 and 1983-84 reveal that there has been constant increase in the output as is apparent from the fact that the disposal during the year 1983-84 has gone up to 53604 as against 35650 in the year 1981-82. Provision of more complementary staff since 1981-82 has also contributed to the improved performance.

Similarly, it is seen from Table IV that the disposal of appeals by AACs has gone up from 155319 in 1979-80 to 206087 in 1983-84. This could be achieved with the increase in the strength of AACs over the years.

To sum up, it is seen that there has been improvement in the overall performance in the areas of assessment, collection and appeals in keeping with the increase in the strength at various levels. The expenditure incurred on the increased strength is fully justified when viewed in the context of net budget collection which has gone up from Rs. 2489.39 crores in 1978-79 to Rs. 4232.38 crores in 1983-84.

[Ministry of Finance (Department of Revenue) O.M. No.  
241/6/84-A&PAC-I]

#### Recommendation

The Committee are surprised to find that the number of individual assesseees with a returned income of above Rs. 5 lakhs shown

on the records of the Income-tax Deptt. was only 900 as on 31-3-1982. What is more surprising is that even this number has come down to 599 as on 31-3-1983. The Committee find it difficult to believe that the number of individual assesseees with an income of over Rs. 5 lakhs could be only 599 in the whole country. In their opinion, it is just indicative of the ineffectiveness of the Income-tax Department to prevent large scale evasion in the higher slabs of income. The picture becomes all the more disappointing when it is seen that in the last four years the survey side of the Department has been increased more than four times from 159 in 1978-79 to 667 in 1982-83. The Committee would like the Central Board of Direct Taxes to take effective steps/measures to see that large scale evasion of Income-tax taking place at present, particularly in the higher slabs of income is prevented.

[S. No. 5 (Para 5.5) of the 217th Report of Public Accounts Committee (1983-84) (7th Lok Sabha)]

#### **Action Taken**

Following measures have been taken recently to check large-scale tax evasion:—

- (i) Existing machinery for search and seizure operations has been geared up. A new post of Director of Inspection (Inv. III) at Madras has been created for expeditious and effective action in cases of South Zone.
- (ii) Greater stress is being laid on launching of more prosecutions.
- (iii) Work of Central Charges has been rationalised.
- (iv) The survey work and the assessment work have been separated so that survey ITOs can pay greater attention to survey work.

[Ministry of Finance (Department of Revenue) O.M. No. 241/684-A&PAC-I dated 31-10-84]

#### **Recommendation**

The Committee find that as a measure to simplify the procedures, the institution of Inspecting Assistant Commissioner (Assessment) has been created with effect from October, 1978, with a view to utilising the experience gained by Senior Officers on making assess-

ment in bigger and complicated cases and actively associating them in day to day progress of completion of assessments resulting in proper coordination and scrutiny. Special range having concurrent jurisdiction under Section 125-A of the Act have been set up. Each such range consists of one IAC (Assessment) and three Senior ITOs. All assessment work in respect of cases where the returned income or the last assessed income is Rs. 5 lakhs and above is done by the IAC (Assessment) himself.

There are 108 such IACs in position. Each such IAC is required to dispose of 35 main cases along with the linked cases. Further, to provide relief to the Income-tax Officers, the Income-tax Act has been amended through Finance (No. 2) Act, 1980, effective from 1st September, 1980, providing for assessment by Income-tax Inspectors. Pursuant to this amendment, functions have been assigned to Inspectors in smaller category of cases—Summary Assessment cases up to Rs. 25,000. With the same end in view the Central Board of Direct Taxes has issued instructions on 13-5-1983 enlarging the scope of the Summary Assessment so as to cover more cases within its ambit. Now, all non-company cases (including salary assessments cases) up to a monetary limit of Rs. one lakh and company cases showing income below Rs. 5 lakhs will be covered under the Summary Assessment Scheme. Sub-clauses (ii) and (iii) of Section 132 (1) (b) of the Income-tax Act, 1961 have been omitted whereby the discretion of the ITO to make adjustments regarding certain admissible and inadmissible items has been taken away.

[S. No. 6 (Para 5.6) of the 217th Report of PAC (1983-84)  
(7th Lok Sabha)]

#### **Action Taken**

The observation made by the Public Accounts Committee on para 5.6 of the 217th Report (1983-84) are only commentative in nature and, therefore, do not require any action taken note.

[Ministry of Finance (Department of Revenue) O.M. No.  
241/6/84-A&PAC-I dated 1-8-85].

#### **Recommendation**

The Committee, however, regret to observe that despite the above reforms and measures taken by the Department to simplify the procedures, the number of pending assessments has been constantly going up in the last five years. The pendency has increased



from 15.38 lakhs at the end of the year 1977-78 and 19.26 lakhs at the end of the years 1978-79 to 26.61 lakhs at the end of the year 1981-82. What is more surprising is that the pendency of even Summary Assessments has been going up from year to year, the number at the end of 1980-81 being 16.76 lakhs as against 6.62 lakhs at the end of 1977-78. In company cases also, the pendency has been constantly going up. It rose from 40,563 in 1978-79 to 43,884 in 1979-80, 52,250 in 1980-81 and 55,861 in 1981-82.

[S. No. 7 (Para 5.7) of Appendix IV of the 217th Report of PAC  
(7th Lok Sabha)]

### Action Taken

The problem of mounting arrears of I.T. assessments has been under the constant review of the Board and steps have been taken, from time to time, to match the workload with the available manpower.

2. With a view to speed up the disposal of income-tax assessments with the manpower available and to reduce the ever increasing backlog, instructions have recently been issued by the Board that assessments in salary cases with returned income up to Rs. 50,000/- and non-salary cases with returned income up to Rs. 25,000/- be completed without any checking of any sort.

3. The redeployment of the manpower thus released on other cases, is expected to contain the workload in other areas.

[Ministry of Finance (Deptt. of Revenue) O.M. No. 241/6/84-  
A&PAC-I dt. 31-10-84]

### Recommendations

From a statement furnished by the Ministry indicating the performance vis-a-vis the Action Plan targets in the area of assessment during the years 1978-79 to 1982-83, the Committee notice that in all these years, the actual performance has been much below the Action Plan targets laid down by the Central Board of Direct Taxes. As against the Action Plan target of 75 per cent in case of Scrutiny Assessment cases in 1981-82, the achievement was 59 per cent and as against the Action Plan target of 100 per cent in case of Summary cases selected at random for scrutiny, the achievement was merely 54 per cent. In case of Summary and Salary Assessment cases in the same year, the achievement was only 68 per cent as against the

Action Plan target of 85 per cent. The position in the year 1982-83 also did not show improvement. The above figures speak for themselves and the Committee need hardly comment on them.

It is learnt that Action Plan targets are fixed by the Central Board of Direct Taxes in consultation with the Commissioners of Income-tax. This exercise is done after taking into account the actual performance in the preceding three years, the arrears the current work-load and available manpower. The targets are so set that there is an element of challenge in regard to their achievement. While some of the Commissioners are able to achieve and exceed the target laid down, some others are not able to do so. The reasons given are that the arrears pertaining to past years form a hard core. The monitoring of implementation of the Action Plan is carried out by the Directorate of O&M services by calling or quarterly Control Statements from the Commissioners. Commissioners who lag far behind the target fixed are being asked to look into the matter and take steps to improve the performance. The Committee need hardly point out that the Ministry should have a closer watch on the performance of the department so as to ensure that targets fixed in the Action Plan are invariably achieved in all areas and also analyse the reasons for the shortfall in certain Commissioners' charges and take corrective steps wherever necessary to improve the overall performance.

[S. No. 8 & 27 (Paras 5.8 & 5.27) of the Appendix I of the 217th Report of the PAC (Seventh Lok Sabha) (1983-84)]

#### **Action Taken**

As already taken note of by the Honourable Committee, the targets in the key result areas selected in the annual Action Plans are so set that there is an element of challenge in regard to their achievement. Thus, it is inherent in the scheme that the targets may not always be achieved by all the Charges of Commissioners in India. The objective is that all of them should put their best effort to achieve the targets. As recommended by the Honourable Committee, the Ministry would keep a closer watch on the performance and wherever there is large shortfall from the targets in certain Commissioners' Charges, the reasons for the shortfall would be ascertained to take corrective steps wherever necessary.

[Ministry of Finance (Deptt. of Revenue) O.M. No. 241/6/84-  
A&PAC-I dt. 1-12-84]

### Recommendation

The Committee gathered an impression that the institution of IACs (Assessment) has not so far played the meaningful role it was expected to play. Asked whether the strength of IACs (Assessment) was not too large in relation to work to be handled, the Chairman, Central Board of Direct Taxes stated in evidence "I can have a look into it". In a note furnished to the Committee subsequently it has been stated that "the functioning of the IACs (Assessment) has been considered in the Conferences of Commissioners of Income-tax held in 1982 and 1983" and that "the subject matter is under study". The Committee trust that the working of the institution will be examined in all its aspects and necessary corrective steps taken. The Committee would like to be informed of the decisions of the Board together with the follow-up action in the matter.

[S. No. 10 (Para 5.10) of the 217th Report of Public Accounts Committee (1983-84) (7th Lok Sabha)]

### Action Taken

The functioning of the institution of the IACs (Assessment) has been under the constant review of the Board. With a view to increase the effectiveness of this institution in producing the desired results, new modalities have recently been laid down. Copies of Board's letter D.O.F. No. 201|63|83-ITA-II dated 31-12-1983 and 21-7-1984 relevant for this purpose are enclosed.

[Ministry of Finance (Deptt. of Revenue) O.M. No. 241|6|84-A&PAC-I dt. 31-10-84]

P. S. BHASKARAN  
MEMBER (INCOME-TAX)  
PH. 373621.

D.O.F. No. 201|63|83-ITA-II  
Government of India  
Ministry of Finance  
Central Board of Direct Taxes  
New, Delhi, the 21st July, 1984.

My dear

The new set up of the IAC (Assessment) has come into being in this financial year. The cases have also been assigned to the IACs (Assessment) having regard to their importance either from income angle or the scale of the concealment estimated in search and seizure operations. This letter is to set out in brief what is expected from the IAC (Assessment).

2. The IAC (Assessment) being a senior Officer in the Department is expected to make a statutorily and arithmetically correct assessment. There should not be any room for the audit, both internal and receipt, to find any mistake either in the arithmetical accuracy or in applying the statutory provisions relevant for the assessment year concerned. The kind of mistakes that are reported year after year in the C&AG's reports should not creep into assessments made by the IACs (Assessment).

3. The IAC (Assessment) should be in a position to complete all the pending assessments in the cases assigned to them by 31st March, 1986. In other words, on 1-4-1986 there should only be the current assessments pending in these cases. I am aware of the fact that in many of the bigger cases, there is more than one time barring assessment every year. The practice of avoiding an assessment getting barred by limitation by taking a revised return just before the limitation date should cease forthwith. An IAC (Assessment) may postpone completion of a time barring assessment in cases a revised return is filed only with the administrative approval, in writing, of the CIT. I am sure that the CIT will see to it that assessments are taken up right from the every beginning so that the contingency of taking a revised return does not arise.

4. Subject to the overall target of making assessments in all cases upto date by 31st March, 1986, the IAC (Assessment) should ensure that all points are looked into in all these cases and followed up properly. To give an example, if there is a cash credit, the IAC (Assessment) should not rest content with a confirmation letter but should follow it up to establish its genuineness or otherwise. In other words if there is any indication clue or lead pointing to fraud or concealment, the IAC (Assessment) is expected to follow it up.

5. The IAC (Assessment) should be told in clear terms that their performance will be judged from two stand points mentioned above viz.,

- (a) Making of arithmetically and statutorily correct assessments; and
- (b) Getting all pending assessments completed by 31st March, 1986. As on 1-4-1985 there should only be at the most one arrear assessment and one current assessment pending in all these cases.

6. Some IACs (Assessment) have been assigned cases of firms with partners and companies with directors and important shareholders. The assessments of firm and partners and companies and directors should be taken up and completed at the same time. For performance appraisal the assessment of the firm and its partners and companies and its directors will be taken as one assessment.

7. The IACs (Assessment) will not as a matter of rule, make any *ex-parte* assessment under Section 144. If for any particular reason it becomes necessary to make *ex-parte* assessment, it should be done with CIT's written approval.

8. Commissioners of Income-tax are expected to closely monitor the functioning of the IACs (Assessment), in their charges.

9. The above guidelines will not apply to IACs (Assessment) functioning in Central Circles.

Yours sincerely,  
Sd/- (P. S. BHASKARAN)

Shri \_\_\_\_\_  
Commissioner, of Income-tax.

N. SUBRAMANIAN  
MEMBER (INCOME-TAX)

D. O. F. NO. 201/63/83-ITA-II.

GOVERNMENT OF INDIA  
CENTRAL BOARD OF DIRECT TAXES

New Delhi, the 31st December, 1983.

My dear

You may recall that the subject of improving the quality of assessment and strategy for speeding up of work in the Department was discussed during the Commissioners Conference in 1983. I am writing this letter to you to highlight the importance of improving the quality of assessment. In this connection mention was made to the institution of IAC (Asstt.) and its effectiveness in producing the desired results in the field of assessments.

2. There are today different levels of officers doing what may be called scrutiny assessments. We have ITOs in company circles, the ITOs in Central Charges, ITOs in Special Investigation Circles and IACs (Asstt.). The configuration of these officers varies from charge to charge depending upon the situation. However, there can be no doubt that the institution of IAC (Asstt.) is unique in four

ways than one. He is a senior officer, who is expected to bring to bear his experience and expertise on his job. The IAC (Assessment) is essentially a one-man task force and I have no doubt that it is this institution which needs to be built up in order to improve the functioning of the Department. But for achieving this end we need to take a few concrete and effective steps, which, *inter-alia*, are as follows:

- (i) There should be proper case and selection of the incumbents of IAC (Asstt.). For this purpose, the CIT may after interviewing, if necessary, keep a select panel of officers, which may be intimated to the Board.
- (ii) Proper case has to be taken in assigning cases to IAC (Asstt.). Our experience from 1978 shows that it is in this area of action perhaps that we have not succeeded as much as was expected. I would, therefore, like you to take stock of the important cases in your charge so that the most important among them will be assigned to the IAC (Asstt.). IAC (Asstt.) are not to be assigned the routine kind of cases but only high revenue yielding or tax fraud cases in order to utilise the wider experience of these officers. I leave it to you to judge the inherent importance of the cases in your charge which need to be handled by a senior officer.
- (iii) The IAC (Assessment) will have only one Gr. 'B' ITO and one Inspector under him. The IAC will alone make all Income-tax assessments.
- (iv) The annual disposal of the cases by the Unit of the IAC (Asstt.) would be a minimum of 75 real, income-tax assessments.

6. The proposed set up is expected to come into being from 1-4-1984. I would like you to initiate the ground work for the implementation of the above decisions and complete it by March, 1984 so that the unit of IAC (Asstt.), a Group 'B' officer and one Inspector is in position on 1-4-1984.

4. I would like to hear about the steps taken by you in this connection by 29th February, 1984.

Yours sincerely  
Sd/- N. SUBRAMANIAN

Shri  
Commissioner of Income-tax

### Recommendation

The Committee observe that the Summary Assessment Scheme was introduced with the avowed object of reducing workload in the Income-tax Department. However, the impression which the Chairman, Central Board of Direct Taxes gave in his evidence was that the Income-tax Department has not been able to make use of the Scheme as a successful instrument of quick breakthrough in disposal of small assessment cases, as originally envisaged. In reply to a question whether as a result of the introduction of the scheme the object of reducing the workload has been achieved, the Chairman, CBDT stated, "No, we have not achieved the same". In reply to another question, he informed the Committee that "in a summary Assessment, all that is saved is one notice or may be two notices". The Committee are shocked to learn this. In their opinion, had the Summary Assessment Scheme been implemented in its proper spirit and its scope enlarged with the needs of changing times, the Department would not have been facing the problem of pendency to the extent it is facing at present. As already mentioned, the Central Board of Direct Taxes has, in May, 1983, issued instructions greatly enlarging the scope of the Summary Assessment Scheme. The Committee trust that this will result in substantial reduction in pendency of assessments. They also trust that the Board will keep the matter under constant review and take whatever steps are necessary to further simplify the procedure so that minimum possible time is spent on summary assessment cases and the manpower thus released is utilised for scrutiny of large revenue cases.

[S. No. 11 (Para No. 5.11) of the 217th Report of Public Accounts Committee (1983-84) (7th Lok Sabha)]

### Action Taken

The observation of the Public Accounts Committee have been noted. With a view to speed up the disposal of Income-tax assessments with the manpower available and to reduce the ever-increasing backlog, the Board have issued instructions that salary cases with returned income upto Rs. 50,000<sup>1</sup>- and non-salary cases with returned income upto Rs. 25,000<sup>1</sup>- subject to certain exceptions will be completed without any checking of any sort. A copy of these instructions is enclosed.

[Ministry of Finance (Deptt. of Revenue) O.M. No. 241/6/84-

A&PAC-1 dt. 31-10-84]

X

Instruction No. 1366

F. No. 225/63/84-ITA-II  
 GOVERNMENT OF INDIA  
 MINISTRY OF FINANCE  
 Department of Revenue  
 Central Board of Direct Taxes

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New Delhi, the 21st June, 1984.

To

All Commissioners of Income-tax.

Sir,

SUB:—*Expeditious disposal of Income-tax assessments—  
 Instructions regarding.*

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During the Commissioners Conference 1984, certain recommendations were made to speed up the disposal of income-tax assessments with the manpower available and to reduce the ever increasing backlog. The recommendations made in this conference have been examined by the Board and I am directed to say that in supersession of all existing instructions on the subject, the following procedure will now be adopted:—

- (1) The present categorisation of the cases into summary and scrutiny is done away with. Instead, they will be divided into two classes, namely:
  - (i) Salary cases with returned income of Rs. 50,000|- or less and other cases with returned income of Rs. 25,000|- or less; and
  - (ii) Other cases.
- (2) Assessments of cases at 1(i) above will be completed on the basis of the return after linking it with the assessment records. No checking of any sort will be necessary to in such cases.

All pending assessments in such cases will be completed in the same manner along with the current assessments.

However, cases selected for scrutiny like those assigned to IACs (Assessment), Central Circles, Film Circles, Special Investigations Circles, Special Circles and cases of companies, trusts, charitable institutions, loss cases, search



and seizure cases and cases re-opened under Section 147 etc. will not come under the purview of this scheme.

- (3) There will be two return receipt counters. In one, returns of income upto Rs. 25,000/- and below and salary cases with an income upto Rs. 50,000/- will be received and in the other, returns in respect of other cases will be received.

This will ensure that returns which are to be assessed in a summary manner are segregated at the receipt stage itself.

- (4) When assessments are completed in cases falling under 1(i) above and there is no additional demand or refund, demand notices and copies of assessment orders will not be issued, but an intimation that the assessment has been complete resulting in 'nil' demand/refund will be issued in the attached form. This intimation may be got printed in the form of an inland letter so that after writing the name and address of the assessee, they could be issued.
- (5) Two demand and collection registers will be maintained in respect of assessments completed under scheme 1(i). In the first register, all cases where the returned income is Rs. 15,000/- or less, will be entered, and in the other, all others.

Where assessments are completed by Inspectors, these cases, should be entered in a separate part of the register so that the number completed by the Inspector and the ITO could be separately ascertained.

- (6) No penalty proceedings will be initiated in cases completed under 1(i) above under sections 271(1)(a) and 273 if the returns are filed before 30th Sept. of the assessment year.

In respect of pending penalty proceedings in such cases, they may be dropped if the relevant returns have been filed before the end of the assessment year concerned.

However, interest under the relevant provisions will be levied.

(7) 5 per cent of the cases completed in the above manner will be taken up for random scrutiny. Commissioners may lay down the random number so that the ITOs can select the cases for random scrutiny. The instructions laid down for completion of assessments selected for scrutiny on random basis will continue to be observed.

(8) All other cases, (i.e. cases where the assessments are not to be completed in a summary manner), will be dealt with under the normal procedure of law.

2. The above instructions will come into force with immediate effect. They may please be brought to the notice of all the officers working under you.

3. Hindi version will follow.

Yours faithfully,

Sd/-

(P. SAXENA)

*Secretary, Central Board of Direct Taxes.*

Copy forwarded to:

1. P.S. to Chairman, Member (Inv.), Member (L), Member (WT&J), Member (S&T), Member (R&A) and Member (IT).
2. All Officers and Technical Sections in the CBDT.
3. Director of Inspection (Inv.) IT & Audit | Vigilance | Survey | Intelligence | RS&P | Recovery | Special Investigation.
4. Deputy Director of Inspection (PP&PR) New Delhi.
5. Assistant Director of Inspection (Bulletin) New Delhi.
6. Comptroller and Auditor General of India.
7. Competent Authority, Madras | Delhi | Bombay | Calcutta.
8. Joint Secretary & Legal Adviser, Ministry of Law, New Delhi.
9. Director, O&MS (IT), D.I. (System) New Delhi.
10. Director, National Academy of Direct Taxes, Nagpur.

Sd/- P. Saxena.

*Secretary, Central Board of Direct Taxes.*

P.A. No.  
Office of the Income-tax Officer,

Dated the \_\_\_\_\_

Dear Sir/Madam,

REGARDING: *Your Income-tax Assessment for the assessment year 1984-85.*

Kindly refer to the Income-tax return filed by you for the assessment year 1984-85.

2. Your Income-tax assessment for the aforesaid assessment year has been completed under section 143(1) on the returned income and no additional demand has been raised.

Yours faithfully,

(INCOME-TAX OFFICER)

#### Recommendations

Doubts have from time to time been expressed about the possible abuse of the Summary Assessment Scheme. The Committee note that a study conducted by the Directorate of Organisation and Management Services in a few Commissioner's Charges has revealed that the extent of revenue benefit as a result of conversion of Summary cases into Scrutiny cases was only marginal and that the Summary Assessment Scheme has not been misused so as to cause loss of revenue. While the Committee are glad to notice this, they would like the board to continue with the system of random sampling to curb the tendency on the part of some assesseees to take undue advantage of the Scheme.

[S. No. 13 (Para No. 5.13) of the 217th Report of Public Accounts Committee (1983-84) (7th Lok Sabha)].

#### Action Taken

The Board are aware that the system of selection of cases for scrutiny on random sampling basis is one of the checks on the possible misuse of the summary assessment scheme. With this in view, the system of selecting cases for scrutiny on random sampling basis has been continued. A copy of the relevant instruction No. 1566 dated 21st June, 1984 is enclosed.

[Ministry of Finance (Deptt. of Revenue) O.M. No. 241/6/84-  
A&PAC-I dt. 31-10-84]

F. No. 225/63/84-ITA-II  
 GOVERNMENT OF INDIA  
 MINISTRY OF FINANCE  
 Central Board of Direct Taxes

New Delhi, the 21st June, 1984.

To

All Commissioners of Income-tax  
 Sir,

SUBJECT:—*Expeditious disposal of Income-tax assessments—  
 Instructions regarding—*

During the Commissioners Conference, 1984, certain recommendations were made to speed up the disposal of income-tax assessments with the manpower available and to reduce the ever increasing backlog. The recommendations made in this Conference have been examined by the Board and I am directed to say that in supersession of all existing instructions on the subject, the following procedure will now be adopted:—

- (1) The present categorisation of the cases into summary and scrutiny is done away with, instead they will be divided into two classes, namely;
  - (i) salary cases with returned income of Rs. 50,000/- or less and other cases with returned income of Rs. 25,000/- or less; and
  - (ii) Other cases.
- (2) Assessments of cases at 1(i) above will be completed on the basis of the return after linking it with the assessment records. No checking of any sort will be necessary in such cases.

All pending assessments in such cases will also be completed in the same manner alongwith the current assessments.

However, cases selected for scrutiny like those assigned to IACs (Assessment), Central Circles, Film Circles and cases of companies, trusts, charitable institutions, loss cases, search and seizures cases and cases re-opened under sections 147 etc. will not come under the purview of this scheme.

- (3) There will be two return receipt counters. In one, returns of income upto Rs. 25,000/- and below and salary cases with an income upto Rs. 50,000/- will be received and in the other, returns in respect of other cases will be received.

This will ensure that returns which are to be assessed in a summary manner are segregated at the receipt stage itself.

- (4) When assessments are completed in cases falling under 1(i) above and there is no additional demand or refund, demand notices and copies of assessment orders will not be issued, but an intimation that the assessment has been completed resulting in 'nil' demand/refund will be issued in the attached form. This intimation may be got printed in the form of an inland letter so that after writing the name and address of the assessee, they could be issued.
- (5) Two demand and collection registers will be maintained in respect of assessments completed under scheme 1(i). In the first register, all cases where the returned income is Rs. 15,000/- or less, will be entered, and in the other, all others.

Where assessments are completed by Inspectors, these cases should be entered in a separate part of the register so that the number completed by the Inspector and the ITO could be separately ascertained.

- (6) No penalty proceedings will be initiated in cases completed under 1(i) above under Sections 271(1)(a) and 273 if the returns are filed before 30th September of the assessment year.

In respect of pending penalty proceedings in such cases, they may be dropped if the relevant returns have been filed before the end of the assessment year concerned.

However, interest under the relevant provisions will be levied.

- (7) 5 per cent of the cases completed in the above manner will be taken up for random scrutiny. Commissioners may lay down the random number so that the ITOs can select the cases for random scrutiny. The instructions laid down for completion of assessments selected for scrutiny on random basis will continue to be observed.

(8) All other cases (i.e. cases where the assessments are not to be completed in a summary manner) will be dealt with under the normal procedure of law.

2. The above instructions will come into force with immediate effect. They may please be brought to the notice of all the Officers working under you.

3. Hindi version will follow.

Yours faithfully,

Sd/-

(P. SAXENA)

*Secretary, Central Board of Direct Taxes.*

Copy forwarded to:—

1. P.S. to Chairman, Member (Inv.), Member (L), Member (WT&J), Member (S&T), Member (R&A) and Member (IT).
2. All officers and Technical Sections in the CBDT.
3. Director of Inspection (Inv.)|IT & Audit|Vigilance|Intelligence|RS&P|Recovery|Special Investigation|Survey.
4. Deputy Director of Inspection (PP&PR) New Delhi.
5. Assistant Director of Inspection (Bulletin) New Delhi.
6. Comptroller and Auditor General of India, New Delhi.
7. Competent Authority, Madras/Delhi/Bombay/Calcutta.
8. Joint Secretary and Legal Adviser, Ministry of Law, New Delhi.
9. Director of D&MS (IT), D.I. (System) New Delhi.
10. Director, National Academy of Direct Taxes, P.B. No. 40, Nagpur.

Sd/-

(P. SAXENA).

*Secretary, Central Board of Direct Taxes.*

P.A. to Office of the Income-tax Officer,

Dated the \_\_\_\_\_

Dear Sir/Madam,

REGARDING: *Your Income-tax assessment for the assessment year 1984-85.*

Kindly refer to the Income-tax return filed by you for the assessment year 1984-85.

2. Your Income-tax assessment for the aforesaid assessment year has been completed under section 143(1) on the returned income and no additional demand has been raised.

Yours faithfully,  
(Income-tax Officer)

### Recommendations

The Committee find that several administrative steps have been taken by the Ministry to accelerate the pace of recovery, namely monitoring of the monthly progress of recovery of arrears by the Central Board of Direct Taxes, keeping a close watch by the Director of Recovery on the progress of tax arrears particularly in cases above Rs. 10 lakhs and supervision by Commissioners over the progress of disposal of huge demand appeals with tax arrears of Rs. 1 lakh and above. Instructions have also been issued to Commissioners to watch each important event in the first top hundred cases in their charge. The recovery machinery has also been strengthened by the addition of five Commissioners of Income-tax (Recovery) to supervise the working of the Tax Recovery Officers. The Committee would like to watch the outcome of the steps. The Committee would like to observe that mere issue of instructions by the Board will not serve the purpose and what is important is to ensure that the instructions issued by it are fully implemented by the Lower formations in letter and spirit.

[S. No. 17(Para No. 5.17) of the 217th Report of Public Accounts Committee (1983-84) (7th Lok Sabha)].

### Action Taken

The recommendations have been noted and suitable instructions are issued to the Commissioners. A copy of the same is enclosed herewith.

[Ministry of Finance (Deptt. of Revenue) O.M. No. 241/6/84-A & PAC-I dated 31-10-1984]

F. No. 385/42/84-IT(B)  
CENTRAL BOARD OF DIRECT TAXES

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New Delhi, the 27th July, 1984.

To

All Chief Commissioners of Income-tax/  
Commissioners of Income-tax/Commissioners of Income-tax  
(Recovery).

Sir,

SUBJECT:—PAC—217th Report of the Committee (1983-84)—  
Recommendations made in Para 5.17.—

---

I am directed to say that in its 217th Report (1983-84), PAC has made the following recommendations—

“The Committee find that several administrative steps have been taken by the Ministry to accelerate the pace of recovery, namely monitoring of the monthly progress of recovery of arrears by the Central Board of Direct Taxes, keeping a close watch by the Director of Recovery on the progress of tax arrears particularly in cases above Rs. 10 lakhs and supervision by Commissioners over the progress of disposal of huge demand appeals with tax arrears of Rs. 1 lakh and above. Instructions have also been issued to Commissioners to watch each important event in the first top hundred cases in their charge. The recovery machinery has also been strengthened by the addition of five Commissioners of Income-tax (Recovery) to supervise the working of the Tax Recovery Officers. The Committee would like to watch the outcome of the steps. The Committee would like to observe that mere issue of instructions by the Board will not serve the purpose and what is important is to ensure that the instructions issued by it are fully implemented by the lower formations in letter and spirit”.

2. In view of the above, you may take necessary action in the matter. It is hoped that as a result of the steps taken there will be substantial improvement in the reduction of arrears.



3. Please acknowledge the receipt of this letter.

Yours faithfully,

Sd/-

B. NAGARAJAN

*Secretary, Central Board of Direct Taxes.*

Copy to:—

1. D.I. (IT)/DI (Inv.)/DOMS/DI (P&PR).
2. D.I. (RS&P)/Bulletin Section with 6 copies.
3. Hindi Section with the request that the circular may be translated into Hindi and a stencil of the translation furnished to IT(B) Section
4. All Officers/Sections in the Board's Office.
5. Chief Controller of Accounts, CBDT, New Delhi.
6. C&AG of India, New Delhi (with 50 spare copies).
7. National Academy of Direct Taxes, Chhindwara Road, Nagpur (16 copies).

Sd/-

V. K. SWAMINATHAN

*Desk Officer.*

*Central Board of Direct Taxes.*

#### **Recommendation**

The Committee are surprised to find that no review of the efficacy of tax recovery machinery has been conducted by the Board so far. The Committee strongly recommend that the Government should conduct a comprehensive study of the work of the recovery side particularly the efficiency of the Tax Recovery Officers and also examine how far the objects with which a separate organisation for recovery with five Commissioners has been set up, has been achieved. The action taken in this regard may be intimated to the Committee.

[S. No. 18 (Para No. 5.18) of the 217th Report of the Public Accounts Committee (1983-84)]

#### **Action Taken**

In pursuance of the recommendations made by the Committee, the Government have entrusted the conduct of the comprehensive study of the functioning of the Tax Recovery Officers and the Commis-

Commissioners of Income-tax (Recovery) to the Directorate of Organisation and Management Services, Income-tax Department, who have been advised to submit their findings/conclusions early.

[Ministry of Finance (Deptt. of Revenue) O.M. No. 241/6/84-A & PAC-I dated 31-10-1984]

### Further Action Taken

Kind attention of the Hon'ble Committee is invited to this Ministry's O. M. of even number dated the 31st October, 1984.

2. A copy of the Report on the Study conducted by the Directorate of Organisation and Management Services (Income-tax) on the working of Tax Recovery Machinery is enclosed. The conclusions arrived at therein on the functioning of the Tax Recovery Organisation and the recommendations made for increasing the effectiveness of the Tax Recovery machinery and for increasing the efficiency of the Tax Recovery officers are being examined by the Government.

3. The Study also reveals that after the posting of CsIT(R), the performance of metropolitan charges has improved considerably. They have contributed to the better organisation of the work of the TROs which produced better results. The Government are, therefore, satisfied that the objects for which a separate organisation for recovery with five Commissioners has been set up, have been achieved to a great extent.

[Ministry of Finance (Deptt. of Revenue) O.M. No. 241/6/84-A & PAC-I dated 12-6-1984]

### Recommendation.

The Committee are surprised to find that no review of the efficacy of Tax Recovery machinery has been conducted by the Board so far. The Committee strongly recommend that the Government should conduct a comprehensive study of the working of the recovery side particularly the efficiency of the Tax Recovery Officers and also examine how far the objects with which a separate organisation for recovery with five Commissioners has been set up has been achieved. The action taken in this regard may be intimated to the Committee.

[S. No. 18 (Para No. 5.18) of the 217th Report of PAC (1983-84) (7th Lok Sabha)].

**Action Taken**

Kind attention of the Hon'ble Committee is invited to this Ministry's O.M. of even number dated the 12th June, 1985.

2. A study has been made to review the working of the tax recovery machinery of the Department. The Study Report has 28 recommendations which are being processed by different agencies for further necessary action. In pursuance of these recommendations, two instructions have already been issued, copies of which are enclosed.

[Ministry of Finance (Deptt. of Revenue) O.M. No. 241/6/84-A & PAC-I dated 12-8-1985]

*Instruction No. 1642*

F. No. 398/21/85-IT (B)

GOVERNMENT OF INDIA

CENTRAL BOARD OF DIRECT TAXES

*New Delhi, the 29th July, 1985.*

To

All Chief Commissioners of Income-tax and

All Commissioners of Income-tax.

SUBJECT:—*Provision of suitable officers and staff to man the Tax Recovery Officers.*

Sir,

I am directed to refer to Board's instruction No. 1520 dated 20th July, 1983 as amended by Instruction No. 1542 dated 3rd December, 1983 whereby the need for having proper-coordination between the Income-tax Officers and Tax Recovery Officers and for imparting training to the staff in the Recovery Wing etc. was communicated to you. In pursuance of the recommendations made by Public Accounts Committee (1983-84) (7th Lok Sabha) in para 5.18 of its 217th Report, the Board entrusted to DOMS the conduct of a comprehensive Study, particularly the efficiency of the Tax Recovery Officers. Extracts of the observations and recommendations made by DOMS in this regard are given below:—

“It is observed that very Junior officers are being posted as Tax Recovery Officers. Information obtained in respect of the metropolitan charges illustrate this points”.

From the above chart it is seen that in Delhi and Calcutta charges all the Tax Recovery Officers are Income-tax Officers Group 'B' with less than 5 years experience. In other charges also, majority of the Officers posted at Tax Recovery Officers are Junior Officers. In none of the charges any Income-tax Officer in Group 'A' Senior scale has been posted as a Tax Recovery Officer. It may be pointed out that a Tax Recovery Officer has to tackle many complicated problems which requires knowledge not only of Income-tax Laws but also of various other laws including transfer of property Act, Civil Procedure Code etc. He has to deal with assessees who are not very straight forward and have managed to delay the payment of taxes for a long time. It may not be therefore, possible for a newly promoted officer to tackle these problems effectively. It is, therefore, recommended that some senior Group 'A' Income-tax Officer should be posted as Tax Recovery Officers for handling high demand and more complicated cases of recovery.

#### *Quality of staff*

Even in Metropolitan charges where Commissioners of Income-tax (R) are functioning, the entire staff is under the administrative control of Commissioner of Income-tax—I, who posts the staff with the tax Recovery Officers. It has been found that it has become almost a practice to post either newly promoted Inspectors or staff in the Tax Recovery Officer Unit or even worse, condemned staff. It is, therefore, not surprising that the tax recovery officers are not able to extract work from such staff. In any office, there is bound to be some more efficient and some less efficient staff. The point to be made is that the Tax Recovery Officer should not as a rule have inefficient staff members only. CIT (Admn.) should, therefore, provide a fair-mix of competent and not so competent staff for the Tax Recovery Officers.

2. The recommendations made by the Review Committee in this regard have been considered and accepted by the Board. The Board desires that the above recommendations be kept in mind by the Commissioners while posting officers and staff to the Recovery Wing.

Yours faithfully,  
Sd/-

B. NAGARAJAN

*Secretary,*

*Central Board of Direct Taxes.*

Copy forwarded to:—

1. DI (RS&PR), Mayur Bhawan, New Delhi.

2. DI (Recovery), Mayur Bhawan, New Delhi.
3. DI (IT&A), Mayur Bhawan, New Delhi.
4. DI (Inv.), Mayur Bhawan, New Delhi.
5. DI (RSPR), Mayur Bhawan, New Delhi.
6. Director, O&MS (IT) Aiwan-e-Galib, Mata Sundri Lane,  
New Delhi.
7. Director, IRS, Training School, Nagpur.
8. C&A.G. of India.
9. Chief Controller of Accounts, CBDT, Lok Nayak Bhawan,  
New Delhi.
10. All Officers and Section in the Technical Wing of CBDT.
11. ITCC Section.

Sd/-

B. E. ALEXANDER

*Under Secretary,*

*Central Board of Direct Taxes.*

*Instruction No. 1644*

F. No. 398/20/85-II(B)

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

DEPARTMENT OF REVENUE

Central Board of Direct Taxes

New Delhi, the 30th July, 1985

To

All Commissioners of Income-tax,

SUBJECT:—*Proper co-ordination between ITOs and TROs-  
Instruction regarding—*

Sir,

By Instruction 1578 dated 13-9-1984 the Board issued a compendium of earlier instructions on the above subject which had been issued by the Board from time to time. In para 5.18 of its 217th Report, the Public Accounts Committee (1983-84) (Seventh Lok Sabha) recommended that the Government should conduct a comprehensive study of the working of the recovery, side particularly the efficiency of the Tax Recovery Officers. In pursuance of the above recommendations of the Public Accounts Committee, the Board entrusted the conduct of the study of the tax recovery

machinery to Directorate of O&M Services. In the course of the said study it was noticed that the problem being faced by TROs is lack of co-ordination with the I.T.O.s, Para 5.20 of the Report submitted by the DOMS reads as under:—

“Another problem being faced by TROs is lack of co-ordination with the ITOs. Section 225(2) of the Act provides that the ITO shall inform that TRO about any taxes paid or time granted for payment after the issue of TRC. However, in practice, this is never done. The problems faced regarding co-ordination are mentioned below:—

- (i) The variation in demand on account of rectifications, revisions, appeal effect etc. are not being intimated promptly by the ITOs and the TROs.
- (ii) Collection made by the ITOs after issue of TRCs as also adjustment of refunds against arrears are not being intimated to the TROs.
- (iii) No intimation about the deletion of advance arrears on completion of regular assessments are sent to TROs.
- (iv) Files are not made available by the staff or ITOs office to the staff of TROs office.

To bring about better co-ordination between ITOs and TROs and to overcome the problems mentioned above, it is recommended that IACs(R)/Range IACs should convene a meeting of the TROs and the concerned ITOs twice a month. Before the date of such meeting the TRO should supply a list of defaulters with arrears exceeding Rs. 10,000/- in duplicate to the ITO concerned who should indicate in the list any change in the arrears position in those cases and should also give the latest assets position. These cases then may be discussed in the meeting so that appropriate action is taken expeditiously”.

The findings of the Committee have been considered by the Board. In order to achieve better results in this regard the Board desires that Cs IT should direct IACs(R)/Range IACs to convene a meeting of the TROs and the concerned ITOs twice a month, for which specific dates may be set apart every month. Before the dates of such meetings the TROs should supply a list of defaulters

with arrears exceeding Rs. 10,000/- in duplicate to the ITOs concerned who would indicate in the list any change the arrear position in those cases and should also give the latest position regarding assets. This will obviate time consuming and bilatory cross references between the offices of the TRO and ITO, and thus hasten the process of recovery.

2. It is requested that these instructions may please be brought to the notice of all concerned.

Yours faithfully,  
Sd/-

B. NAGARAJAN  
Secretary,

*Central Board of Direct Taxes.*

Copy forwarded to:—

1. D.I. (RS&PR) Mayur Bhavan, New Delhi.
2. D.I (Recovery) New Delhi.
3. D.I. (IT&A) Mayur Bhavan, New Delhi.
4. D.I. (Inv.) New Delhi.
5. D.I. (P&PR) New Delhi.
6. Director, O&M (Income-tax) Services, New Delhi.
7. Director, Direct Taxes Academy, Nagpur.
8. C&AG of India, New Delhi.
9. Chief Controller of Accounts (CBDT) Lok Nayak Bhavan  
Delhi.
10. All Officers and Sections in the Technical Wing of CBDT.
11. ITCC section.
12. Hindi section. Deptt. of Revenue.

It is requested that Hindi version stencil may kindly be sent to the section.

Sd/-

B. E. ALEXANDER

*Under Secretary.*  
*Central Board of Direct Taxes.*

### Recommendation

The Committee find from para 1.11.8 of the Audit Report that in 46 Tax Recovery Offices in West Bengal, recoveries of Rs. 59,06 crores were lying without any action for want of particulars from the Income-tax Officers. Similarly in 69 Tax Recovery Offices in Bombay and Pune Charges, recovery proceedings in respect of arrears of Rs. 15.44 crores could not be pursued for want of particulars from Income-tax Officers. The Committee are shocked at the extent of lack of coordination between two Wings of the same Department. The Committee desire to know the total amount of revenue in the country where recovery was held up for want of proper coordination between the Income-tax Officers and Tax Recovery Officers. The Ministry have not been able to give this figure. They have, however, stated that necessary instructions have been issued by them for streamlining and toning up of the machinery of collection of arrears of tax and also for effecting proper coordination and supervision of recovery work. The Committee take a serious view of the lapse and urge Government to ensure that proper coordination is effected and maintained between Income-tax Officers and Tax Recovery Officers. They would also like to know the total amount of revenue in the country where recovery was held up for want of proper coordination.

[S. No. 19 (Para 5.19) of the 217th Report of Public Accounts Committee (1983-84) (7th Lok Sabha).]

### Action Taken

The Government would like to point out that the information relating to the amount of revenue involved where the recovery was held up for want of proper coordination between the ITOs and TROs has not been specifically called for in the Advance Questionnaire on the C&AG's Report (1981-82) relating to the working of the Tax Recovery Officers. However, as desired by the Committee, information has been subsequently collected. So far 26 charges have sent the information which is enclosed. Information in respect of the remaining 9 charges will be furnished as and when received.

2. In pursuance of the Committee's recommendations, the Government have issued detailed instructions. [Instruction No. 1578 dated 13.9.1984 (F. No. 398/258.84-IT) (B)I reiterating and impressing:



upon the Commissioners the need for ensuring proper coordination between the ITOs and TROs.

[Ministry of Finance (Deptt. of Revenue) O.M. No. 241/6/84-  
A&PAC-I dt. 1-12-1984.]

*Revenue held up for want of coordination between the ITOs TRO.*

(in'ooo)

S. No.	Charge	No. of Rcs.	Amount involved	Remarks
1.	Agra	1150	2300	
2.	Allahabad	784	4041	
3.	Amritsar	—	—	
4.	Trivandrum	420	1264	
5.	Shillong	1651	2301	
6.	Cochin	1620	15,804	
7.	Delhi	2378	6,4848	
8.	Jaipur	3597	1,6852	
9.	Jodhpur	1,3812	4,8772	
10.	Jalandhar	2184	1,9170	
11.	Kanpur	3612	2299	
12.	Bangalore	1457	6637	
13.	Kolhapur	424	418	
14.	Ludhiana	—	—	
15.	Meerut	6,930	1,6370	
16.	Nagpur	586	1833	
17.	Nasik	533	313	
18.	Orissa	326	1,750	
19.	Patiala	3200	5149	
20.	Pune	117	152	
21.	Rajkot	1,7707	2,6513	
22.	Madras (Tamil Nadu Charge)	2,4110	11,0288	
23.	Ranchi	714	1,6772	
24.	West Bengal	3,1364	14,6490	
25.	Vishakhapatnam	387	1,27548	
26.	Andhra Pradesh (Hyderabad)	3551	2,9826	
<b>TOTAL</b>		<b>12,2608</b>	<b>54,0443.8</b>	

Instruction No. 1578

F. No. 398/25/84-IT(B)

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

Department of Revenue

(Central Board of Direct Taxes)

To

New Delhi, the 13th September, 84

22nd Bhadra, 1906 (Saka).

All Commissioners of Income-tax.

SUBJECT:—*Proper coordination between ITOs and TROs—  
instructions regarding.*

Sir,

Several instructions have been issued by the Board from time to time stressing the need for ensuring proper coordination between ITOs and TROs so that recovery work is not held up. However, in spite of these instructions, it is found that the Department is still facing criticism in this aspect both from the public and the Parliament.

2. The subject of coordination between different offices of Income-tax Department in various fields was studied by a Committee specially set up for this purpose. Among other aspects of cooperation, the Committee in para 13 of its summary of recommendations has stated as follows:—

'13. There should be proper and adequate coordination between the Tax Recovery Officer and the assessing officer. Changes in demand should be promptly communicated to the Tax Recovery Officer. Certificates on which no action is required to be taken should be promptly cancelled. There should be regular meetings between Commissioner of Income-tax and Commissioner of Income-tax (Recovery) wherever such Commissioners are functioning and between Inspecting Assistant Commissioners and Inspecting Assistant Commissioners (Recovery). Dossiers of demand of Rs. 1 lakh and above can be discussed in such meetings (paras 4.30 to 4.32)."

3. The report of the Committee was considered by the Board and accepted, particularly having regard to the fact that only recently in the 217th Report of PAC, 1983-84—the recommendations at para 5.19 touched upon the lack of coordination between ITOs and TROs leading to holding up of revenue collections, which has been mentioned in the Board's letter F. No. 398/19/84-IT(B) dated the 2nd July, 1984. Therefore, your attention is once again invited to various instructions on the subject which are enumerated in brief below and which instructions are reiterated.

4. In Instruction No. 1149 dated 10-2-1978 [F. No. 398/75/76--IT(B)] the report of the Committee on Income-tax arrears was considered. The following deficiencies were noted:—

- (a) Bulk issue of certificate at the end of the year instead of spacing out evenly.
- (b) Certificates being issued without meeting assessee's objections regarding alleged payments or rectification pending and without amendment after appeal etc.
- (c) Certificates issued in spite of stay of demands and/or grant of instalments.
- (d) Automatic issue of certificates without any action for recovery taken by the ITO himself leaving it to the TRP to take all steps for collection, some of which could have been taken by the ITO himself.

The following instructions were issued thereupon:—

- (a) Aid sheet to be prepared from October onwards so that issue of certificates can be evenly spaced out;
- (b) To avoid certificates for demands which have been stayed or for which instalments have been granted here the Board's earlier instruction No. 1139 dated 16-1-1978 was referred to and it was reiterated that the register specified to be kept for such demands stayed etc. should be kept which should be inspected periodically by the IACs.

[While on this subject attention is invited to instruction No. 1412 dated 17-9-1981 [F. No. 385/73/80-IT(B)] which deals with the topic of what should be done when the assessee disputes the correctness of the demand (not the correctness of the assessment). Drawing

attention to clause IV of Second Schedule which empowers the TRO for granting further time, it was reiterated therein that in such cases only the undisputed demands should be collected, pending clarification from the ITO on the objection raised by the assessee. It was desired therein that the TRO at the end of the month should send a list of such cases to the IAC, wherein he had requested the ITO to consider the assessee's objections. The IAC in their turn would keep a watch on such cases and ensure that the ITOs send intimation of modified demands to the TRO within a reasonable time.

Instruction No. 1520 dated 20th April, 1983, was issued from F. No. 398/30/83-IT(B) in which in para 2(e) it was specifically mentioned that pending clarification, which could be obtained even by deputing Inspector to the ITO, a letter may be issued to the assessee to the effect that the demand has been kept in abeyance (As provided in item 9, Chapter II of Tax Recovery Inspectors Manual). It was also reiterated at para 2(f) of the above instruction that as per item 8 of the same Manual, till such clarification, no coercive step for the disputed demands should be taken pending verification.]

- (c) Particulars of assets to be specified invariably in the form prescribed in page 324 of the Recovery Manual.
- (d) In all cases of demands of Rs. 25,000/- and above, the certificates are to be forwarded through the IAC indicating the action taken by the ITO for recovery and indicating the line of further action for TRO. *This instruction is probably never obeyed. Here Commissioners of Income-tax (Recovery) can enforce adherence to this instruction by stating that they will not accept certificates in such cases unless routed through IAC with the particulars as specified.*
- (e) There should be regular meetings between Commissioner of Income-tax, IACs, ITOs and TROs even as indicated in Board's Circular No. 175 dated 14-8-1975 (F. No. 404/171/75-ITCC). Even in this connection, attention is invited to recent instruction No. 1567 dated 28-6-1984 [F. No. 375/15/84-IT(B)] wherein instructions were issued for regular meeting of CsIT (Recovery) with IACs, ITOs and TROs to identify and pursue cases of Rs. 10,000/- and below lying pending without recovery action for 5 years, for the purpose of write off.
- (f) The staff of TRO should visit the office of ITO periodically to collect helpful data, to settle cases.

(g) In carving out jurisdiction for TROs, the administrative Commissioner should ensure that they cover and are *co-terminus* with the jurisdiction of ITOs.

(h) The work of TRO should be reviewed every month. (F. No. 404/138/77-ITCC dated 5-10-1977).

5. In Instruction No. 1520 dated 20th July, 1983, mentioned above, the following additional instructions were issued:—

(a) The Commissioners should institute refresher courses for TROs and staff for ensuring better performance with better knowledge, better planning and better maintenance of records.

(b) The administrative CIT should ensure adequate sanctioned strength being given to the Recovery Wing.

(c) Incomplete or wrong particulars or addresses and assets should be avoided in the certificates and any lapse on this part viewed seriously. Now that separate CITs (Recovery) are there at 5 Metropolitan charges, it should be easier for them to take action in respect of such careless work which come to their notice.

6. While sending the quarterly report for TROs performance giving details of the certificates disposed and the amounts collected etc. kindly add a para giving brief particulars in respect of the following:—

- (a) Action taken for the various lapses mentioned above.
- (b) Reviews and inspection done by IACs and CsIT.
- (c) Meetings held with IACs and ITOs.

Yours faithfully,

Sd/-

(B. NAGARAJAN)

*Secretary, Central Board of Direct Taxes.*

Copy forwarded to:—

- 1. D.I. (RS&PR), Mayur Bhawan, New Delhi.
- 2. D.I. (Recovery), New Delhi.
- 3. D.I. (IT&A) Mayur Bhawan, New Delhi.

4. D.I. (Inv.) New Delhi.
5. D.I. (P&PR) New Delhi.
6. Director, O&M (IT) Services, New Delhi.
7. C&AG of India, New Delhi.
8. Chief Controller of Accounts (CBDT) Lok Nayak, Bhawan,  
New Delhi.
9. All officers and Sections in the Technical Wing of CBDT.
10. ITCC Section.
11. Director, Direct Taxes Academy, Nagpur.

Sd/-

(B. E. ALEUANDER)

*Under Secretary, Central Board of Direct Taxes.*

[S. No. 19 (Para 5.19) of the 217th Report of Public Accounts Committee (1983-84) (7th Lok Sabha)].

#### Further Action Taken

Kind attention of the Hon'ble Committee is invited to our O.M. of even number dated 1st December, 1984.

2. The information in respect of the 8 charges of the 9 remaining charges is as follows:—

S. No.	Charge	No. of RCs	Amount involve (000)
1.	Rohtak	110	1141
2.	Patna	30656	67430
3.	Bhopal	21268	33740
4.	Lucknow	5521	12841
5. to 7.	Gujarat Charges (Ahmedabad, Baroda & Surat)	38837	106786
8.	Jabalpur	2707	26385
		99999	248323

[Ministry of Finance (Deptt. of Revenue) OM No. 241/6/84 A& PAC-I dated 12-6-85].

#### Further Action Taken

Kind attention of the Hon'ble Public Accounts Committee is invited to this Ministry's O.M. of even number dated the 1-12-1984 and 2-6-1985.

2. Information in respect of the remaining one charge is given as under:—

S.No.	Charges	No. of RCs pending as on 31-3-1984	Amount involved (000)
1.	Bombay	575764	17,39,640

3. It may, however, be mentioned that there is no lack of coordination between ITOs and TROs in Bombay City Charges. As such, the above figures cannot be taken as representing the amount of revenue held up for want of coordination between ITOs and TROs.

[Ministry of Finance (Deptt. of Revenue) OM No. 241/6/84—A& PAC-I dt. 12-8-85.]

#### Recommendation

The Committee take a serious view of the heavy pendency of appeals. They observe that pendency of appeals has gone up from 2.22 lakhs at the end of 1978-79 and 3.50 lakhs at the end of 1979-80 and 3.60 lakhs at the end of 1980-81. During 1981-82 there has been a marginal decline to 3.53 lakhs. The above increases is particularly regrettable in view of the fact that during the last few years, the appellate machinery has been considerably strengthened. As many as 101 posts of Commissioner and 60 posts of Assistant Commissioner have been added in the last few years. The explanation given by the Ministry that the increase in the pendency of appeals is mainly due to increase in the scrutiny assessment cases i.e. 19.3 lakhs to 20.78 lakhs does not carry conviction.

The position regarding pendency of appeals before the Commissioners of Income-tax (Appeals) is even more depressing. They find that the number of pending appeals which was 46,950 at the end of 1979-80 rose to 54,143 at the end of 1980-81 and 62,853 at the end of 1981-82. The number of Commissioners (Appeals) has increased from 69 to 101 in 1981-82. The quota of disposal fixed for Commissioners (Appeals) is 70 appeals per month in metropolitan charges and 30 appeals for Central charges. The actual performance of Commissioners has fallen for below the targets. In fact the number of appeals disposed of per C.I.T. has been continuously going down. The number of such appeals disposed of per CIT was 536 in 1979-80, 510 in 1980-81 and 482 in 1982-83. The Chairman, CBDT conceded in evidence that the number of appeals disposed of was not commensurate with the number of appeals pending.

surate with the increase in the number of Commissioners. Similarly, post of Appellate Assistant Commissioners have been increased by 36 in November 1980 and further by 24 in September, 1981. The quota fixed for them is 165 appeals in moffussil charges and 150 appeals in metropolitan cities. The average disposal of the AACs is also not as per quota fixed for them. The Committee are informed that 102 Commissioners (Appeals) have been in position in November, 1981 and the institution of appeal is being controlled and their disposal is being increased. The full effect of the increase in the strength of AAC/CIT(A) will be felt in coming years. The Committee would like to watch the outcome in due course. The Committee also stress that the Ministry should have a close supervision on the actual performance of AAC/CIT(A) so as to ensure that the quota fixed for their disposal is fully achieved.

[S. Nos. 20 and 21 (Paras 5.20&5.21) of the 217th Report of PAC (1983-84) (7th Lok Sabha)].

#### Action Taken

The pendency of appeals before AACs/CIT (Appeals) has come down at the end of March, 1983 and March, 1984. The figures of pendency of appeals before AACs/CsIT (A) for the years 1980-81 to 1983-84 are as under:—

Financial year	Pendency
1980-81	3,59,593
1981-82	3,53,739
1982-83	3,53,048
1983-84	3,20,967

Thus, the trend during these years is of reduction in the pendency.

DI (IT) has been requested (Copy of letter enclosed) to examine the performance of each CIT (Appeals)/AAC during the years 1981-82, 1982-83 and 1983-84 with reference to the quota fixed for him for disposal, keeping in view the weightage in respect of priority appeals disposed of by him.

The observations of the PAC that the performance of CsIT(A) and AACs has been below the targets fixed for them has been circulated among the Commissioners and Commissioners (Appeals) with the request that every effort should be made to achieve the quota to avoid adverse remarks in respect of their performance (copy enclosed).

[Ministry of Finance (Deptt. of Revenue) O.M. No. 241/6/84—  
A&PAC—I, dated 1-12-84].



G. A. JAMES

MEMBER (WT&amp;J)

D.O.F. No. 277/7/84-IT-J.

Government of India  
MINISTRY OF FINANCE  
Department of Revenue  
Central Board of Direct Taxes

Dated, the 13th July, 1984.

My dear Joshi,

SUBJECT:—*Performance of CsIT (Appeals)/AACs—Comments of Public Accounts Committee.*

The Public Accounts Committee (1983-84) (7th Lok Sabha) have in their 217th Report presented to Lok Sabha on 30th April, 1984 in Para 5.21 *inter alia* observed:—

“The quota of disposal fixed for Commissioners (Appeals) is 70 appeals per month for mofussil charges, 60 appeals per month in metropolitan charges and 30 appeals for Central charges. The actual performance of Commissioner has fallen far below the targets. In fact that number of appeals disposed of per CIT has been continuously going down. The number of such appeals disposed of per CIT was 536 in 1979-80, 510 in 1980-81 and 482 in 1982-83.

\* \* \* \*

The quota fixed for them (AACs) is 165 appeals in mofussil charges and 150 appeals in metropolitan cities the average disposal of the AACs is also not as per quota fixed for them”.

2. The figures of disposal given by you and reported by us to PAC were the number of appeals disposed of without giving weightage for disposal of priority appeals. If the weightage for disposal of priority appeals is considered, the shortfall in the performance of the CsIT(A)/AACs with reference to the quota fixed will be less. The average disposal of CsIT(A) and AAC is worked out on the basis of their sanctioned strength where as their actual working strength during the year is always less because (i) some posts are utilised for work other than appeal, and (ii) some posts remain vacant for want of promotions, leave etc. I will like you to please examine the performance of each CIT(A)/AAC during the year 1981-82, 82-83 and 83-84 with reference to the quota fixed for him and also keeping in view the weightage in respect of priority appeals disposed of by him. We will process

further reply to the PAC of the basis of results of your reports. Hence your report in the matter may please be completed and sent to us early.

Shri U. S. Joshi,  
Director of Inspection (IT)  
4th Floor, Mayur Bhawan, New Delhi.

Yours sincerely,  
Sd/- G. A. JAMES.

F. No. 277/7/84-IT-J  
Government of India  
MINISTRY OF FINANCE  
Department of Revenue  
Central Board of Direct Taxes

To

All Commissioners of Income-tax.  
All Commissioners of Income-tax (Appeals).

Sir,

**SUB:—Performance of CsIT (Appeals)/AACs—Comments of Public Accounts Committee.**

The Public Accounts Committee (1983-84) (7th Lok Sabha) have in their 217th Report presented to Lok Sabha on 30th April, 1984 in para 5.21 *inter-alia* observed:—

“The quota of disposal fixed for Commissioners (Appeals) is 70 appeals per month for mofussil charges, 60 appeals per month in metropolitan charges and 30 appeals for Central Charges. The actual performance of Commissioners has fallen far below the targets. In fact the number of appeals disposed of per CIT has been continuously going down. The number of such appeals disposed of per CIT was 536 in 1979-80, 510 in 1980-81 and 482 in 1982-83.

\* \* \* \*

The quota fixed for them (AACs) is 165 appeals in mofussil charges and 150 appeals in metropolitan cities. The average disposal of the AACs is also not as per quota fixed for them”.

**Every effort should be made to ensure that during the year 1983-84 the quota fixed for disposal is achieved by each Commissioner**

(Appeals) and AAC to avoid adverse remarks in respect of their performance.

Yours faithfully,  
Sd/- (G. A. JAMES),  
MEMBER (WT&J),  
Central Board of Direct Taxes.

#### Further Action Taken

Kind attention of the Hon'ble Committee is invited to our O.M. of even number dated the 1st December, 1984.

The Director of Inspection (IT) has made a study of the disposal of appeals by the CIT (Appeals). According to the statement of the DI (IT) for March 84, the average disposal of appeals by the CsIT(A) during 1983-84 is 525.5 appeals on the basis of the sanctioned strength of 103. A sample study of vacancy position during 1983-84 was made with the help of Ad. VI Section. On an average 5 posts of CsIT(A) (4.75) remained vacant during the year. The average disposal of the CsIT(A) with reference to actual working strength of 98 CsIT(A) works out to 552.2 appeals. This is on the basis of the total number of appeals disposed of by the CsIT(A) in absolute numbers i.e. without taking into consideration the weightage given for the disposal of priority appeals. According to the statement sent by DI(IT) about weighted disposal of the CsIT(A) for the year 1983-84, the total weighted disposal during the year 1983-84 was 63,825. The average disposal of appeals on the basis of weighted disposal of appeals for the year 1983-84 is 619.7 on the basis of working strength of 98. It will thus appear that the performance of the CsIT(A) has been satisfactory. The slight set back which resulted from the delay in the creation of the new posts and in the provision of infrastructure facilities to the CsIT(A) during the years 1981-82 and 1982-83 has now been overcome and the full effect of the increase in posts has started showing up. The Board's recent instructions to field officers for better performance in this regard and to the momentum already gained.

[Ministry of Finance (Deptt. of Revenue) O.M. No. 241/6]  
84—A&PAC-I, dated 18-1-85].

#### Recommendation

The Ministry have in a note stated that proposals are under consideration for giving powers to CsIT (Appeals) and AAC to dispose of appeals on the basis of written submission without necessarily

calling the assessee for hearing. The Committee would like the Ministry to examine the proposal and finalise it expeditiously.

[S. No. 22 (Para 5.22) of the 217th Report (1983-84)  
(Seventh Lok Sabha)]

### Action Taken

The Board have issued instructions (F. No. 277/7/84-ITJ) to all the Commissioners (Appeals), Appellate Assistant Commissioners and DI (P&P) to add the following sentence to the notice of hearing of appeal issued under section 250:

"Attendance is not necessary if you wish that the appeal may be decided on the basis of your written submission".

A copy of each instruction is enclosed. In addition a general public circular has also been issued for the benefit of tax payers. A copy of the same circular is also enclosed.

[Ministry of Finance (Deptt. of Revenue) O.M. No. 241/6/84-  
PAC-I dated 1

F. No. 277/7/84-ITJ  
MINISTRY OF FINANCE  
DEPARTMENT OF REVENUE  
Central Board of Direct Taxes

New Delhi, the Nov., 1985

To

All Commissioners of Income-tax (Admn.)

All Commissioners of Income-tax (Appeals).

SUBJECT:—*Notice of hearing of appeal u/s 250 of the I.T. Act, 1961—  
ITNS—37.*

The Board has decided that in case where the assessee does not insist on a personal hearing, the appeal may be decided on the basis of written submission made by him. To facilitate this, the following sentence may be added to the present form of notice of hearing under section 250 of the Income-tax Act (ITNS-37):

"Attendance is not necessary if you wish that the appeal may be decided on the basis of your written submission."

The Board desire that this may be done in all the notices issued henceforth by CIT(A)/Appellate Assistant Commissioners.

Yours faithfully,

Sd/-

(Surender Paul)

*Under Secretary,*

*Central Board of Direct Taxes.*

F. No. 277/7/84-ITJ

MINISTRY OF FINANCE

DEPARTMENT OF REVENUE

Central Board of Direct Taxes

New Delhi, the Nov., 1985

The Director of Inspection  
(Printing and Publication),  
Hans Bhawan,  
Bhadur Shah Zafar Marg,  
New Delhi-110001.

Sir,

SUBJECT:—*Notice of hearing of appeal under section 250 of the Income-tax Act, 1961—ITNS—37*

The Board has decided that the following sentence may be added to the present form of notice of hearing of appeal under section 250 of Income-tax Act, 1961 (ITNS—37):

“Attendance is not necessary if you wish that the appeal may be decided on the basis of your written submission.”

ITNS—37 forms in future may be printed with this correction.

Yours faithfully,

Sd/-

(Surender Paul)

*Under Secretary,*

*Central Board of Direct Taxes.*

F. No. 277/7/84-ITJ  
MINISTRY OF FINANCE  
DEPARTMENT OF REVENUE  
Central Board of Direct Taxes

---

New Delhi, the Nov., 1985

**SUBJECT:**—*Disposal of appeals by Commissioner (Appeals) and Appellate Assistant Commissioners on the basis of written submissions.*

Commissioner (Appeals) and Appellate Assistant Commissioners fix a day and place for hearing of the appeals and give a notice of the same to the appellants. Where the appellants desire that their appeal may be decided on the basis of their written submissions without their personal attendance, they may so indicate to the Commissioner (Appeals)/Appellate Assistant Commissioner in reply to the notice of hearing. Thereupon the Commissioner (Appeals)/Appellate Assistant Commissioner may, unless otherwise considered necessary, dispose of the appeal on the basis of written submissions.

Sd/-  
(Surender Paul)  
Under Secretary,  
Central Board of Direct Taxes.

#### **Recommendation**

The Committee are given to understand that Section 257 of the Income-tax Act provides that department could by pass High Courts and approach Supreme Court for decision in certain circumstances. The Committee would like to know the number of cases wherein the department have made use of this provision to obtain expeditious decision in controversial matters.

[S. No. 24 (Para No. 5.24) of the 217th Report of Public Accounts Committee (1983-84) (7th Lok Sabha)]

**Action Taken**

The number of direct references made by the Registrar, Income-tax Appellate Tribunal to the Supreme Court under Section 257 of the Income-tax Act, 1961, is given as under:—

Year	At the instance of Department	At the instance of assessee	Total
1980-81	1	1	2
1981-82	1	5	6
1982-83	5	1	6
1983-84	5	1	6
	12	8	20

[Ministry of Finance (Deptt. of Revenue) O.M. No. 241/6/84-A & PAC-I dated 31-10-1984]

### **CHAPTER III**

#### **RECOMMENDATIONS AND OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES RECEIVED FROM GOVERNMENT**

##### **Recommendation**

During their visit, to Madras in June last, Study Group-I of Committee were greatly impressed with the efficient disposal of Summary Assessment cases there. The procedure had been so streamlined that an assessing officer could promptly dispose of a number of cases and pass orders on the spot. The Committee would like the Board to study the system adopted in Madras and examine the feasibility of introducing it in other Circles. The Committee would like to be informed of the action taken in the matter.

[S. No. 12 (Para 5.12) of the 217th Report (1983-84)  
(Seventh Lok Sabha)]

##### **Action Taken**

The observations of the Public Accounts Committee have been carefully considered. The operative instruction at the time of visit by the PAC governing the procedure of segregation of cases to be processed for scrutiny from those falling under Summary Assessment Scheme was the instruction No. 1509 dated 13-5-1983, a copy of which is enclosed. The scope of summary Assessment Scheme was enlarged subsequently by the instruction No. 1566 dated 21-9-1984 (copy enclosed) revising the earlier procedure. The area of summary assessment was further enlarged by the Instruction No. 1617 (F. No. 201/109/85-ITA. II) dated 12-5-1985.

2. Under the revised procedure, all cases, other than company and trust cases, with returned income upto Rs. 1 lakh will be completed in summary manner on the basis of the returns after linking them with the assessment records. In these cases, arithmetical accuracy will be ensured and the liability for penalty, interest and C.D.S., if any, will be checked and no other checking of any sort will be made.

3. The suggestion that assessments be disposed off without linking the returns within the part records has not found favour with the



Government as it will aggravate the problem of record management. It will also cause problem of adjustment of outstanding demands of earlier years, if any. It will make it impossible to verify the claims of carry-forward of losses and unabsorbed reliefs under various provisions of the Act and will result in inconvenience to the tax payers as well.

4. The instruction dated 12-5-1985, a copy of which is also enclosed takes care of the main concern of the Committee regarding expeditious disposal of assessments.

This issues with the prior approval of the Finance Ministry.

[Ministry of Finance (Deptt. of Revenue) O.M No. 241/6/84-  
A & PAC-I]

INSTRUCTION NO. 1509

F.No. 201/55/82-ITA. II

GOVERNMENT OF INDIA

CENTRAL BOARD OF DIRECT TAXES

New Delhi, the 13th May, 1983.

To

All Commissioners of Income-tax, including Central/Investigation/Survey etc.

Sir,

*SUBJECT:—Segregation of cases into Scrutiny and Summary—  
Instructions regarding—*

Attention is invited to the Revised Annexure 'B' to Chairman's D.O. letter F. No. 17/1/80-OD-DOMS dated 23rd May, 1980 and other existing instructions of the Board laying down the criteria for segregation cases into scrutiny and summary. The Board had occasion to re-examine these criteria and it has now been decided to modify the existing instructions to the extent mentioned below—

- (i) Instructions No. 1382 dated 9-2-81 (F. No. 201/162/30-ITA. II) are modified to the extent that all the cases of salary assessments, except those with income over Rs. 1 lakh or those selected for random scrutiny, can now be completed under the Summary Assessment Scheme. The cases subjected to random selection, in accordance with the prescribed procedure, would continue to be subjected to thorough scrutiny as at present.

- (ii) Under the existing instructions, cases covered under section 44AA of the Income-tax Act, 1961 where no books of accounts are maintained, are required to be completed after scrutiny. In practice, however, it is seen that, *prima facie*, from the return of income itself, it is not possible to ascertain whether books of accounts have been maintained or not, and therefore, there is no uniformity in the selection of cases for scrutiny under this criterion. It has, therefore, been decided that there will be no necessity to take any case out of the purview of summary assessment scheme merely because the assessee is engaged in a profession notified under section 44AA.
- (iii) In cases of partners of a firm, it is clarified that the summary Assessment Scheme does not envisage the treatment of cases of all the partners, who are partners in a firm having income of Rs. 1 lakh and above, as scrutiny cases. This income criterion of Rs. 1 lakh and above in the case of the partner himself should only be applied and assessment completed accordingly. This realization will not, however, preclude the ITO from obtaining total wealth statements in such cases of partners if this enquiry is considered necessary for proper investigation of the cases of the firm itself.

2. Instructions regarding completion of assessments in new cases (whether detected in survey or on account of voluntary returns) with returned income upto Rs. 25,000/- in a summary manner have already been issued vide Instruction No. 1499 dated 22.2.1983 (F. No. 201/55/83-ITA. II).

3. Instructions regarding random selection of cases are being issued separately.

4. The update list of types of assessments to be regarded as falling into cases needing scrutiny is given in the Annexure.

5. The above instructions may please be brought to the notice of all the officers working in your charge.

6. Hindi version will follow.

Yours faithfully,

Sd/-

(P. SAXENA)

SECRETARY

CENTRAL BOARD OF DIRECT TAXES

Copy forwarded to:—

P. S. to Chairman and P.S. to All Members.

1. All Officers and Technical Sections in the C.B.D.T.
2. Director of Inspection (Inv)/IT&A/Vigilance/Intelligence/  
RS&P/Recovery/Special Investigation/Survey.
3. Deputy Director of Inspection (PP&PR), New Delhi.
4. Assistant Director of Inspection (Bulletin), New Delhi.
5. Comptroller and Auditor General of India—(40 copies).
6. Competent Authority, Madras|Delhi|Bombay|Calcutta.
7. Joint Secretary and Legal Adviser, Ministry of Law, New  
Delhi.
8. Director of O&H Services (IT), 1st floor, Aiwana-e-Ghalib,  
New Delhi.
9. Director, National Academy of Direct Taxes, P.B. 40,  
Nagpur.

Sd/-

(P. SAXENA)  
SECRETARY

CENTRAL BOARD OF DIRECT TAXES

*ANNEXURE*

Income-tax Assessments in the following types of cases are excluded from the purview of the Summary Assessment Scheme and assessments in such cases have to be made u/s 143(3) after scrutiny.

- (i) All cases assigned to I.A.C. (Assessment).
- (ii) All cases assigned to Central Circles/Film Circles/Special Investigation Circles/Special Circles. However, cases of extra artists, minor artists, persons drawing fixed amount of remuneration, partners in firms doing exhibition and distribution business, persons letting out equipment on hire etc. with income below Rs. 25,000/- assessed in film circles, should, however, be completed under the Summary Assessment Scheme.
- (iii) In a search and seizure case, all assessments upto the assessment year to which the material seized during the course of the search relates.

- (iv) Cases of suspected tax evasion selected for detailed investigation by the Income-tax Officers with the approval of the Inspecting Assistant Commissioners/Commissioners of Income-tax.
- (v) Company cases (other than summary cases i.e. those with income of Rs. 10,000/- or less or loss of Rs. 5,000/- or less and having paid up capital of Rs. 5 lakh or less) including cases of Directors, Executives etc. of companies at present assigned to company circles and surtax cases.
- (vi) All non-company cases where the returned or assessed income in the current year or in any one year out of the preceding three assessment years, is/was Rs. 1 lakh or above.
- (vii) All income-tax cases in which the wealth returned/assessed in the current year or any one of the last three assessment years, is/was Rs. 5 lakhs or more, e.g. for the financial year 1982-83, a case will be out of the purview of the summary assessment scheme, if the wealth returned/assessed in any of the assessment year 1983-84, 1982-83, 1981-82 and 1980-81 is Rs. 5 lakhs or more.
- (viii) All cases of Trusts and Charitable institutions.
- (ix) Summary cases selected for random scrutiny.
- (x) All Cases showing loss exceeding Rs. 25,000/-
- (xi) All cases reopened under section 147 or and all cases where fresh assessments have to be made as a result of cancellation/setting aside of the earlier assessment under the provisions of section 146, 251 etc.
- (xii) First assessment in new cases with returned income exceeding Rs. 25,000/-
- (xiii) All cases where income under the head 'property' is shown for the first time or income from a new/additional property is disclosed.
- (xiv) All cases where incorrect exemptions and deductions have been claimed by assessee taking advantage of deletion of sub-clause (ii) and (iii) of Section 143(1)(b) by Finance Act (No. 2) of 1980. Without prejudice to the generality of this clause, broadly the following categories of cases

are to be excluded from the ambit of summary Assessment Scheme under this clause:

- (a) Assessee not including the income of wife or minor child, which is includible under section 64.
- (b) Assessee not adding back interest payment as required u/s 40(b) of the I.T. Act.
- (c) Assessee not filling returns in accordance with the decision of the appellate authorities in their own case on substantial points;
- (d) cases in which departmental appeal on substantial point is pending which is having effect in subsequent years as well;
- (e) excess claims of deductions in computing Property Income.

Instruction No. 1566

F. No. 225/63/84-ITA-II

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

Central Board of Direct Taxes

New Delhi, the 21st June, 1984.

To

All Commissioners of Income-tax.

Sir,

*Subject:-Expeditious disposal of income-tax assessments—Instructions regarding*

During the Commissioner Conference, 1984, certain recommendations were made to speed up the disposal of income-tax assessments with the manpower available and to reduce the ever increasing backlog. The recommendations made in this Conference have been examined by the Board and I am directed to say that in supersession of all existing instructions on the subject the following procedure will now be adopted:—

- (1) The present categorisation of the cases into summary and scrutiny is done away with. Instead, they will be divided into two classes, namely;

(i) salary cases with returned income of Rs. 50,000/- or less and other cases with returned income of Rs. 25,000/- or less; and

(ii) Other cases.

(2) Assessments of cases at 1(i) above will be completed on the basis of the return after linking it with the assessment records. No checking of any sort will be necessary in such cases.

All pending assessments in such cases will also be completed in the same manner along with the current assessments.

However, cases selected for scrutiny like those assigned to IACs (Assessment), Central Circles, Film Circles, Special Investigation Circles, Special Circles and cases of companies, trusts, charitable institutions, loss cases, search and seizure cases and cases re-opened under sections 147 etc. will not come under the purview of this scheme.

(3) There will be two return receipt counter. In one, returns of income upto Rs. 25,000/- and below and salary cases with an income upto Rs. 50,000/- will be received and in the other, returns in respect of other cases will be received.

This will ensure that returns which are to be assessed in a summary manner are segregated at the receipt stage itself.

(4) When assessments are completed in cases falling under 1(i) above and there is no additional demand or refund, demand notices and copies of assessment orders will not be issued. but an intimation that the assessment has been completed resulting in 'nil' demand/refund will be issued in the attached form. This intimation may be got printed in the form of an inland letter so that after writing the name and address of the assessee, they could be issued.

(5) Two demand and collection registers will be maintained in respect of assessments completed under scheme 1(i). In the first register, all cases where the returned income is Rs. 15,000/- or less, will be entered and in the other, all others.

Where assessments are completed by Inspectors, these cases should be entered in a separate part of the register so that the number completed by the Inspector and the I.T.O. could be separately ascertained.

- (6)<sup>†</sup> No penalty proceedings will be initiated in cases completed under 1(i) above under sections 271(1)(a) and 273 if the returns are filed before 30th September of the assessment year.

In respect of pending penalty proceedings in such cases, they may be dropped if the relevant returns have been filed before the end of the assessment year concerned.

However, interest under the relevant provisions will be levied.

- (7) 5 per cent of the cases completed in the above manner will be taken up for random scrutiny. Commissioners may lay down the random number so that the ITOs can select the cases for random scrutiny. The instructions laid down for completion of assessments selected for scrutiny on random basis will continue to be observed.

- (8) All other cases (*i.e.* cases where the assessments are not to be completed in a summary manner), will be dealt with under the normal procedure of law.

2. The above instructions will come into force with immediate effect. They may please be brought to the notice of all the officers working under you.

3. Hindi version will follow.

Yours faithfully,

Sd/-

(P. SAXENA)

*Secretary, Central Board of Direct Taxes.*

Copy forwarded to:

1. P. S. to Chairman, Member (Inv.), Member(L), Member (WT&J), Member (S&T), Member (R&A), Member (IT)
2. All Officers and Technical Sections in the CBDT.
3. Director of Inspection (Inv.)|IT & Audit|Vigilance|Intelligence|RS&P|Recovery|Special Investigation|Survey.
4. Deputy Director of Inspection (PP&PR), New Dehli.
5. Assistant Director of Inspection (Bulletin), New Delhi.
6. Comptroller and Auditor General of India (40 copies).
7. Competent Authority, Madras|Delhi|Bombay|Calcutta.
8. Joint Secretary & Legal Adviser, Min. of Law, New Delhi

9. Director of D&MS (Income-tax), D.I(System), New Delhi.  
 10. Director, National Academy of Direct Taxes, P.B. 40, Nagpur.

(P. SAXENA)

*Secretary, Central Board of Direct Taxes.*

P.A. No.

Office of the Income-tax Officer.

Dated, the \_\_\_\_\_

Dear Sir|Madam,

Regarding: Your income-tax Assessment for the assessment year 1984-85.

Kindly refer to the income-tax return filed by you for the assessment year 1984-85.

2. Your income-tax assessment for the aforesaid assessment year has been completed under section 143(1) on the returned income and no additional demand has been raised.

Yours faithfully,  
*(Income-tax Officer)*

Instruction No. 1617

F. No. 201/109/85-JTA. II  
 GOVERNMENT OF INDIA  
 MINISTRY OF FINANCE  
 Central Board of Direct Taxes

*New Delhi, 18th May, 1985.*

To

All Commissioners of Income-tax.

Sir,

**SUBJECT:—Expeditions disposal of Income-tax assessments  
 —instructions regarding—.**

During the Commissioners Conference, 1985, certain recommendations were made to speed up the disposal of income-tax assessments



with the manpower available and to reduce the ever increasing backlog. The recommendations made in this Conference have been examined by the Board and I am directed to say that in supersession of all existing instructions on the subject, the following procedure will now be adopted.

2. Assessments in the following types of cases will be completed under section 143(1) of the Income-tax Act, 1961 on the basis of the returns after linking them with the assessment records:

- (a) All cases, other than company and trust cases, with returned income/loss upto Rs. 11 lakh;
- (b) Company cases with returned income/loss upto Rs. 25,000/- and paid up capital not exceeding Rs. 5 lakhs;
- (c) All trust cases and cases of charitable institutions having income below Rs. 11 lakh before applying the provisions of section 11 of the Act provided the corpus of the trust does not exceed Rs. 5 lakhs.

However, the first assessment in all trust cases will be scrutiny assessment.

3. In the above cases, the arithmetical accuracy of computation of total income and taxes will be ensured and liability for penalty, interest C.D.S. etc. if any, will also be checked. No other checking of any sort will be necessary. All pending assessments in such cases will also be completed in the same manner alongwith the current assessments.

4. However, cases assigned to I.A.Cs. (Assessment), Central Circles, Special Investigation Circles, Special Circles, Search and Seizure Cases, cases re-opened under section 147 and those selected for scrutiny on a random sample basis, etc. will not come under the purview of this scheme.

5. All other cases (*i.e.* cases where the assessments are not to be completed in a summary manner), will be dealt with under the normal procedure of law.

6. When assessments in cases mentioned in para 2 above are completed under section 143(1) of the Act and there is no additional demand or refund, demand notices and copies of assessment orders will not be issued but an intimation that the assessment has been completed under section 143(1) resulting in 'nil' demand/refund will be issued

in the attached form. This intimation may be got printed in the form of an inland letter and issued after writing the name and address of the assessee.

7. Summary and scrutiny cases should be entered separately in the Demand and Collection Registers.

8. The initiation of penalty proceedings|completion of penalty proceedings already initiated will be governed by the instructions which are being issued separately. However, interest under the relevant provisions will be levied.

9. Five per cent of the cases where assessments are completed in a summary Manner will be taken up for scrutiny on a random sample basis. The Commissioners shall lay down the random number and the I.T.Os. should complete selection of cases for random scrutiny by 31st August of the Year. This should be done under the supervision of the I.A.C. The number of cases so selected and disposed off should be shown separately in the Central Action Plan-II Statement. The instructions laid down for completion of assessments in cases selected for scrutiny on random basis will continue to be observed.

10. The above instructions will come into effect immediately. These may kindly be brought to the notice of all the officers working in your charge.

11. Hindi version will follow.

Yours faithfully,

Sd/-

(O. P. SRIVASTAVA)

*Director Central Board of Direct Taxes.*

Copy forwarded to:—

1. P. S. to Chairman, Member (Inv.), Member (L), Member (WTJ), Member (S&T), Member (R&A) & Member (I.T.).
2. All Officers and Technical Sections in the C. B. D. T.
3. Director of Inspection (Inv.)/IT&Audit/Vigilance/Intelligence/RS&P/Recovery/Special Investigations and Survey.
4. Deputy Director of Inspection (PP&PR), New Delhi.
5. Assistant Director of Inspection (Bulletin), New Delhi.
6. Comptroller & Auditor General of India (40 Copies).

7. Competent Authority, Madras/Delhi/Bombay/Calcutta/  
Lucknow/Bangalore.
8. Joint Secretary & Legal Adviser, Ministry of Law, Shastri  
Bhavan, New Delhi.
9. Director of O & M Services (Income-tax), Aiwan-e-Ghalib,  
Mata Sundri Lane, New Delhi.
10. Director, National Academy of Direct Taxes, Nagpur.
11. Director General, Special Investigation.
12. Regional Institution of Training at Bombay/Bangalore/  
Calcutta and Lucknow.

Sd/-  
(B. P. GOREWARA)  
*Section Officer*  
*Central Board of Direct Taxes.*

PERMANENT ACCOUNT NO.  
OFFICE OF THE INCOME TAX OFFICER

Dated the,

Dear Sir/Madam,

Regarding : Your Income-tax assessment for the assess-  
ment year 1985-86\*.

Kindly refer to the income-tax return filed by you for the assess-  
ment year 1985-86\*.

2. Your income-tax assessment for the aforesaid assessment year  
has been completed under section 143(1) on the returned income and  
no additional demand has been raised.

*Yours faithfully,*  
(INCOME TAX OFFICER)

\*This can be appropriately changed for the concerned assessment year.

**Recommendation**

The Committee would like the Ministry to examine whether the huge tax arrears are not *inter alia* due to payments of tax made by the Assesseees not having been duly adjusted. The Committee would also like the Board to examine the feasibility of computerising the system.

[S.No. 16 (Para No. 5.16) of the 217th Report of Public Accounts  
Committee (1983-84) (7th Lok Sabha)]

### **Action Taken**

The Department is already aware of the feasibility of a computerised system in the field of the tax arrears. Besides eliminating many of the present clerical operations for maintaining the particulars of arrear tax demands, the computerised system will constantly monitor the performance of the assesses in clearing/reducing such liabilities and produce any type of management information that may be necessary to initiate action against such assesseees at any desired intervals.

2. An integrated computerised system of Demand and collection may cover the aspect of Arrear Tax Demands automatically and no additional effort is necessary. Under this system a running ledger account of each assessee indexed on PAN will be maintained in computer which will account for each payment made by him to the Income-tax Department both at the pre and post assessment stages. From the gross demand received from ITOs, the paid taxes may be adjusted and accuracy of the net demand raised by him can be ensured. After accounting for the payments subsequently made the outstanding demand, both current and arrear will be high-lighted at any desired interval and compute printed show cause notices may also be produced as an output which can just be signed by the ITOs and issued to the defaulters. The system will also calculate the penalty under section 221 and interest under section 220 as and when leviable and will also generate notice of demand and challan therefor. The system will also do away with the periodic manual preparation of arrear D&CR and other related records and thus save valuable manpower.

2. The recovery certificates to be issued to TRO will be automatically generated well before the expiry of the statutory period for issuing the same. Related management information and statistics that are presently compiled manually by the ITOs, for different authorities will be available as a by-product under the computerised system.

The Computer Maintenance Corporation has submitted a feasibility report on computerisation in the different areas of the Department. As a follow up action on the feasibility report, the Board has constituted a Standing Committee on computerisation as per the decision of the Commissioners' Conference held in May, 1984. The scope of the Committee is at present limited only to the introduction of computerised challans processing system at Delhi, Bombay, Calcutta and Madras.

In the course of time, as the system is designed and developed for maintaining individual ledger accounts, computerised system will

automatically tackle the tax arrears *vis-a-vis* tax paid by the assessee and not adjusted.

[Ministry of Finance (Deptt. of Revenue) O.M. No. 241|6|84-  
A&PAC-I dt. 31.10.84]

### Recommendation

The Committee are further informed that repetitive appeals are filed before the AAC/CIT(A) in respect of issues which are pending before the High Courts and Supreme Court. The Committee recommended that the Ministry should examine the feasibility of establishing Central Tax Courts, as recommended by the Chokshi Committee (Pages 173—175) of their Report of September, 1978.

[S. No. 23 (Para 5.23) of the 217th Report of PAC (1983-84)  
(7th Lok Sabha)]

### Action Taken

The recommendation made by the Hon'ble Committee has been carefully examined. In this connection, it would be relevant to refer to a somewhat similar recommendation made by the Direct Tax Laws Committee (Chokshi Committee), which reads as under:—

“The Government should take steps for the early establishment of a Central Tax Court with all India jurisdiction to deal exclusively with litigation under the direct tax laws in the first instance, with provision for extending its functions to cover all other Central Tax Laws, if considered necessary, in the future. Such a Court should be constituted under a separate status. In the meanwhile, the desirability of constituting special tax benches in the High Courts to deal with the large number of tax references by continuous sitting throughout the year may be considered.”

2. The recommendation made by the Chokshi Committee was referred to the Ministry of Law for consideration and advice. The Ministry of Law, after examination of the recommendation made by the Chokshi Committee, advised that the establishment of Central Tax Court is not feasible. The reasons which weighed with the Ministry of law in arriving at this conclusion are briefly stated below:—

(a) The Chokshi Committee's recommendation was examined by the Law Commission of India. In its 58th and 79th Reports, the Commission expressed the view that the idea of a National Tax Court could not be recommended. The

High Courts Arrears Committee presided over by Mr. Justice Shah, as he then was, had also expressed the view, in 1972, against the creation of such courts. The Law Commission, however, was in agreement with the view of the Chokshi Committee that there should be a continuous sitting till all the pending tax matters are disposed off.

- (b) The implementation of the recommendations made by the Chokshi Committee for the establishment of a Central Tax Court would require constitutional amendment. If article 226 is to be amended with a view to curtailing the jurisdiction of the High Court, arguments might be advanced that such amendment would alter the "basic structure" of the Constitution and would not, therefore, be constitutionally permissible. Amendment of the Constitution is not an answer to meet the general run of administrative and other difficulties. The Law Commission was also not in favour of too frequent changes of the Constitution. A more appropriate thing might be to devise a method whereby, after the tribunal's stage, further steps could be taken to eliminate delay at the stage of the High Court or the Supreme Court, as the case may be.

3. In view of the advice given by the Ministry of Law, it has been decided that as a short-term measure, the Chief Justice of the various High Courts which have a high pendency of reference applications relating to tax matters would be requested to constitute tax benches on a continuing basis until such time as the pendency is reduced to a reasonable level. However, as a long term solution to the problem of mounting arrears of cases in the High Courts, the Government would consider taking appropriate steps for the establishment of a Central Tax Court.

[Ministry of Finance (Deptt. of Revenue) O.M. No. 241/6/84-A&PAC-I dt 2-9-85].

#### **Recommendation**

The Committee note that the question of tax administration and its rationalisation and improvement has been referred to the Economic Administrative Reforms Commission and decision would be taken on their recommendation as and when received. The Committee would like to watch the outcome in due course.

[S. No. 28 (Para No. 5.28) of the 217th Report (1983-84)  
(7th Lok Sabha)]

### Action Taken

The Economic Administrative Reforms Commission have made certain recommendations relating to tax administration and procedure in their Report No. 24.

2. A statement of such recommendations as have been accepted and implemented with or without modification may be seen as per Annexure 'A'. Statement of the recommendations not found acceptable may be seen as per Annexure 'B'. Statement of recommendations under consideration may be seen as per Annexure 'C'.

[Ministry of Finance (Deptt. of Revenue) O.M. No. 241/6/84  
A&PAC-I]

#### ANNEXURE 'A'

*Statement of EARC Recommendations in Report No. 24 Accepted and Implemented with or without Modification.*

Recommendation	Action taken
1. No tax should be deducted from dividends or interest or debentures paid by the listed companies to non-corporate tax payers through crossed account payee cheques. (Para 5)	Accepted with modification and implemented through the Finance Act, 1984. Under the amended provisions of section 193 of the Income tax Act, in the case of interest payable to an individual, who is President of India, on debentures issued by a company in which the public are substantially interested, no tax is to be deducted at source if the interest is paid by the company by an account-payee cheque and the amount of such interest or the aggregate of the amounts of such interest paid or likely to be paid during the financial year by the company does not exceed Rs. 1,000/- Similarly section 194 of the Income-tax Act now provides that no tax is to be deducted at source in the case of dividend payable to a share-holder, being an individual who is resident in India, of a company in which the public are substantially interested if the dividend is paid by an account-payee cheque and the amount of such dividend or the aggregate of the amounts of such dividend distributed or paid or likely to be distributed or paid during the financial year by the company to the share-holders does not exceed Rs. 1000/-.
2. A jurisdiction pattern should be evolved which would eliminate the need for the frequent and formal transfers of cases. (para 18)	The recommendation has been accepted in principle.
3. The Income-tax Officers' powers to cancel an <i>ex-parte</i> assessment on his own and proceed <i>de-novo</i> should be withdrawn. (Para 19)	Accepted and implemented by the Taxation Laws (Amendment) Act, 1984.

Recommendation	Action Taken
4. The provisions requiring income-tax Officers to send a draft assessment order to the assessee and thereafter get the directions of the Inspecting Assistant Commissioners in regard to the assessee's objections should be done away with. (para 19)	Accepted and implemented by the Taxation Laws (Amendment) Act, 1974.
5. The Inspecting Assistant Commissioner should be given powers of rectifying mistakes apparent from the record in his statutory orders. (para 20)	Accepted and implemented by the Taxation Laws (Amendment) Act, 1984. Under the amended provisions the Income-tax authority referred to in section 116 may amend any order passed by it under the provisions of the Income-tax Act with a view to rectifying any mistake apparent from the record.
6. A conscious effort should be made to impart greater uniformity to the definition and procedures in direct tax laws except where the special purpose of a particular Act or provision warrants a departure. There should also be uniformity in the language used in the various provisions in different tax laws when the intention is common. (para 37)	Accepted in principle.
7. Amendments which do not have any direct impact on the Budget should not be put through the Finance Bill but moved separately through an amending Bill. This would facilitate prior consultation and discussion by a Select Committee, a detailed scrutiny by a select Committee. Such a procedure would to a large extent eliminate difficulties arising from deficiencies in drafting. (para 38)	Accepted in principle.

### ANNEXURE 'B'

#### *Statement of ERAC recommendations in Report No. 24 not accepted.*

1. Advance tax may be made payable on the taxpayer's own estimate in all cases without the need to file a statement based on the last assessed income, with an option to revise the estimate before the last instalment falls due. (para 7)
2. Penalty for concealment should be leviable only in case of proven concealment or where the assessee offers no explanation whatever for certain moneys and investments or the explanation offered is proved to be false. In other cases, only compensatory interest at the above-mentioned



rate should be charged on the tax difference arising from the difference between the returned income and the income assessed (as finally upheld in appeal).

(para 8)

3. The cadre of appellate Assistant Commissioners may be abolished and all first appeals entrusted to Commissioners (Appeals). The Assistant Commissioners released from appellate work should be fruitfully deployed in assessment work in important cases.

(Para 22-23)

4. The detailed listing of appealable orders under the Income-tax Act should be minimised and the provisions redrafted in more general terms.

(Para 24-25)

#### *ANNEXURE 'C'*

#### *Statement of EARC Recommendations in Report No. 24 Under Consideration*

1. Employers may be empowered (without any legal obligation of liabilities) to deduct at source from the salary the tax payable on income from sources like house property, interest on deposits, etc. if so authorised by the employees in writing. The employees' liability to file returns of income should, however, remain intact.

(para 4)

2. The levy of penalty for defaults like failure to furnish estimates of advance tax, making an under estimate of advance tax payable, non-payment or delayed payment of advance tax, delaying the return of income, delaying the payment of self assessment tax, etc. should be replaced by the charge of compensatory interest at a deterrent rate, say, 2 per cent per month (or 24 per cent per annum).

(para 8)

3. The numerous provisions relating to the charge of interest under different sections of the Act should be replaced by a simple provision providing for the charge of interest at the above-mentioned rate on any shortfalls in payment whether by way of advance tax, self-assessment tax, or regular tax, for the period during which the

payment was delayed (rounded off into completed months). (para 8)

4. Similarly, the various provisions relating to interest payable by the Government should also be replaced by a simple provision entitling the taxpayer to receive interest on excess payments of tax for the period during which the moneys remained with the Government (rounded off into completed months). (para 8)
5. All returns of income filed by the taxpayers should be accepted on receipt. Thereafter a certain number of returns should be selected for scrutiny. The aim should be to complete the scrutiny of all the selected cases within the same years. (para 12)
6. The above approach should be extended to the clearance of the accumulated arrears also; all pending cases (except those where scrutiny has already made some progress) should be disposed of by treating the returns as accepted to some cases being selected for scrutiny in the same way as in respect of new cases. (Para 15)
7. A Central Tax Court with all-India appellate jurisdiction should be set up in place of High Courts exercising advisory jurisdiction. Till such time as such a Court is set up, additional judges may be appointed in the High Courts so that the sitting judges dealing with tax case would be in a position to clear the arrears. The pending cases involving common questions should be bunched for facilitating disposal. Once a Central Tax Court is set up and the load of appellate work is effectively reduced, the need to have the Appellate Tribunal as a second appellate authority may be reviewed. (Para 26-28)
8. With a view to making the Settlement Commission more effective it is necessary to limit the inflow of petty cases and find a remedy for mounting pendencies. It is also necessary to discourage frivolous and mala-fide recourse to the Commission. Some suggestions in this regard have been made in the body of report. (para 29-36)

## CHAPTER IV

### RECOMMENDATIONS AND OBSERVATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION.

#### Recommendation

The Ministry's explanation that the increase in the pendency of assessments is mainly due to greater addition of new cases and due to non-availability of adequate manpower resources is far from convincing. From a statement furnished by the Ministry, the Committee observe that the number of assessments completed by the Department during the years 1978-79 and 1979-80 was substantially less than in 1977-78 and even in 1980-81 the number of assessments completed was a shade below that in 1977-78. This shows that arrears were not wholly due to new assessment cases but also due to deterioration in the performance of the Department. The Committee note in this connection that while the achievement of some Commissionerates exceeded the Action Plan targets, that of others fell far below targets. From this the Committee are led to the conclusion that the performance of each individual Commissionerate was almost wholly dependent upon the initiative, enthusiasm and dedication of individual officers. In the opinion of the Committee, the Board had failed in its duty to ensure that the performance of each Commissionerate vis a vis its manpower was optimal. The Committee were informed in evidence that the Board was thinking of "introducing a concept of watching the 100 top cases of each Income-tax Officer and each Assistant Commissioner. In all these cases, there will be some sort of supervision". The Committee would like the Ministry to introduce this measure.

The Committee would further like the Board to examine the matter in all its aspects and take all necessary steps with a view to liquidation of pendency of assessments in the shortest possible time. The Committee would await the steps taken in this regard together with the outcome, thereof.

[S. Nos. 9 and 14 (Paras 5.9 and 5.14) of the 217th Report of Public Accounts Committee (1983-84) (7th Lok Sabha).]

### Action Taken

The Board has introduced the concept of watching 100 top cases with each Inspecting Assistant Commissioner's Range. With the enlargement of the scope of summary Assessment Scheme and on account of further steps taken towards the reduction of pendency of assessment, the disposal in all areas of assessments, have increased in comparison to earlier years. The Scheme of assessments in a summary manner has gradually been liberalised with a view to substantially reduced pendency of cases up to Rs. 1 lakh. The emphasis on tax assessments is shifted from routine examination of a very large number of cases to a thorough scrutiny of bigger cases. A copy each of the Instructions Nos. 1499, 1538, 1566 and 1617 issued in this behalf is enclosed.

[Ministry of Finance Deptt. of Revenue) O.M. No. 241|6|84|  
A&PAC-I dt. 1-8-85]

INSTRUCTION NO. 1499

F. No. 201 55|83-ITA. II

Government of India

MINISTRY OF FINANCE

Central Board of Direct Taxes

*Dated, New Delhi the 22nd February, 1983.*

To

All Commissioners of Income-tax.

Sir,

SUBJECT:—*Summary Assessment Scheme.*

Attention is invited to the revised Annexure 'B' of the Action Plan 1980-81 forwarded under the Chairman's D.O. letter No. 17|1|80|OD-DOMS dated 23rd May, 1980 and further clarifications given in Board's Instruction No. 1361 (F. No. 201|110|80-ITA. II) dated 14th October, 1980 regarding picking up of cases for completion by way of scrutiny or by way of summary. Item No. 13 stipulates that all new cases will be completed only after scrutiny.

2. The Board had occasion to re-examine the matter in the light of the frequent requests made by various Commissioners of Income-tax expressing their concern at the heavy workload of scrutiny assessments mainly because all new cases fall in the scrutiny basket. It has now been decided that assessments in all new cases (whether detected in survey or on account of voluntary returns) with returned income up to Rs. 25,000 may be completed in a Summary manner subject to other conditions of the summary assessment scheme being satisfied.

3. It has been further decided that the percentage of Random Selection of cases out of such assessments shall be increased from 2 per cent to 5 per cent and to facilitate Selection, such cases shall be entered separately in the Demand and Collection Register.

4. The existing instructions may please be treated to have been modified to the above extent.

5. These instructions will come into force with immediate effect.

6. These instructions may please be brought to the notice of the officers working under you. Hindi version of the instructions will follow shortly.

Yours faithfully,

Sd|-

(P. SAXENA)

*Secretary, Central Board of Direct Taxes.*

Copy to:—

1. Director of Inspection (IT)|(R&S)|(P&PR)|(Inv.) New Delhi.
2. Director of O&M Services Income-tax, Ist Floor, Aiwan-e-Ghalib, Mata Sundri Lane, New Delhi (5 copies).
3. All Officers and Sections of I.T. Wing of C.B.D.T.
4. Comptroller & Auditor General of India, New Dehli (20 copies).
5. Bulletin Section of Dte. of Ins. (RS&P), New Delhi (5 copies)
6. Directorate of Training, IRS (Direct Taxes), Staff College, Nagpur (5 Copies).
7. Shri P. K. Kartha, Joint Secy. Ministry of Law, Justice & Company Affairs (Deptt. of Legal Affairs), New Delhi.

Sd|-

(P. SAXENA)

*Secretary, Central Board of Direct Taxes.*

INSTRUCTION No. 1538.

F. No. 220/6/83-ITA-II

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

Central Board of Direct Taxes

New Delhi, the 19th November, 83.

To

All Commissioners of Income-tax.

The Director General (Investigation).

Sir,

SUBJECT:—*Need for intensive scrutiny in certain selected cases.*

Attention is invited to the discussions which took place during the Commissioners Conference, 1983 wherein a suggestion was made that the I.A.Cs. should be more actively associated in pre-assessment scrutiny of 100 top cases of the Range. In appropriate cases, the IACs should also issue directions under Section 144A of the Income-tax Act, 1961. During the course of discussions, it was also pointed out that the provisions of Section 144B were not being effectively used and the IACs should give well reasoned directions so that the IFO's orders are strengthened. These suggestions have been examined in the Board and it is desired that the Commissioners and the IACs should be actively associated in some selected case in pre-assessment scrutiny and drafting of questionnaires. This will also include watching of the important events in 100 top cases. This area of work will be kept in mind while considering the annual performance appraisal.

2. Similarly, Director General (Investigation) may please watch the progress made in the top 100 cases of the country for efficient supervision and control over this work.

3. Hindi version will follow.

Yours faithfully,

Sd|-

(P. SAXENA)

Secretary, Central Board of Direct Taxes.

Copy forwarded to:—

1. P.S. to Chairman, P.S. to Member (IT), Member (L), Member (Inv.), Members (S&T), Member (R&A) and Member (WT&J).
2. All Directors of Inspection.
3. All Registrars of Income-tax Appellate Tribunals.
4. Comptroller and Auditor General of India (40).
5. Bulletin Section, Directorate of Inspection (RS&PR).
6. Statistician (Income-tax) (6 copies).
7. Director of Inspection (O&MS), Aiwan-e-Ghalib, Mat Sundari Lane, New Delhi (6 copies).
8. Director of Inspection (RS&PR), Mayur Bhawan, New Delhi.
9. Chief Engineer (Val.) 6th Floor, Chordia Bhawan, No. 1230, Mount Road, Madras (6 copies).
10. Chief Engineer (Val.), 11th Floor, Rohit House No. 3, Tolstoy Marg, New Delhi (6 copies).
11. Inspecting Assistant Commissioners of Income-tax, Inspection Division, Central Board of Direct Taxes, Vikas Bhawan, D-Block, Ground Floor, Room No. 13, New Delhi (3 copies).
12. The Directorate of Inspection (Printing and Publication), 2nd Floor, Hans Bhawan, B. S. Zafar Marg Near Tilak Bridge, New Delhi (5 copies).
13. All Officers and Technical Sections of the Board.

Sd|-

(P. SAXENA)

Secretary, Central Board of Direct Taxes.

## INSTRUCTION NO. 1566

F. No. 225/63/84-ITA-II

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

Central Board of Direct Taxes

New Delhi, the 21st June, 1984.

To

All Commissioners of Income-tax.

Sir,

**SUBJECT:—***Expeditious disposal of income-tax assessments—  
Instructions regarding.*

During the Commissioners Conference, 1984, certain recommendations were made to speed up the disposal of Income-tax assessments with the manpower available and to reduce the ever increasing backlog. The recommendations made in this Conference have been examined by the Board and I am directed to say that in supersession of all existing instructions on the subject, the following procedure will now be adopted:—

- (1) The present categorisation of the cases into summary and scrutiny is done away with. Instead, they will be divided into two classes, namely:—
  - (i) Salary cases with returned income of Rs. 50,000/- or less and other cases with returned income of Rs. 25,000 or less; and
  - (ii) Other cases.
- (2) Assessments of cases at 1(i) above will be completed on the basis of the return after linking it with the assessment records. No checking of any sort will be necessary in such cases.

All pending assessments in such cases will also be completed in the same manner along with the current assessments.

However, cases selected for scrutiny like those assigned to IACs (Assessment), Central Circles, Film Circles, Special Investigation Circle, Special Circle and cases of



companies, trusts, charitable/institutions, loss cases, search and seizure cases and cases reopened under Section 147 etc. will not come under the purview of this scheme.

- (3) There will be two return receipt counters. In one, returns of Income-upto Rs. 25,000/- and below and salary cases with an income upto Rs. 50,000/- will be received and in the other returns in respect of other cases will be received.

This will ensure that returns which are to be assessed in a summary manner are segregated at the receipt stage itself.

- (4) When assessments are completed in cases falling under 1(i) above and there is no additional demand or refund, demand notices and copies of assessment orders will not be issued, but an intimation that the assessment has been completed resulting in 'nil' demand/refund will be issued in the attached form. This intimation may be got printed in the form of an inland letter so that after writing the name and address of the assessee, they could be issued.
- (5) Two demand and collection registers will be maintained in respect of assessments completed under Scheme 1(i). In the first register, all cases where the returned income is Rs. 15,000/- or less, will be entered, and in the other, all others.
- (6) No penalty proceedings, will be initiated in cases completed under 1(i) above under Sections 271(1)(a) and 273 of the relevant returns have been filed before the end of the assessment year concerned.

However, interest under the relevant provisions will be levied.

- (7) 5 per cent of the cases completed in the above manner will be taken up for random scrutiny. Commissioners may lay down the random number so that the ITOs can select the cases for random scrutiny. The instructions laid down for completion of assessments selected for scrutiny on random basis will continue to be observed.

(8) All other cases (i.e. cases where the assessments are not to be completed in a summary manner), will be dealt with under the normal procedure of law.

2. The above instructions will come into force with immediate effect. They may please be brought to the notice of all the officers working under you.

3. Hindi version will follow.

Yours faithfully,

Sd/-

(P. SAXENA)

Secretary,

Central Board of Direct Taxes

Copy forwarded to:—

1. P.S. to Chairman, Member (Inv.), Member(L), Member (WT&J), Member(S&T), Member(R&A) and Member (IT).
2. All Officers and Technical Sections in the Central Board of Direct Taxes.
3. Director of Inspection (Inv.|IT&Audit|Vigilance|Intelligence|RS&P/Recovery/Special Investigation/Survey).
4. Deputy Director of Inspection(PP&PR), New Delhi.
5. Assistant Director of Inspection (Bulletin) New Delhi.
6. Comptroller and Auditor General of India (40 copies).
7. Competent Authority, Madras/Delhi/Bombay/Calcutta.
8. Joint Secretary and Legal Adviser, Ministry of Law, New Delhi.
9. Director of O&M Services (Income-tax), D.I. (System), New Delhi
10. Director, National Academy of Direct Taxes, P. B. No. 40, Nagpur.

Sd/-

(P. SAXENA)

SECRETARY,

CENTRAL BOARD OF DIRECT TAXES.

P.A. NO.

OFFICE OF THE INCOME TAX OFFICER

Dated the

Dear Sir/Madam,

Regarding:—Your Income-tax assessment for the assessment year 1985-86\*.

Kindly refer to the Income-tax return filed by you for the assessment year 1985-86\*.

Your income-tax assessment for the aforesaid assessment year has been completed under section 143(1) on the returned income and no additional demand has been raised.

Yours faithfully,  
(INCOME TAX OFFICER)

\*This can be appropriately changed for the concerned assessment year.

P.A. NO.

OFFICE OF THE INCOME TAX OFFICER

Dated the

Dear Sir/Madam,

SUBJECT:—Your Income-tax assessment for the assessment year 1984-85.

Kindly refer to the Income-tax return filed by you for the assessment year 1984-85.

Your income-tax assessment for the aforesaid assessment year has been completed under section 143(1) on the returned income and no additional demand has been raised.

Yours faithfully,  
(INCOME TAX OFFICER)

**INSTRUCTION NO. 1617**

**F. No. 201/109/85-ITA-II**  
**GOVERNMENT OF INDIA**  
**MINISTRY OF FINANCE**

**Department of Revenue**  
**CENTRAL BOARD OF DIRECT TAXES**

New Delhi, the 18th May, 1985.

To

All Commissioners of Income-tax.

Sir,

**Subject:—Expeditious disposal of Income-tax assessments—  
 Instructions regarding.**

During the Commissioners Conference, 1985, certain recommendations were made to speed up the disposal of Income-tax assessments with the manpower available and to reduce the ever increasing backlog. The recommendations made in this Conference have been examined by the Board and I am directed to say that in supersession of all existing instructions on the subject, the following procedure will now be adopted.

2. Assessments in the following types of cases will be completed under Section 143(1) of the Income-tax Act, 1961, on the basis of the returns after linking them with the assessment records:

(a) All cases, other than company and trust cases, with returned income/loss upto Rs. 1 lakh;

(b) Company cases with returned income/loss upto Rs. 25,000 and paid up capital not exceeding Rs. 5 lakhs;

However, the first assessment in all new company cases will be a scrutiny assessment.

(c) All trust cases and cases of charitable institutions having income below Rs. 1 lakh before applying the provisions of Section 11 of the Act provided the corpus of the trust does not exceed Rs. 5 lakhs.

However, the first assessment in all trust cases will be a scrutiny assessment.

3. In the above cases, the arithmetical accuracy of computation of total income and taxes will be ensured and liability for penalty,

interest C.D.S. etc. if any will be checked. No other checking of any sort will be necessary. All pending assessments in such cases will also be completed in the same manner along with the current assessments.

4. However, cases assigned to IACs (Assessment), Central Circles, Special Investigation Circles, Special Circles, Search and Seizure cases, cases re-opened under Section 147 and those selected for scrutiny on a random sample basis, etc. will not come under the purview of this scheme.

5. All other cases (i.e. cases where the assessments are not to be completed in a summary manner), will be dealt with under the normal procedure of law.

6. When assessments in cases mentioned in para 2 above are completed under section 143(1) of the Act and there is no additional demand or refund, demand notices and copies of assessment orders will not be issued but an intimation that the assessment has been completed under section 143(1) resulting in 'nil' demand/refund will be issued in the attached form. This intimation may be get printed in the form of an inland letter and issued after writing the name and address of the assessee.

7. Summary and scrutiny cases should be entered separately in the Demand and collection Registers.

8. The initiation of penalty proceedings|completion of penalty proceedings already initiated will be governed by the instructions which are being issued separately. However, interest under the relevant provisions will be levied.

9. Five per cent of the cases where assessments are completed in a summary manner will be taken up for scrutiny on a random sample basis. The Commissioners shall lay down the random number and the ITOs should complete selection of cases for random scrutiny by 31st August of the year. This should be done under the supervision of IAC. The number of cases so selected and disposed off should be shown separately in the Central Action Plan-II Statement. The instructions laid down for completion of assessments in cases selected for scrutiny on random basis will continue to be observed.

10. The above instructions will come into effect immediately. These may kindly be brought to the notice of all the officers working in your charge.

11. Hindi version will follow.

Yours faithfully,

Sd/-

(O. P. SRIVASTAVA)

Director,

CENTRAL BOARD OF DIRECT TAXES

Copy forwarded to:—

1. P.S. to Chairman, Member (Inv.), Member (L), Member (WT&J), Member (S&T), Member (R&A) and Member (IT).
2. All Officers and Technical Sections in the C.B.D.T.
3. Director of Inspection (Inv.)/IT&Audit/Vigilance/Intelligence/RS&PR/Special Investigations and Survey.
4. Deputy Director of Inspection (PP&PR), New Delhi.
5. Assistant Director of Inspection (Bulletin), New Delhi.
6. Comptroller and Auditor General of India (40 copies).
7. Competent Authority, Madras/Delhi/Bombay and Calcutta/Lucknow and Bangalore.
8. Joint Secretary & Legal Adviser, Ministry of Law, New Delhi.
9. Director of O&M Services (Income-tax), Aiwan-e-Ghalib, Mata Sundri Lane, New Delhi.
10. Director, National Academy of Direct Taxes, Nagpur.
11. Director General, Special Investigation.
12. Regional Institute of Training at Bombay/Bangalore/Calcutta and Lucknow.

Sd/-

(B. P. GOREWARA)

SECTION OFFICER

CENTRAL BOARD OF DIRECT TAXES

#### Recommendation

The Committee are concerned over the rapid increase in effective tax arrears during the period 1978-79 to 1981-82. They find that the amount of arrears which was Rs. 735 crores as on 31-3-1979 rose to

Rs. 977 crores as on 31-3-1982. The Committee are amazed at the extent of these arrears as over 90% of the tax collections are made of pre-assessment collections i.e. taxes paid by the assessee on their own and only less than 10% of the tax is to be collected by way of regular assessments. The Committee are disappointed to note that as against the moderate Action Plan target of 55% in regard to collection of Income-tax arrear demand, the achievement during the period 1979-80 to 82-83 has ranged between 38 to 43.20 per cent. The Committee desire that the Ministry should examine this aspect in depth and take effective steps with a view to reduce the tax arrears to the barest minimum. The Committee would like to be apprised of the precise action taken in this regard, together with its outcome.

[S. No. 15 (Para 5.15) of the 217th Report of Public Accounts Committee (1983-84) (7th Lok Sabha)].

### **Action Taken**

Some of the important steps taken recently for reduction of tax arrears are as under:—

- (i) The Commissioner of Income-tax (Recovery) will identify cases involving demand of Rs. 10,000 and below with respect to which recovery certificates were issued upto 31-3-1979 and where no recovery was made during the last 5 years.
- (ii) Such cases will be processed for write off. This will involve the convening of monthly meetings by the concerned Inspecting Assistant Commissioners with the Income-tax Officers and Tax Recovery Officers. Commissioners of Income-tax (Recovery) will liaise with the local Commissioners and convene these meetings.
- (iii) The arrear demands in the above cases will be written off within the existing procedures and instructions.

At the Board's meeting held on 27-8-1984, the following decisions were taken:—

- (a) It was found that in 99 cases, the arrears exceeded Rs. 1 crore as on 31-3-1984. The Commissioners of Income-tax were asked to identify the demands locked up in appeals with AAC, CIT (Appeals). ITAT as also in proceedings before the High Courts and Supreme Courts, where the matter is pending with the CIT (Appeals) Member (R&A) will write to the CIT (Appeals) for early dis-

posal of appeals. As regards appeals pending with ITAT and the Court proceedings, the Commissioners of Income-tax were requested to take steps for the early disposal of appeals and references.

- (b) The Commissioners of Income-tax were also asked to take other follow up measures like keeping a watch over the stay cases, over payments of instalments and auction of immovable properties, expediting disposal of waiver petitions and write off proposals giving effect to appellate orders etc.
- (c) The Commissioners of Income-tax were asked to keep a strict watch on the dossier cases of arrears of Rs. 10 lakhs and above and particularly in cases where the arrears exceed Rs. 25 lakhs and take follow up steps for reduction of arrears. The Commissioners of Income tax were made personally responsible to ensure that 50% of the arrears are brought forward as on 1-4-1983 are reduced.
- (d) The members of the Board were asked to have personal discussions with the Commissioners of Income-tax concerned when they go on tour so that a break through is achieved in arrear reduction.
- (e) The Director (Recovery) was asked to pay particular attention to the cases of arrears of Rs. 10 lakhs and above in view of the fact that the arrears involving in such cases form a substantial portion of the total arrears.
- (f) It was found that the figure of current demand raised in 1983-84 has gone up Rs. 3711 crores as compared to the current demand of Rs. 3104 crores raised in 1982-83. The reasons for this sharp increase in current demand is being ascertained.
- (g) It was also found that the arrears involved in cases of arrears upto Rs. 1 lakh is also substantial. The CITs are requested to pursue recovery in such cases also.
- (h) The vacancies of Asstt. Directors in the Directorate of Recovery are being filled up to ensure review and follow up action in 1128 cases of arrears of Rs. 10 lakhs and above.



2. Since the above mentioned steps were taken only recently, the outcome thereof would be known only at the end of the current financial year.

[Ministry of Finance (Deptt. of Revenue) O.M. No. 241/6184/A&PN  
dated 1-12-84]

### **Recommendation**

The Appellate Assistant Commissioners and Commissioners (Appeals) and the Appellate Tribunal are departmental quasi-judicial authorities. The Committee feel that unless a time limit is fixed for their decision the tendency is for the arrears to get accumulated. The Committee would like the Ministry to examine this aspect and fix a time limit for decision by these authorities.

[S. No. 25 (Para 5.25) of the 217th Report of PAC (1983-84)  
(7th Lok Sabha)]

### **Action Taken**

Under the existing provisions of law, there is no time limit in regard to disposal of appeals by Appellate Assistant Commissioners, Commissioners (Appeals) or the Income-tax Appellate Tribunal. However, imposition of a statutory time limit as recommended by the PAC would lead to a number of practical difficulties in implementation.

If a statutory time limit is laid down in the law in this behalf, the law will have to provide for consequences of the failure of the appellate authorities to dispose of appeals in time. If the law were to provide that the consequence of non-disposal of an appeal within the limitation period would be that the appeal shall be treated as disposed of in favour of the tax-payer, the provision would lead to an unjustified and unwarranted benefit to the taxpayer. Further, such a provision would open up possibilities of misuse by unscrupulous persons who would so manipulate that appeals are not disposed of within the limitation period. On the other hand if it is provided that the consequence of non-disposal of an appeal within the limitation period would be that the appeal shall be treated as decided against the taxpayer, it would result in denial of justice to the taxpayer.

For the reasons mentioned above, the problem of delay in disposal of appeals cannot be solved by prescribing a time limit in the law for their disposal. However, the objective underlying the recommendation made by the Public Accounts Committee can be appropriately achieved by administrative measures. The Board would accordingly

issue appropriate instructions for prompt disposal of appeals by the Appellate Assistant Commissioners and Commissioner (Appeals). The Board would also ensure, through monthly reviews and periodical inspections, that these instructions are strictly adhered to. The Law Ministry would be requested to similarly monitor and regulate the disposal of appeals by the Appellate Tribunal.

[Ministry of Finance (Deptt. of Revenue) O.M.  
No. 241|6|84|A&PAC-I dt. 2-9-85]

#### Recommendation

Similarly a time limit is necessary for disposal of revision petitions filed before the Commissioners of Income-tax.

[S. No. 26 (Para 5.26) of the 217th Report of PAC (1983-84)  
(7th Lok Sabha)]

#### Action Taken

Section 264 of the Income-tax Act, 1961, provides that the Commissioner may, either on his motion or on an application by the assessee, call for the record of any proceeding and pass such order thereon, not being an order prejudicial to the assessee, as he thinks fit.

2. Under the existing provisions, there is no time limit for disposal of a revision application by the Commissioner. However, imposition of a time limit for disposal of revision applications, as recommended by the PAC, would lead to a number of difficulties in implementation.

3. If a statutory time limit is laid down in the law in this behalf, the law will have to provide for consequences of the failure of the Commissioner to dispose of the application in time. If the law were to provide that the consequence of non-disposal of an application within the limitation period would be that the application shall be treated as disposed of in favour of the taxpayer, the provision would lead to an unjustified and unwarranted benefit to the taxpayer. Further, such a provision would open up possibilities of misuse by unscrupulous persons who would so manipulate that such applications are not disposed of within the limitation period. On the other hand, if it is provided that the consequence of non-disposal of an application within the limitation period would be that the application shall be treated as decided against the taxpayer, it would result in denial of justice to the taxpayer.

4. For the reasons mentioned above, the problem of delay in disposal of revision applications cannot be solved by prescribing a

time limit in the law for their disposal. However, the objective underlying the recommendation made by the Public Accounts Committee can be appropriately achieved by administrative measures. The Board would issue instructions for prompt disposal of such applications by the Commissioners. The Board would also ensure through periodical inspections that the instructions are strictly adhered to.

[Ministry of Finance (Deptt. of Revenue) O.M.  
No. 241|6|84|A&PAC-I dt. 2-9-85]

**CHAPTER V**  
**RECOMMENDATIONS AND OBSERVATIONS IN RESPECT OF**  
**WHICH GOVERNMENT HAVE FURNISHED**  
**INTERIM REPLIES**

—NIL—

NEW DELHI;  
*April 3, 1985*  

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*Chaitra 13, 1908(S)*

E. AYYAPU REDDY,  
*Chairman,*  
*Public Accounts Committee.*

## PART II

### MINUTES OF 48TH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON 18 MARCH, 1986.

The Committee sat from 15.30 hrs. to 16.30 hrs. in Room No. 50.,  
Parliament House, New Delhi.

#### PRESENT

Shri E. Ayyapu Reddy—*Chairman*

- |                              |   |                |
|------------------------------|---|----------------|
| 2. Shri Amal Datta           | } | <i>Members</i> |
| 3. Shri Ranjit Singh Gaekwad |   |                |
| 4. Shri Rajmangal Pande      |   |                |
| 5. Shri H. M. Patel          |   |                |
| 6. Smt. Prabhawati Gupta     |   |                |
| 7. Shri G. Devaraya Naik     |   |                |
| 8. Shrimati Amarjit Kaur     |   |                |

#### SECRETARIAT

1. Shri N. N. Mehra—*Joint Secretary*
2. Shri K. H. Chhaya—*Chief Financial Committee Officer*
3. Shri Brahmanand—*Senior Financial Committee Officer*
4. Shri Krishnapal Singh—*Senior Financial Committee Officer*

#### REPRESENTATIVES OF THE C&AG OF INDIA

1. Shri P. C. Asthana—ADAI (Rly.)
2. Shri V. Sunderasan—DRAI
3. Shri P. N. Misra—Joint Director (Rlys.)
4. Shri K. Krishnan—Joint Director (RA-I)

2. The Committee took up for consideration Draft Report on Action Taken by Government on recommendations contained in their 167th Report (7th Lok Sabha) on 'Utilization of Locomotives' and adopted the same.

3. The Committee thereafter considered the draft Report on action taken by Government on the recommendations contained in 217th Report (7th Lok Sabha) on Cost of Collection and adopted the same with amendments/modifications shown in Annexure.

4. The Committee then considered the Memorandum on a reference from the Chairman, Rajya Sabha on the question of propriety of exempting some items from customs duty on the eve of the Budget. The Committee decided to process the matter further on receipt of information on the subject from the Ministry of Finance (Department of Revenue) sometime in the 1st week of April, 1986.

5. The Committee also approved some minor modifications/amendments arising out of the factual verification of the draft Reports by Audit.

6. The Committee also authorised the Chairman to finalise the draft Reports and present the same to the House.

*The Committee then adjourned.*

#### ANNEXURE

*Amendments/Modifications made by the Public Accounts Committee in Draft Report on Action taken on the 217th Report (7th Lok Sabha)*

Page	Para	Line	For	Read
10 .	. . .	1.11	Last	Add the following after 'results achieved':— 'within the next six months'
15 .	. . .	1.15	Last	Add the following in the end 'The Committee desire that Government should require appeals to be disposed of expeditiously, every effort being made to dispose of appeals within a time limit, and any failure to do so being explained to the satisfaction of the Ministry'.

## APPENDIX

Sl. No.	Para No.	Ministry	Recommendations/Observations
1	2	3	4
1.	1.8	Finance (Deptt. of Revenue)	<p>In their 217th Report, the Committee had observed that the pendency of income tax assessments had increased from 15.38 lakhs in 1977-78 to 26.61 lakhs in 1981-82. They had pointed out that despite the departmental measures to reduce pendency, like creation of the posts of Inspecting Assistant Commissioner (Assessment), enlarging the scope of Summary Assessment Scheme, empowering Inspectors also for completion of income-tax assessments; and by substantial increase in staff strength etc., the number of pending assessments had still been constantly going up. Emphasising the need for expeditious disposal of income-tax assessments, the Committee had recommended that the Central Board of Direct Taxes should examine the matter in all its aspects and take all necessary steps with a view to liquidating pendency of assessments in the shortest possible time. In their action taken note, the Ministry of Finance have cited certain instructions since issued by the Board laying down revised guidelines for income-tax assessments and have maintained that the disposal in all areas of assessments have now increased. The Committee are not satisfied with the mere issue of instructions. They would like the Central Board of Direct Taxes to</p>

assess the positive impact of these instructions towards liquidation of pendency of assessments and inform the Committee of (i) the precise extent of success achieved in this regard so far; and (ii) the further steps if any they propose to take in order to reduce the pending cases to unavoidable minimum level.

2

1.11

Finance (Deptt. of Revenue)

In their earlier Report, the Committee had noted that the effective income-tax arrears had increased rapidly from Rs. 735 crores in 1978-79 to Rs. 977 crores in 1981-82. Expressing their concern over the extent of the arrears particularly in view of the fact that 90 per cent of tax collections were made up of pre-assessment collections, i.e. taxes paid by the assessee on their own either by way of deduction at source or advance payment of tax or payment of tax on self assessment, the Committee had recommended that the Ministry of Finance should examine the issue in depth and take effective steps with a view to reducing the tax arrears to the barest minimum. The Ministry of Finance have in their action taken note enumerated some of the steps taken recently for reduction of tax arrears. These measures include steps for early disposal of appeals and references, taking up follow-up measures like keeping a watch over the stay cases, payments of instalments and auction of immovable properties, expediting disposal of waiver petitions and write off proposals giving effect to appellate orders keeping strict watch on the dossier cases of arrears



of Rs. 10 lakhs and above and personal discussions of the members of Board with the Commissioners etc. According to the Ministry, as some of these steps were taken only recently, the outcome thereof would be known only at the end of the financial year. The Committee desire that the Central Board of Direct Taxes should evaluate the impact of these measures on reduction of tax arrears during each year since these measures began to be taken and apprise them of the concrete results achieved within the next six months.

3 1.15

Finance (Deptt of  
Revenue,

1.15 In their earlier Report, the Committee had taken a serious view of the heavy pendency of income-tax appeals. They had observed that pendency of appeals had gone up from 2.22 lakhs in 1977-78 to 3.53 lakhs in 1981-82. The number of appeals pending as on 31-1-1986 is 3.13 lakhs. Stressing the need for timely disposal of appeals, the Committee had recommended that the Ministry of Finance should lay down a time-limit for the appellate authorities, viz., the Appellate Assistant Commissioner, the Commissioners (Appeals) and the Income-tax Appellate Tribunal for their decisions. The Committee had also expressed their view that a similar time limit was necessary for a disposal of revision petitions filed before the Commissioners of Income-tax. The Ministry of Finance have in their action taken reply maintained that the problem of delay in disposal of appeals cannot be solved by prescribing a time-limit in the relevant law. According to the Ministry, if a statutory time-limit is laid down in the law in this behalf, the law will have to provide for con-

sequences of the failure of the appellate authorities/Commissioners to dispose of appeals in time. The Ministry have also contended that such a provision would open up possibilities of misuse by unscrupulous persons who would so manipulate that appeals/revision applications are not disposed of within the period of limitation. The Committee was aware of the difficulties that may arise if a statutory or informal but rigid time limit is laid down in such matters. Their objections was and is that the appellate authorities should act with a sense of urgency. What the Ministry now propose to do may work well only if the frequency of the periodic inspections is adequate and the inspecting authority satisfies himself that every ground for delay in disposal was sustainable. And in any case it should be possible for all to see that the work is done expeditiously. The Committee desire that Govt. should require appeals to be disposed of expeditiously, every effort being made to dispose of appeals within a time limit, and any failure to do so being explained to the satisfaction of the Ministry.

