HUNDREDTH REPORT

PUBLIC ACCOUNTS COMMITTEE (1982-83)

(SEVENTH LOK SABHA)

PROVISIONAL ASSESSMENTS AND REFUNDS

MINISTRY OF FINANCE (DEPARTMENT OF REVENUE)

[Paragraphs 2.05(i) 3.15(ii) of the Report of the Comptroller and Auditor General of India for the year 1979-80—Union Government (Civil), Revenue Receipts, Vol. II, Direct Taxes]

Presented to Lok Sabha on

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LOK SABHA SECRETARIAT
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CORRIGENDA TO 100TH REPORT OF THE PUBLIC ACCOUNTS COMMITTEE (SEVENTH LOK SABHA)

Page	Para	Line(s)	For	Read
(v)	4	4	ahould	should
4	1.7	15	occassion	occasion
22	2.9	11	te	the
27	2.14	5	recorder	recorded
29	2.16	3	experience	experienced
39	2.32	8	Mach	March
-do-	2.33	4	exlanation	explanation
-do-	2.33	12	add 'a' after 'is'	
-do-	2.33	12	illustrations	illustration
43	9	7	refundant	redundant
52	1.33	8	acrose	across
-do-	1.34	5	Sno moto	Suo moto
56	2.28	1	Obfficer	Officer
-do-	2.28	2	appllate	appellate
-do-	2.30	3	ETOs	ITOs

CONTENTS

Part II*

Minutes of the sittings of the Public Accounts Committee.

(i) [2 January, 1982

(ii) [11 June, 1982.

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(1982 - 83)

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INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf, this Hundredth Report of the Public Accounts Committee (Seventh Lok Sabha) on Paragraphs 2.05(i) and 3.15 (ii) of the Report of the Comptroller & Auditor General of India for the year 1979-80—(Revenue Receipts) Direct Taxes regarding Provisional Assessments and Refunds.

2. The Report of the Comptroller & Auditor General of India for the year 1979-80, Union Government (Civil) Revenue Receipts, Vol. II, Direct Taxes was laid on the Table of the House on 17 March, 1981.

3. With a view to avoiding payment of interest under Section 214 of the Income-tax Act instructions have been issued by the Central Board of Direct Taxes that in cases where there is no claim from the assessee for provisional assessment the Income-tax officers should *suo moto* make provisional assessment if the return income exceeds Rs. 50,000. The Committee are of the view that the question of incorporating this salutary provision in the Act itself may be examined so that a statutory duty is cast on the ITO to complete all the provisional assessments within a fixed time schedule.

4. Referring to the decision of the Kerala High Court in N. Devaki Amma and others *Vs.* ITO A ward, Quilon to the effect that under sub-section 1 of Section 214, interest on the amount refunded could be and should be paid on regular assessment rather than at the provisional assessment stage itself, the Committee have desired the Board to bring forward a clarificatory amendment to Section 214 at an early date.

5. The Committee have further pointed out that under Secion 215, where the advance tax paid by an assessee is less than 75 per cent of the assessed tax (as determined on regular assessment) simple interest@ 12 per cent per annum is payable on the shortfall for the period from 1 April next following the relevant financial year to the date of regular assessment. Where, however, the initial payment of advance tax is not less than 75 per cent of assessed tax, but the residual amount after allowing refund on provisional assessment is so short, no interest is chargeable under Section 215 even if the shortfall is more than 25 per cent. This is apparently an anomalous situation which calls for a suitable amendment of the law to remove the lacuna. The Committee have therefore recommended that Government

should examine this question and bring forth suitable amendment to the Act forthwith.

6. The Committee examined para 2.05(i) on the basis of the written information furnished by the Ministry of Finance (Deptt. of Revenue). The Committee took oral evidence on para 3.15(ii) at their sitting held on 2 January, 1982. The Committee considered and finalised this report at their sitting held on 11 June, 1982. The Minutes of the sitting of the Committee form Part II* of the Report.

7. A statement showing the conclusions/recommendations of the Committee is appended to the Report (Appendix III). For facility of reference, these have been printed in thick type in the body of the Report.

8. The Committee place on record their appreciation of the assistance tendered to them in the examination of the subject by the office of the Comptroller and Auditor General of India.

9. The Committee would also like to express their thanks to the officers of the Ministry of Finance (Department of Revenue) for the cooperation extended by them in giving information to the Committee.

NEW DELHI;
June 21, 1982
Jyaishtha 31, 1904 (*S*)

SATISH AGARWAL
Chairman
Public Accounts Committee.

(*Not printed. One cyclostyled copy laid on the Table on the House and five copies placed in Parliament Library).

REPORT

I. AVOIDABLE MISTAKES IN THE COMPUTATION OF TAX

Audit Paragraph

1.1 Under-assessment of taxes of substantial amounts have been noticed, year after year, on account of avoidable mistakes resulting from carelessness or negligence. The position of such cases reported by Audit in the Audit Reports for the years 1963 to 1971-72 was reviewed by the Public Accounts Committee in 1975 and their recommendations are contained in their 186th Report (Fifth Lok Sabha).

1.2 In spite of remedial action taken by the department such mistakes continue to occur. As already pointed out in paragraph 1.16(i) of Chapter I, 2,304 cases of avoidable mistakes involving short levy of tax of Rs. 74.95 lakhs were noticed in test audit during the year 1979-80 under Corporation tax and Income-tax. Some of the important mistakes relating to Corporation Tax are given below:

1.3. Under the provisions of the Income-tax Act, 1961, the Income-tax Officer is authorised to make provisional assessment of the sum refundable to the assessee when tax paid in advance and collected at source exceeds the tax payable on the basis of income returned. After a regular assessment has been made the sum so refunded on provisional assessment shall be deemed to be tax payable by the assessee to the extent it exceeds the amount refundable on regular assessment.

In two cases, the assessee companies furnished their returns of income for the assessment year 1976-77 in September 1976 declaring incomes of Rs. 21,10,390 and Rs. 7,81,310 and claiming credits of Rs. 17,74,000 and Rs. 16,55,000 as advance tax and Rs. 17,74,000 and Rs. 21,486 as tax deducted at source respectively. As the amounts of advance tax paid together with tax deducted at source exceeded the tax payable on the basis of income returned, the department made provisional assessments in April 1977 and refunded in May 1977 sums of Rs. 5,70,140 and Rs. 12,23,652 respectively, being the excess tax paid.

The regular assessments were completed later in September 1979 on total incomes of Rs. 38,60,970 and Rs. 43,17,930 and tax demands aggregating Rs. 12,66,955 were raised against the assessees after adjustment of the entire advance tax of Rs. 34,29,000. The fact that sums amounting to Rs. 17,93,792 had already been refunded to the assessees through the pro-

visional assessments made earlier in April 1977 was lost sight of. As a result, there was an agreegate tax undercharge of Rs. 17,93,792 for the assessment year 1976-77.

1.4. While accepting the objection, the Ministry of Finance have stated that the assessments in question have been revised raising additional demands of tax amounting to Rs. 17,93,792.

[Paragraph 2.05(i) of the Report of C&AG of India for the year 1979-80—Union Government (Civil), Revenue Receipts—Vol. II, Direct Taxes].

1.5. The assessees in the two cases referred to in the Audit paragraph were (i) M/s. Dishergarh Power Supply Co. Ltd, and (ii) M/s. Associated Power Co. Ltd. Both the companies were engaged in the business of generation and distribution of electric energy. As to the nature of audit objections and the chronological sequence of events, the Ministry of Finance have, in a note, stated:

"Audit objection in the case of M/s. Dishergarh Power Supply Co. Ltd. is as under :—

Under the Income-tax Act, 1961 the Income-tax Officer is authorised to make provisional assessment of the sum refundable to the assessee when tax paid in advance and collected at source exceeds the tax payable on the basis of the return. After a regular assessment has been made, the sum so refunded on provisional assessment shall be deemed to be tax payable by the assessee to the extent it exceeds the amount refundable on rgular asessment.

The Company furnished its return of income for the assessment year 1976-77 in September 1976 declaring at income of Rs. 7,81,310 and showing payment of advance tax of Rs. 16,55,000 and also Rs. 21,486|- as tax deducted at source. As the amount of advance tax paid together with tax deducted at source exceeded the tax payable on the basis of income returned, the department made a provisional assessment in April, 1977 and refunded in May 1977 a sum of Rs.12,23,652|-being the excess tax paid. The regular assessment was completed later in September 1979 on a total income of Rs.43,17,930|-and the department raised a tax demand of Rs. 8,16,504|-after adjusting credit for the entire advance tax of Rs.16,55,000|- and Rs. 19,856/- as tax collected at source overlooking the fact that a sum of Rs.12,23,652|-has already been refunded to the assessee in the provisional assessment made in April, 1977. The mistake resulted in tax undercharge of Rs. 12,23,652 in the assessment year 1976-77.

Audit objection in the case of M|s. Associated Power Co. Ltd., is as under :

The company furnished its return of income for the assessment year 1976-77 in September 1976 declaring an income of Rs.21,10,390|- and showing payment of Rs.17,74,000|- as advance tax and Rs. 1-,689|- as tax deducted at source. As the amount of advance tax paid together with tax deducted at source exceeded the tax payable on the basis of income returned, the department made a provisional assessment in April 1977 and refunded in May, 1977 a sum of Rs. 5,70,140/- being the excess tax paid. The regular asessment was completed later in September 1979 on a total income of Rs.38,60,970|- and a demand of Rs.4,50,451|-was raised against the assessee after adjustment of the entire advance tax of Rs. 17,74,000|- overlooking the fact that a sum of Rs.5,70,140|-was already refunded to the assessee through the provisional assessment made earlier in April 1977. The mistake resulted in tax undercharge of Rs. 5,70,140|-for the assessment year 1976-77.

The mistake occurred inspite of the fact that the refund allowed on provisional assessment should have been varified and entered in the relevant columns in the assessment|refund form (ITNS-150). The Income-tax Officer has explained that the mistake was a clerical error committed through oversight in the rush of work. The clerk concerned has also attributed the mistake to oversight. The mistake has since been rectified and additional demand raised. The case was not checked either by the Head Clerk/Supervisor or the Income-tax Officer. It was not checked by the internal audit party also. The Income-tax Officer and the official concerned have been cautioned to be more careful in future."

5. The Committee enquired what were the procedures and systems designed to prevent such mistakes as pointed out by audit and how did they fail in these cases. The Ministry of Finance have replied:

"The assessment/refund form (ITNS-150) contains columns which read as under:

(F) Tax paid or refunded as per original assessment or prior re-assessment (date.....)

(G) Additional Tax payable|refundable (E-F)

(H) Deduct:—

(i) Tax paid in advance Sl. No. in adjustment register

(ii) Tax paid on provisional|self assessment.

These columns have been designed to prevent mistakes of the type as pointed out in the present case.

In addition the register required to be maintained for provisional assessments has a separate column for amount of refunds and date of issue of refund (reference Instruction No. 1078 dated 22-7-77).

With a view to avoiding mistakes in tax calculations etc. the Board and its Directors have issued instructions from time to time prescribing the procedure for the checking of the tax calculations in respect of various types of cases.

The calculation, in this case, should have been checked by the Head Clerk as also by the Income-tax Officer himself. However, this was neither done by the Head Clerk|nor the Income-tax Officer. The reason given is that it is a clerical error through oversight in the rush of work."

1.7 Asked about the respective roles of the assessing officers, I.A.Cs and Internal Audit in these cases, the Ministry of Finance have stated:

"As regards the respective roles of the assessing officers, IAC and Internal Audit, it may be stated that although as per the Board's instructions on the subject the tax calculations in this case had to be checked both by the Head Clerk as also the I. T. O. himself. it was not done by either of them.

As the difference between the income returned and the income assessed was over a lakh of rupees, the draft assessment order would have been sent to the I.A.C. for approval under section 144B of the Income-tax Act. However, the tax calculations are not made at that stage and are not sent to the I.A.C. The tax calculations are made only at the time of the issue of the final order of assessment to the assessee. Thus, the I.A.C. had no occassion to see the tax calculations and check them up. No inspection seems to have been carried out by the I.A.C. in which this case would have figured for checking up the tax calculations.

As regards the internal audit, the case was not checked up by the internal audit party also."

1.8 The Committee desired to know whether the prescribed records were posted in regard to these two provisional assessment cases. The Committee also enquired whether the reasons as to why the regular assessments would take more time in these cases, were on record. In reply, the Ministry have stated:

> "The register of provisional assessments does not apear to have been maintained at that time. No specific reasons appear to have also been recorded that the regular assessments would take time. However, it could be reasonably assumed with reference to the assessments made that complicated issues were invloved."

1.9 In reply to a question as to how at none of the levels from Inspecting Assistant Commissioner and Internal Audit down to Income-tax Officer and Head Clerk no check was exercised in these cases, as required, the Ministry have stated:

> "The ITO and the clerk have attributed the mistake due to oversight. As far as internal audit is concerned, the reasons for not checking was that the file was requisitioned by the Revenue Audit, in the first week of December, 1979 when the assessment was itself completed only in September, 1979."

1.10 The Committee desired to know why no inspection was carried out by the Inspecting Assistant Commissioner and what the CBDT proposed to do to make this level really effective. In a note, the Ministry have stated:

> "Revenue Audit has inspected the case soon after the assessments were completed. Ordinarily, the IAC prepares a programme of inspection to be carried out for fulfilling the targets fixed by the Board. The Inspection is confined to few cases, partly to ITO's choice and partly to IAC's choice. Guidelines exist as to the manner in which inspection is to be carried out. It cannot, therefore, be possible to say whether the cases in question would have been taken up for inspection, even if the inspection of the said ITO's work was proposed to be taken up. In cases involving proposed addition of over Rs. 1 lakh the law itself stipulates that IAC's prior approval is necessary, where the assessee objects to such order (section 11A). Section 144A also provides for issue of instruction by the IAC either on his own motion or at the assessees request or on a reference from the ITO. Section 119(3) also enables the IAC to issue instructions to ITOs. Some IACs have also been vested with original jurisdiction over some important assessments with ITOs. Instruction exists for use of these provisions so that there

is more effective involvement. The span of control of IAC with reference to number of ITOs has also been reduced so that there is more effective control. Cs.I.T. are also expected to give necessary leadership in this connection."

1.11 As stated by the Ministry, the provisional assessments were made in May, 1977 whereas the regular assessments could be finalised only in September 1979. On being asked how far the delay in making the regular assessments in these two cases was justified, the Ministry stated:

"Various aspects had to be gone into before a final assessment could be made. Some of the issues were also complex. These cumulatively contributed to the time taken for completing the regular assessment. It could be reasonably presumed that there was no avoidable delay."

1.12. The Committee enquired whether the subsequent investigations had brought to light the precise reasons why Income-tax Officer in these two cases did not or could not ferret out the information about the refund at the time of making regular assessment. In reply, the Ministry have stated:

"As stated earlier, the mistake did not occur due to any defect/ deficiency in the systems and checks provided. The case also does not appear to be one, where any malafides were involved. It appears to be just a case of lack of alertness and perspective on the part of the I.T.O."

1.13 In regard to the latest position of the two cases, the Ministry have intimated:

"In the case of both the Companies, substantial additions were made in the trading account as well as under the head 'other sources' The assessees have preferred appeals to the Commissioner of Income-tax (Appeals-VII). These appeals are still pending for disposal. When the assessees were asked to make the payment, they objected to it on the ground that the additions were disputed in appeal before the Commissioner of Income-tax (Appeals). Thereafter they approached the Commissioner of Income Tax for the stay of the demands who asked them to pay a consolidated sum of Rs. 5 lakhs. This amount was paid and the balance demand has been delayed till the disposal of appeal. It may be mentioned here that the two companies were amalgamated with effect from 1 April, 1977."

1.14. Taking into account the frequent changes of Income-tax Officers in a ward, the Committee enquired whether systematic revision of forms and

registers which alone provides continuity, had been given adequate importance by the Board. The Committee also wanted to know how many forms (and percentage) were still to be revised|updated so as to conform to the Income-tax Act as amended by and upto Finance Act, 1981. In a note the Ministry have stated:

"The present position as far as review of Statutory and Non-statutory forms is concerned is given in the table below:

Position as on 19 January, 1982

Description of Form	No. of Forms	Reviewed	To be reviewed	Percentage	
				Done	To be done
Non-Statutry					
Income-tax	203	142	61	70%	30%
Wealth-tax	24	9	15	38%	62%
Gift-tax	22	6	16	27%	73%
Estate-duty	39	39	Nil	100%	Nil
Sur-tax	15	14	1	94%	6%
TOTAL	303	210	93	67%	33%
Statutory					
Income-tax	108	Nil	Nil	Nil	100%
Wealth-tax	27	,,	,,	,,	,,
Gift-tax	9	,,	,,	,,	,,
Estate Duty	23	,,	,,	,,	,,
Sur-Tax	15	,,	,,	,,	,,
I.T.C.P.	31	,,	,,	,,	,,
Interest-tax	7	,,	,,	,,	,,
	220				

1.15 The Committee desired to know whether any time and motion study had been conducted with regard to the work load of an Income-tax Officer and the staff subordinate to him in an annual cycle and whether the

practical aspect of the ITO being able to carry out the numerous instructions emanating from the Board, had been reviewed in the light of such a time and motion study. The Ministry have stated:

" No time and motion study as such has been conducted on the work of Income-tax Officer and supporting staff of an Income-tax Officer in an annual cycle. The concept of time and motion study as is commonly understood relates to various industrial activities involving both manual and machine operations. The work in the Income-tax Department does not fall in this category and as such, studies to evolve norms|yardsticks have been made by adopting other recognised work measurement techniques.

Studies to evolve norms|yardsticks for officers and staff of the Income-tax Department were conducted by the S.I.U. of the Ministry of Finance in 1968-69 and work norms/yardsticks for various types and jobs were laid down by adopting such recognised work measurement techniques as self-logging, time studies and case studies.

In 1978, DOMS(II) conducted a further study to review the norms prescribed in 1969 to determine the clerical requirements in the field of assessment and collection work in view of several changes introduced in work procedures both due to executive instructions and statutory amendments.

In the study, the change in the composition of the work elements *inter-alia* as a result of complex legislative changes was taken into consideration. This study revealed shortage of around 18,000 clerks on the basis of the disposal of 1976-77. The SIU after test-check and p runing agreed that there was a shortage of 5000 but this was further reduced to 3,930 on the basis of the actual disposals in later years even though the reduction in disposal was partly due to shortage of staff. This was further reduced to 3,474 by setting off certain surplus posts in other areas. Formal proposals for sanction of these posts have been sent and are awaiting approval/sanction.

In the study conducted by D.O.M.S. in 1978, in projecting the time for incidental items of work, the time spent by an official in reading circulars and orders was taken into account. This pre-supposes adequate provision for time to study the Law, Rules and instructions, relevant to the task to be performed. The need for providing time for getting oneself updated with

instructions is a pre-requisite for systematic and methodical functioning."

Refunds on the basis of provisional assessments

1.16 In regard to the provisions of the Income-Tax Act in respect of refunds on the basis of provisional assessments, the Ministry of Finance have, in a note, stated:

"Section 141A of the I.T. Act authorises the Income-Tax Officer to make a provisional assessment and grant refund to the assessee of the excess tax paid in cases where the regular assessment is likely to be deleyed. This section was initially introduced by the Finance Act, 1968 w.e.f. 1-4-68. Later on, amendments were made in it by the Taxation Laws (Amendment) Act, 1970 w.e.f. 1-4-71 when it was provided that, in a case where the assessee claims that the tax paid or deemed to have been paid under the provisions of Chapter XVII B or Chapter XVII C exceeds the tax payable on the basis of the return and the accounts and documents accompanying it the Income-Tax Officer may, if he is of the opinion that the regular assessment of the assessee is likely to be delayed, proceed to make, in a summary manner a provisional assessment of the sum refundable to the assessee after making certain adjustments to the income or loss declared in the return as per sub-section (2). It was further provided that in a case where the regular assessment was not likely to be completed within 6 months from the receipt of the return, the ITO shall proceed to make the provisional assessment under this Section. Further amendments were made to this Section by the Taxation Laws (Amendment) Act, 1975 w.e.f. 1-4-76. This provision, as it now stands, makes it obligatory on the Income-tax Officer to complete the provisional assessment within 6 months if he is of the opinion that the regular assessment is not likely to be completed within 6 months from the date of the furnishing of the return. As per proviso to Section 214(1), interest on refund is payable till the date of provisional assessment only."

1.17 The object of Section 141A was to avoid inconvenience and hardship to tax payers on account of money likely to become refundable to them, lying locked up with the department till the completion of the regular assessment. In reply to a question, whether there were still any cases where such provisional assessments were not made causing harassment to assessees and avoidable payment of interest by Government, the Ministry have stated:

"The Board do occasionally come across cases where provisional assessments were not made within time."

1.18 The Central Board of Direct Taxes in their circular instruction No. 277 dated 17-3-1971 directed the Income Tax Officers that in the interest of equity and justice, they should take prompt action on claims for provisional assessment made by the assessees and grant refunds where due. under Section 141A. In their Instruction No. 755 dated 5-9-1974, the Board reiterated these instructions stating that provisional assessments under Section 141A should invariably be made promptly, in all appropriate cases, where regular assessments are likely to be delayed so that unnecessary payment of interest by Government on the refundable sum, payable under Section 214, is avoided. It was also emphasised that the returns should be scrutinised promptly on their receipt with a view to seeing whether provisional assessment under Section 141A is attracted. All such cases were to be noted in a separate register by the Income Tax Officer and kept in his personal custody and he was to give priority to the making of provisional assessment in cases where regular assessment was likely to be delayed by more than six months from the date of filing of the return. He was to make the provisional assessment under Section 141A as also the refund, if any due, after leaving a note in the file as to why regular assessmnet could not be made within six months.

1.19 Again in their Instruction No. 1078 dated 22-7-1977, the Board directed that even in cases where there is no claim from the assessee for the provisional assessment, if the returned income exceeded Rs. 50,000, provisional assessments should be made *suo moto* by the Income Tax Officer keeping in view the above instructions (even though the Act provided for provisional assessment being made only when assessee makes a claim for it).

1.20 Referring to the Instruction No. 1078 dated 22-7-1977 which stipulated that ITOs should make provisional assessments on their own even there was no claim from the assessee, the Committee desired to know if it would not be better to incorporate this salutary provision in the law itself The Ministry of Finance have replied:

> "The Board has issued instruction that provisional assessments should be made and refund due granted in all cases where the assessee specifically requests for the making of such provisional assessment. The Board have also urged that even in those cases where no request is received and where the returned income exceeds Rs. 50,000, the returns must be scrutinised with reference to the tax on returned income and pre-assessment taxes paid with a view to decide whether the provisional assessment would result in refund. If it is found that the provisional assessment would result in a refund and the ITO is of the opinion that regular assessment is not likely to be made within six months of the date of furnishing of the return, the provisional

assessment should be made and refund issued promptly. These instructions were issued with a view to avoiding the payment of interest under Section 214 of the Income-tax Act.

'As regards the suggestion as to why such a provision be not incorporated in the Act itself, it may be stated that the position has to be flexible. The casting of any statutory liability to complete provisional assessments in all cases, within a stipulated time limit would result in creating a further additional load. In bigger cases where higher amount of interest might become payable on refunds arising on account of excess pre-assessment taxes having been paid, due care has to be taken by the ITOs to make provisional assessments as per existing instructions."

1.21 The Committee required whether the provision in the Act for making provisional assessments to give refund was not proving to be of disadvantage to the Government. In a note, the Ministry of Finance stated:

"The Board have not separately examined whether the working of section 141 is proving disadvantageous to the Government. The intention behind making a provisional assessment for refund is to reduce the Government's liability to pay interest under section 214 on the making of a regular assessment."

1.22 The Committee enquired whether the assessee derived any benefit if tax refund on regular assessment turned out to be less than determined on provisional assessment. To this the Ministry of Finance have replied:

"The question of what turns out ultimately on a regular assessment depends on a variety of factors. There could be difference of opinion between the admissibility of certain expenses resulting in the assessment being framed on income higher than returned. These are the matters which are finally settled in appeal. It would be difficult to arrive at a value judgement as to whether the assessee could be assumed to have benefited in a case where provisional assessment has been made under section 141 and the regular assessment ends in a demand."

1.23 In reply to a further question if the provision was to be retained should it not provide for levy of interest in the excess refund to prevent abuse of the concession and whether this inequitous situation which was to the disadvantage of the Government, had been examined by the Ministry with a view amending Section 214 of the Act, the Ministry of Finance have stated:

"The Economic Administration Reforms Commission is at present engaged in the task of simplification and rationalisation of the

direct tax laws. The recommendations made by the PAC regarding the provisions of Section 215 will be examined in the light of recommendations which might be made by the Commission regarding the provisions relating to advance tax including those contained in Section 215 of the Income-tax Act."

1.24 Under Section 215, where the advance tax paid by the assessee is less than 75 per cent of the assessed tax (as determined on regular assessment) simple interest @ 12 per cent per annum for the period from 1st April next following the relevant financial year and upto the date of regular assessment is payable by the assessee upon the amount which the advance tax so paid falls short of the assessed tax. However, where refund had been made on the basis of provisional assessment and on the regular assessment the assessed tax is determined to be more than the balance of advance tax with Government (i.e. less amount refunded under Section 141A) no interest would be charged by the Government under Section 215 even if shortfall is more than 25 per cent. Also Government has little power to withhold the refund based essentially on what the assessee has declared in his return.

1.25 The Committee enquired whether the Ministry of Law were consulted before taking a decision to the effect that interest on excess advance tax deducted at source will be payable for the period it was held prior to refund but payment of interest will be made only after regular assessment is done. In a note, the Ministry have stated:

"Board have issued Instruction No. 91 dated 2-9-69 to the effect that interest should be paid alnog with the refund on provisional assessment. Ministry of Law do not apear to have been consulted in this behalf so far on the point as to whether the interest is to be paid at the time of provisional assessment or regular assessment. However the Kerala High Court in its judgement in N. Devaki Amma and Others *Vs.* Income-tax Officer, A-Ward, Quilon 1980 (122 ITR 272) have held that no interest is payable at the time of provisional assessment. This is contrary to the instruction of the Board referred to above and the question of withdrawal of Board's instructions is under consideration."

In a further note, the Ministry have stated

"The matter stands referred to the Ministry of Law and on receipt of their advice, final decision regarding withdrawal of instructions of the Board will be taken."

1.26 The Committee desired to know the number of cases during the assessment years 1978-79 and 1979-80 in which interest was paid on the refunded amount immediately after provisional assessment and prior to regular assessment together with the amounts so paid; the number of cases (with amounts) in which these refunds later proved excessive and whether the interest on such excess refunds was later adjusted. In their reply, the Ministry of Finance have stated:

> "The information sought for is not readily available from any of the prescribed registers maintained. Interest on refunds is reduced at the time of completion of regular assessment when the amount refund is reduced as per section 214(A) of the I.T. Act."

1.27. The Committee called for information on the following points, namely:

(a) In law when does the payment of interest by Government on the amount refunded become due for payment to assessee?

(b) If interest on the excess tax refunded is paid alongwith the refund immediately after provisional assessment how was audit informed in Ministry's letter of 19th July 1980 that interest on the refund of tax is to be paid only when the regular assessment is completed?

(c) What is the opinion of the Ministry of Law on the interpretation of the words 'regular assessment' in Section 214(IA) of the Income-tax Act?

The Ministry of Finance have, in a note, stated:

> "As regards the legal position as to when does the payment of interest by Government on the amount refunded become due to the assessee, a copy of the opinion of the Ministry of Law on the subject is appended (Appendix I). This is being examined.
>
> The position as to whether the interest on the excess tax refunded is to be paid alonwith the refund immediately after the provisional assessment is completed or after the regular assessment is completed, is still not clear. Instruction No. 91 dated 2-9-69 was issued with reference to the interpretation as made by the CBDT. As regards the later communication in Ministry's letter of 19th July, 1980, it appears that the Kerala High Court in Devaki Amma's case, was in the background. The High Court pointed out that Circular No. 91 cannot be treated as an authortiy for the proposition that interest has to be refunded when the provisional assessment is made."

1.28 The phenomenon of under-assessment of taxes of substantial amounts has been noticed, year after year, on account of avoidable mistakes resulting from carelessness or negligence on the part of the assessing officers and the supervisory staff... The Committee regret to observe that in spite of repetitive instructions issued by the Board from time to time, such mistakes continue to occur. The Committee note with concern that during the year 1979-80 alone, as many as 2,304 cases of avoidable mistakes involving short levy of taxes of the order of Rs. 74.95 lakhs were noticed by Revenue Audit under Corporation tax and Income-tax. As Revenue Audit is only a test audit, the number of such mistakes and the amount involved are bound to be much higher. It would, therefore, appear that the Board have failed to secure compliance with their instructions with regard to maintenance of records, ensuring close supervision of work at various levels and periodic inspections by superior officers so as to obviate patent mistakes.

1.29 In the paragraph under examination, Audit has brought to notice two instances (M/s. Dishergarh Power Supply Co. Ltd. and M|s. Associated Power Supply Co. Ltd.) where there was an agregate tax undercharge of nearly Rs. 18 lakhs due to failure of the Assessing Officer to take into account at the time of regular assessment the refunds already allowed in the provisional assessment made under Section 141A. Although the Department has claimed that procedures and systems had been so designed as to prevent mistakes of the type pointed out by Audit in the two cases, the fact stands out that in these two cases there was a complete failure of the system. As per Board's instructions on the subject, the tax calculations in these cases had to be checked both by the Head Clerk as well as by the Income-tax Officer himself but it was not done by either of them. The reason given is that it is a clerical error that occurred through oversight in the rush of work. This is hardly convincing.

1.30. The Committee find that the mistake went unnoticed despite the fact that the refund allowed on provisional assessment was required to be verified and entered in the relevant columns in the assessment/refund from ITNS-150A. Apparently, the entries in the relevant form were not made. The Ministry have also admitted that the register of provisional assessments, which is supposed to provide another check in the system designed to prevent such mistaks "does not appear to have been maintained at that time."

1.31 The Committee further find that these cases escaped the attention both of the Internal Audit as well as the Inspecting Assistance Commissioner. But for the vigilance on the part of Revenue Audit, the State would have been put to a loss of about Rs. 18 lakhs in these two cases only. This is indeed a very sad reflection on the working of the Circle concerned. The Committee would like to be apprised of the specific

steps since taken to tone up the working of this Circle, particularly with regard to the maintenance of relevant records and their scrutiny at higher levels. The Committee further desire that the responsibility for the failure in these cases should be fixed and appropriate follow up action should be taken.

1.32 The Committee have been informed that none of the 220 statutory forms in use under various tax enactments have been reviewed so far. However, 67 per cent of the 303 non-statutory forms in use have been reviewed. The Ministry have claimed that columns in the assessment|refund form (ITNS--150) have been so designed as to prevent mistakes of the type pointed out in the instant case. In columns (F)(G) and (H) in Part II of the form, attention is invited to the adjustment of any amount already refunded. The form has apparently not been revised on the introduction of Section 141A in 1968. The Committee therefore desire that the work of reviewing all the forms, both statutory and non-statutory, should be taken up on a priority basis so as to bring them up-to-date keeping in view the amendments made in the Income Tax Act over the years. Opportunity may also be taken to simplify these forms to the extent possible and to reduce their numbers to the minimum extent possible. The Committee would like to be apprised of the precise steps taken in this regard.

1.33 The object of Section 141A, which lays down the procedure for provisional assessments, was to avoid inconvenience and hardship to tax payers on account of money likely to become refundable to them, lying locked up with the Department till the completion of the regular assessment. When asked whether there were still cases where such provisional assessments were not made thus causing harassment to assessees and avoidable payment of interest by Government, the Ministry stated that the Board did occasionaly come across cases where provisional assessments were not made in time.

1.34 Detailed procedure for finalising provisional assessments by the Assessing Officers has been laid down through various instructions issued by the CBDT. In their instruction No. 1078 dated 22-7-1977, the Board directed that even in cases where there is no claim from the assessee for the provisional assessment, the Income Tax Officers should suo moto make the provisional assessment if the returned income exceeds Rs. 50,000. This instruction was apparently issued with a view to avoiding the payment of interest under Section 214 of the Income Tax Act. The Committee feel that the question of incorporating this salutary provision in the law itself may be examined so that a statutory duty is cast on the Income Tax Officer to complete all the provisional assessments within a fixed time schedule.

1.35 Under Section 214 of the Incom-Tax Act, 1961, where the advance tax paid by the assessee during a financial year exceeds the amount of tax determined on regular assessment, the Government is liable to pay interest at the rate of 12 per cent on such amount of advance tax as is found to be in excess and the interest is computed in respect of the period from 1st of April next following the said financial year upto the date of regular assessment. In respect of any amount refunded on the basis of provisional assessment made under Section 141A, no interest is payable for any period after the date of such provisional assessment. However the Board in their Instruction No. 91 dated 2-8-1969 had clarified that interest should be paid alongwith the refund made on the basis of the provisional assessment. The Kerala High Court in N. Devaki Amma and others Vs. I.T.O. A Ward, Quilon (1980) (122 ITR 272) have held that the Circular cannot be treated as an authority for the proposition that interest is payable on the amount of refund ordered under Section 141A at the provisional assessment stage. The court have held that under Sub-Section (1) of Section 214, interest on such amount refunded could be and should be paid on regular assessment.

1.36 As the position is not entirely free from doubt and in view of the observations of the Kerala High Court in the above case, the Ministry of Law have advised that the position may be clarified by a suitable amendment. The Committee would therefore like the Board to bring forward a clarificatory amendment to Section 214 at an early date.

1.37 Under Section 215 of the Income-tax Act whenever amount on which interest was payable by the assessee is reduced, interest demanded is reduced accordingly and the excess interest paid, if any, is refunded. However, such is not the position in respect of interest paid by the Government to the assessee under Section 214. Where tax due from the assessee subsequently increases as compared to what was determined as per provisional assessment or as per regular assessment in practice interest on additional amount due is not levied from the 1st of April next following the relevant financial year, to the date of re-assessment or even the regular assessment. As early as in 1972-73, the Public Accounts Committee in their 51st Report had drawn attention to this inequitous situation. The Committee find that the Law Ministry are of the view that in the absence of a specific provision in Section 214 on the lines of the provision contained in Section 215(3) of the Act it is not permissible for the Income-tax Officer to reduce the quantum of interest payable by Government as a result of an order of rectification or an order in appeal or revision which has the effect of increasing the tax payable by the assessee for the relevant years and that the anomaly pointed out by the Committee could be removed only by a suitable amendment of the Act. The Ministry of Finance have now informed the Committee that the recommendation made by the Public Accounts Committee would be examined in the light of recommendations which might be made by the Economic Administration Reforms Commission

which is at present engaged in the task of simplification and rationalisation of the direct taxes laws. The Committee regret to point out that the Ministry of Finance have failed to take any action on the recommendations made by this Committee as far back as in 1972-73 to rectify the inequitous situation which was to be disadvantage of Government. The Committee would now like the attention of the Economic Administration Reforms Commission to be specifically drawn to this situation. They would like to be informed of the views of the Commission in this regard as soon as available.

1.38 Under Section 215, where the advance tax paid by an assessee is less than 75 per cent of the assessed tax (as determined on regular assessment) simple interest @ 12 per cent per annum is payable on the shortfall for the period from 1 April next following the relevant financial year to the date of regular assessment. Where, however, the initial payment of advance tax is not less than 75 per cent of assessed tax, but the residual amount after allowing refund on provisional assessment is so short, no interest is chargeable under Section 215 even if the shortfall is more than 25 per cent. This is apparently an anomalous situation which calls for a suitable amendment of the law to remove the lacuna. The Committee recommend that Government should examine this question and bring forth suitable amendment to the Act forthwith.

II. AVOIDABLE OR INCORRECT PAYMENT OF INTEREST BY GOVERNMENT

Audit Paragraph

2.1 Under the provisions of the Income-tax Act, 1961, where as a result of any order passed in appeal or other proceeding under the Act, refund of any amount becomes due to the assessee and if the Income-tax Officer does not grant the refund within a period of 3 months from the end of the month in which such order is passed, the Central Government shall pay to the assessee simple interest at 12 per cent per annum on the amount of the refund due from the date immediately following the expiry of the period of 3 months aforesaid to the date on which the refund is granted. Instructions were also issued by the Central Board of Direct Taxes in July, 1962 to the effect that the Income-tax Officer shall dispose of the refund cases within a fortnight of the receipt of appellate orders.

2.2. An individual assessee went in appeal against the assessments completed by the Income-tax Officer for eleven assessment year, 1959-60 and 1961-62 to 1970-71. The appellate authority passed orders thereon in January 1974 and February 1975. On the basis of those orders a refund of Rs. 1,48,670 became due to the assessee. This refund was allowed by the department only in September, 1978. As a result of delay of about four years in giving effect to the aforesaid appellate orders, the assessee had also to be paid interest of Rs. 81,758.

2.3. The Ministry of Finance have accepted the objection.

[Paragraph 3.15(ii) of the Report of the Comptroller and Auditor General of India for the year 1979-80—Union Government (Civil), Revenue Receipts—Vol. II, Direct Taxes]

2.4. The Committee were informed that the assessee in this case was Shri Raja Ram Jaipuria of Calcutta. Explaining the audit objection as also the chronological sequence of events in the case, the Ministry of Finance have, in a note, stated:

> "The audit objection in this case is that due to delay in giving effect of appellate orders of Income-tax Appellate Tribunal for more than 3 years for 11 assessment years the Department had to pay interest of Rs. 81,758/- under section 244 of the Income-tax Act, 1961.

2. The assessment file of the assessee was earlier in Central Circle, Calcutta from where it was transferred to ITO, A—Ward, District V(I) Calcutta. The orders of the Income-tax Appellate Tribunal for assessment years 1959-60 and 1960-61 were received in Central Circle on 26th March 1974 and passed on to Distt., V(1) on 23rd April, 1974. For assessment year 1961-62 and 1962-63, appellate orders were received in Distt. V(1) on 6th November, 1974. The appellate orders for 1963-64 to 1970-71 were received in Central Circle on 10th April, 1975 and were passed on to Distt. V(1) on 21st June, 1975.

3. There has been change in the incumbent of ITO, A—Ward, Distt. V(1) Calcutta on 16.12.1974, 16.4.1975, 16.5.1975, June 1975, 6th May, 1977, 21.12.1967 and 14th January, 1978.

4. A search was also conducted at the premises of the assessee from 23rd December, 1975 to 3rd January, 1976 and order under section 132(5) for retaining the assets seized was passed on 19th March, 1976.

5. The effect to the appellate order of ITAT for assessment years 1959-60, 1963-64, 1964-65, 1965-66, was given on 14.9.1977, for assessment years 1961-62 and 1962-63 on 21.9.1977 for assessment years 1966-67, 1967-68 on 15.9.77, and for assessment years 1968-69 to 1970-71 on 19.9.77. The refund was given on 30th September, 1978 after adjusting demand for assessment years 1960-61, 1968-69 and 1971-72 to 1974-75 wherein interest under section 220(2) was also charged in respect of outstanding demands.

6. The delay in giving effect to the appellate orders has arisen primarily on account of the frequent change of incumbents and partly on account of search and seizure operations."

2.5. The delay in the case has been attributed mainly to frequent transfers of Income Tax Officers dealing with the case. In this context, the Committee desired to know about the policy constraints imposed by the CBDT against frequent transfers of Income Tax Officers in key wards and frequent transfer by marked assessees of their records from one station to another. In reply, the Ministry of Finance have stated:

"Board's Instructions on transfer policy regarding officers of the Income-tax Department contained in letter No. 22013/13/79-Ad. VI dated 17th March, 1980 is enclosed. (*Appendix* II)

2. The question of transfer of records either under section 124 or under section 127 is gone into particularly at the ITO's level in order to ensure that the transfer of records is justified. In case where the assessee shifts his residence or his business it is natural for the assessee's convenience to have the records transferred to the new station. The transfer is justified from the Department's stand point also as local knowledge is essential to do a proper assessment.

3. Coming to section 127, this is an artificial jurisdiction very often resorted to by the Department to facilitate its convenience both from the administrative and investigative angles. When the provisions of section 127 are involved, the Department is well aware of the circumstances that dictate such a course of action. Even where an order under section 127(1) is passed, at the instance of the assessee, the Department is fully alive to the needs of the case.

4. It cannot be said that the transfer of records by itself is responsible for the failure highlighted by the PAC. It is actually the failure to observe prescribed procedures such as correct and systematic filling up of the transfer memoranda that is the cause of lapses such as the one that has attracted the adverse notice of the PAC."

2.6. Since some transfers of Income Tax Officers were unavoidable and search and seizure operations were part of the administration of the Income Tax Act, the Committee enquired about the steps taken by the CBDT for suitably moulding the system on the ground to provide continuity in work through a well designed system of maintenance of records in Income Tax Offices. So as to avoid delay and harassment to tax payers in the matter of refund. The Ministry of Finance, have replied:

"Though transfer of Income-tax Officers are incidental to the administration, care has been taken to ensure that transfers normally do not result in any major dislocation of work including incorrect maintenance of registers etc. At the time of normal routine transfers, the ITO has also to hand over his successor a handling over note focussing attention on certain important items of work like time-baring matters, stages of investigation etc. In this particular case, it unfortunately happended that the entry relating to the appellate order was also not made in the appeal register; the delay, therefore, occurred. It cannot be attributed to any defect in the system.

Search and seizure operations do not also cause any major dislocation of work, except in a very minimal way like postponement and adjournment of hearing etc. fixed for a day if the concerned officer has been drafted for search duties. By and large, subordinate staff *viz.* tax assistants, UDCs and LDCs and supervisory staff are not drafted for duties in search and seizure operations; the normal office work including preparation and issue of refunds etc. to the assessees cannot ordinarily get dislocated. The endeavour always is to restrict such inroads into their working hours by other duties to the very minimum."

2.7. It has been stated that since in the present case the refund arose under section 240 as a result of appellate orders, the assessee was not required to apply for refund and the refund was to be allowed by the Department on its own. It has been further stated that control registers are prescribed and a time limit of 2 months has been laid down for granting refunds in cases arising out of appellate orders. Pointing out that in the present case the refund took 4 years instead of 2 months, the Committee enquired whether necessary entries in any of the control registers had been made. To this the Ministry have replied:

"Necessary entries in the appeal register were not made in this case resulting in delay in the issue of refund consequent upon giving effect to appellate orders."

2.8. In reply to a question whether this case revealed that the control systems laid down were not adequate or that these were not actually worked by the field formations, the Ministry of Finance have, in a note, stated:

"The controls provided by way of (a) maintenance of the appeal registers, (b) making entries in the said registers regarding every appellate order and (c) the issue of the instructions that effect should be given to appellate orders within a period of two months appear to be quite adequate. The failure appears to be ineffective follow-up of such instructions by the field formations. Several further steps have been devised in the latter few years, which could enable a further monitoring like (i) setting apart the first quarter of the year for completing house keeping jobs, which include *inter alia* (a) making the registers upto date (b) giving effect to rectificatory, revisionary and appellate orders etc. (ii) observance of refund weeks, arrear clearance and reduction fortnights etc. (iii) entry in separate registers at the receipt counter itself of assessees appeals in regard to such matters. These should also help in removing bottlenecks."

2.9. Explaining the reasons for the delay in giving effect to the appellate orders in the case, a representative of the CBDT stated in evidence:

"In this particular case, there was a lot of litigation, and the Tribunal giving effect to the appellate order, varying from May, 1974 to June, 1975. In this particular case, upto the first appellate orders. They should have been given effect to, according to the provisions of the law, within three months from the date of receipt of those orders. There has been delay, but there were some circumstances which had probably caused this type of delay. One was that some time in December, 1975 a search was carried out in te premises of the assessee, and it continued for about a couple of weeks, upto 3rd January, 1976. As a result of an order passed under section 132(5) of the Income Tax Act, there were some seizures etc. The ITO had apparently taken it into account in not giving effect to this particular order. This is seen from the letter which the assessee himself has written some time in 1978. The actual effect was given on 14th September, 1977, in respect of some orders; and in respect of certain others, it was done on 19.9.77 and 21.9.77. Interest became due from the date of giving effect to the appellate order, varying from May, 1974 to June, 1975. In this particular case, upto the first appellate stage, he had no relief due. There was some relief which was adjusted against outstanding dues for other years. But when he went to the Tribunal, certain relief were there. But in respect of certain payments, corresponding challans were not on record. In this particular case, it had a chequered career, because it had gone though various income tax authorities—first in an ordinary circle, then to a different Central circle and then to a different Central Officer. When refund had to be given it had come to another ITO. Thus there was a lot of inter-action. Confusion was created. They passed through various officers situated in different buildings."

The witness further stated:

"On 14th September, 1977, the assessee wrote to the ITO saying that there was a payment of Rs. 58,000/- which he made in June, 1965. There is a procedure which Government have settled upon, in consultation with C&AG in regard to giving relief, wherever challans are not traceable. This procedure is

being extended year after year, because refund presupposes that it has been brought into the Consolidated Fund of India. One has to verify whether it has really gone into the Treasury, and the challan is an index of this. In this particular case, the challan was not available on record. Because the assessee was also in arrears, he had also not pointed it out, except on 14th September 1977—and this had to be verified. So, on 15th September it was verified by going through a different register of a different ITO. So, credit was given. Thereafter, one year's delay was there—till the date on which refund was given. There is absolutely nothing available on record to show why the delay occurred. But from the letter of the assessee to the Commissioner, it is seen that this has been wrongly held over on the ground that as a result of the search and seizure, a certain amount of money might become due; and so, the refund could not be given.

There is a delay of nearly one year. But if you reckon it from the date on which the order should have been given effect to, it ranges from 3 years in some cases to 4 years in some other cases. The Commissioner has called for his explanation and has found his explanation unsatisfactory; he has asked him to be more careful in future."

2.10. In regard to the procedure followed in these cases, the witness stated:

"We have set a certain procedure in this matter. There are a number of instructions which have been issued by the Government from time to time in regard to giving prompt effect to an appellate order. There has been a delay in the payment of interest. Then we have introduced through the action plan two sets of house-keeping tasks (1) They should do it in the months of April, May and June where the disposal is regulated so that all pending papers could be properly brought on record and action taken thereon; (2) In respect of rectification/revision appellate orders where due to some reason or other action has not been taken; the assessee can get it separately entered in a separate register maintained at the Income Tax Office. In the Chairman's office in Delhi and in all the Commissioner's offices a cell has been set up to see that this is monitored. We have been having since 1977-78 a method of giving effect to revisionary orders apart from the instructions which are there. We also observe a couple of fortnightlies spread over the year from where the Income Tax Officer will be able to

take note of any delay in this matter and see that the decisions taken are given effect to, appellate orders are given effect to etc...We have made a special study about grant of refunds. A report had been submitted only a couple of days back by the Director Incharge of Organisation Methods and Services. They have found that in some cases delays are taking place. They have studied 267 cases. The total number of cases studied by them covering section 215 are 215 of which the number of cases attracting provision of section 243 are 210. Only in 5 cases there was delay. In the case of appellate revision, 52 cases were studied. In 12 cases the interest has been granted and interest has not been given in the remaining cases. There has been a change in the law from 1975. The point is that the instant case is one where delay has occurred. The permission of the Commissioner should have been taken under the Income Tax Act which has not been done. We have taken various measures. We have introduced a method of paying taxes into the treasury. We have given a better customers' service. We have opened nodal points in nationalised banks where payment could be made. The system is being streamlined to see that such situations do not recur."

2.11. The Committee pointed out that quite often the Department refused to give refund on the plea that some apprehended liability would come up and therefore it was not prudent to divest the Department of those funds. In this context, the Committee enquired whether it would not be desirable to make a law to the effect that there could be no apprehended liability and that all liability should crystalise within a period of six months, during which no interest need be paid. To this, a representative of the CBDT replied:

"The suggestion can be examined. But if there is a conditionable delay, naturally it will be examined."

Refunds

2.12. According to the Ministry the following can be the situations under which refunds become due to the assessees under the Income Tax Act.

(i) the tax deducted at source from salary, interest on securities or debentures or any other payment is higher than the amount of tax payable as determined on provisional/regular assessment.

(ii) the amount of advance tax paid or the tax paid on the basis of self-assessment exceeds the tax payable as determined on provisional/regular assessment.

(iii) the tax originally determined and paid on the basis of regular assessment is reduced as a result of rectification of a mistake which had crept in the assessment.

(iv) the tax originally determined and paid gets reduced on regular assessment or is reduced through appellate or revision order of the higher authorities.

(v) the same income is taxed both in India and in a foreign country with which Government of India has not entered into an agreement for avoidance of double taxation.

(vi) on account of tax credit Certificates.

2.13. The provisions of the Act governing refunds are contained in Sections 141A(1), 143(1), 143(3), 144, 237 and 240. These are as under:

"Section 141A(1) provides that where a return has been furnished u/s 139 and the assessee claims that the advance tax paid by him and/or the tax deducted at source and deemed to have been paid on his behalf exceeds the tax payable on the basis of the return and the accounts and documents accompanying it, the ITO, if he is of the opinion that the regular assessment is not likely to be completed within 6 months from the date of the filling of the return, shall make a provisional assessment within 6 months and grant refund to the assessee of the excess amount of tax paid.

Section 143 (1) provides that where a return has been made u/s 139, the ITO may without requiring the presence of the assessee or the production of any evidence in support of the return make an assessment of the total income or loss of the assessee after making certain routine adjustments to the income or loss declared in the return and determine the sum payable by the assessee or refundable to him on the basis of such assessment.

Section 143(3): After taking into account all relevant material which the ITO has gathered and the evidence etc. produced by the assessee the ITO shall make an order of assessment in

writing u|s 143(3) of the I.T. Act of the total income or loss of the assessee and determine the sum payable by him or refundable to him on the basis of such assessment.

Section 144 authorises the ITO to make an exparte assessment to the best of his judgement if the assessee has failed either to file a return or to comply with a notice issued u/s 142(1) or 142(2A) or 143(2), of the total income or loss of the assessee and determine the sum payable by him or refundable to him on the basis of such best judgement assessment.

Section 237: If any person satisfied the ITO that the amount of tax paid by him or on his behalf or treated as paid by him or on his behalf for any assessment year exceeds the amount with which he is properly chargeable under this Act for that year, he shall be entitled to a refund or the excess on such a claim being filed by the assessee within the prescribed time and in the prescribed manner. The ITO shall make an assessment of the total income/loss of the assessee and determine the amount of refund, if any, due to the assessee.

Section 240 provides that where, as a result of any order passed in appeal or other proceeding under this Act (e.g. an order of rectification u|s 154|155) refund of any amount becomes due to the assessee, the ITO shall refund the amount to the assessee without the assessee making any claim in this behalf.

2.14 The Committee desired to be furnished details of the procedures and systems designed to prevent any delay in the payment of refunds beyond the prescribed period. In a note, the Ministry of Finance have stated:

"Board have always attached great importance to the issue of refunds promptly. With a view to achieving this end, various instructions have been issued from time to time. Some of the measures taken for ensuring prompt issue of refunds are given below:

(i) ITOs have been asked not to sign notices of demands and computation sheets unless the refund order is put up along with it.

(ii) ITOs have been asked to ensure that in all cases refund orders are invariably sent to the assessees within 7 days of the passing of the order resulting in refund.

(iii) Refund orders have to be sent by Registered Post.

(iv) Advice notes in case of refunds upto Rs. 999/- have been dispensed with.

(v) If the refund order is not issued within 7 days of the passing of the assessment order and the delay is not properly explained, an adverse entry is required to be recorder in the confidential roll of the dealing official.

(vi) If an official gets 3 such adverse entries, any further lapse on his part will entail disciplinary action and levy of suitable penalty.

(vii) A monthly certificate is required to be sent by the ITO to the CIT certifying that no refund voucher has been delayed beyond 7 days and wherever it has been delayed, the delay has to be explained.

(viii) The ITOs, IACs, and Cs. I. T. have been asked to carry out regular check in this regard by way of surprise inspections and also during the course of regular and vigilance inspections.

(ix) It has been impressed upon the officers that repeated lapses in this beha'f will be viewed seriously in the case of supervisory officers as well.

(x) Arrear clearance fortnights are observed during which particular attention is given to the issue of refunds.

(xi) Exclusive Refunds Circles have been created in the metropolitan cities for expeditious disposal of direct refund claims.

(xii) The appeal register, rectification register, direct refund register and provisional assessment register is required to be maintained for keeping a proper watch in that behalf.

(xiii) Effect to Appe'late orders and rectification claims are required to be disposed of within two months.

(xiv) Instructions have been issued to ITOs that whenever there is delay in issue of refunds, the interest due thereon in accordance with the provisions of law must be given.

(xv) A study is being undertaken of a few charges of Delhi in pursuance of the recommendation of the Estimates Committee to further evolve measures for tightening the administrative machinery in this behalf."

2.15. There is no time limit provided in the Act or rules for the grant of the refund. However, if the refunds are not granted within a certain prescribed period as given in the I.T. Act, interest @ 12 per cent per month is payable to the assessee on the amount of refund for the period of delay. The relevant provisions of the Income tax Act, 1961 for grant of interest by the Government are as under:

Section 214: Where in a case, the aggregate sum of advance tax paid by the assessee during any Financial year exceeds the amount of the tax determined on regular assessment, the Central Government shall pay simple interest at the rate of 12 per cent annum on such excess amount of tax from the first day of April next following the said financial year to the date of the regular assessment for the assessment year immediately following the said Financial Year.

Section 243(1)(*a*): if the ITO does not grant refund in a case where the total income of the assessee does not consist solely of income from interest on securities or dividends, within 3 months from the end of the month in which the total income is determined under this Act, the Central Government shall pay simple interest at the rate of 12 per cent per annum of the amount of refund after three months from the end of the month in which the income is determined.

Section 243(1) (b): in cases other than those covered u.s 243(1) (a), if the ITO does not grant the refund within three months from the end of the month in which the claim for refund is made, the Central Government shall pay simple interest at the rate of 12 per cent per annum on the amount of the refund after the expiry of the period of 3 months from the end of the month in which the return was filed.

Section 244(1): provides that where a refund is due to the assessee in pursuance of an order referred to in Section 240 *viz.* appellate order, revision order or rectification order etc. and the ITO does not grant refund within a period of 3 months from the end of the month in which such order is passed, the Central Government shall pay simple interest at the rate of 12 per cent per annum on the amount of the refund due from the expiry of the said 3 months.

Section 244 (*IA*) where the whole or any part of the refund due to the assessee has arisen as a result of appellate order, revision order or rectification order, and the amount of tax had been paid after the 31st day of March, 1975 in pursuance of an

order of assessment of penalty and such amount or any part thereof is found in appeal or other proceeding under this Act to be in excess of the amount which such assessee is liable to pay tax or penalty under this Act, the Central Government shall pay to such an assessee simple interest at the rate of 12 per cent per annum on the amount of the refund from the date on which such amount was paid to the date on which such amount is refunded excluding one month.

Section 241: In cases where the order giving rise to a refund is the subject matter of appeal or further proceeding or any other proceeding under this Act is pending against an assessee and the ITO is of the view that the grant of the refund is likely to adversely affect the revenue, he may with the previous approval of the CIT withhold the refund till such time as the Commissioner may determine. Further in all such cases the assessee shall be entitled to the payment of interest at the rate of 12 per cent per annum from end of three months in which order under section 241 is passed to the date of refund.

132*B*: Where the aggregate of the money seized u/s 132 and/or the sale proceeds of the assets seized u/s 132 exceeds the aggregate amount of the tax liabilities, the Government shall pay simple interest at the rate of 12 per cent on such excess from the date immediately following the expiry of the order u/s 132(5) to the date of regular assessment or reassessment.

2.16 During the course of discussion on the Income-tax Bill, 1961 the then Finance Minister made certain observations to the effect that no undue difficulties should be experience by the tax payers with regard to certain procedural and other matters arising out of the working of the Income-tax Act. One such observation was regarding prompt issue of refunds. The erstwhile Central Board of Revenue in their instructions dated 18-7-1962 directed the assessing officers that every precaution should be taken to see that no avoidable delay occurred in the granting of refunds in any case. Even though the law permits an interest free period

of three months, every attempt should be made to dispose of refunds within the time limits, as given below:

(i) Cases covered u/s 243(1)(a)	within a week of the date on which the total income is determined.
(ii) Case covered u/s 243(1)(b)	within a month of the date on which the refund claim is made.
(iii) refund falling due as a result of rectification etc.	within a week of the date of rectification order.
(iv) refund falling due as a result of appeal or revision proceedings.	within a fortnight of the date of receipt by ITO of appeal or revision order.

2.17 The Direct Taxes Enquiry Committee (Wanchoo Committee) in para 6.142 of its report recommended that disciplinary action may be initiated in all cases where the refund voucher is not issued within seven days of the passing of the order. This recommendation was accepted by the Government in principle.

2.18 Accordingly the Board in their Instn. No. 912 dated 14-1-1976 directed that disciplinary action may be initiated where the refund vouchers are not issued within seven days of passing of order except under exceptional circumstances warranting delay beyond 7 days. The Board made it the responsibility of the I.A.Cs to ensure that these instructions are strictly adhered to.

2.19 Para 1.10 of the Audit Report for the year 1979-80 gives the following data regarding refund applications:

Refunds under Section 237

1. No. of applications pending on 1-4-1979 . . .	10,843
2. No. of refund applications received during the year 1979-80	1,25,927
3. No. and amount of refunds made during 1979-80	
(a) Out of (1) above :	
(i) Number	10,838
(ii) Amount (in thousands of rupees) . . .	3,799
(b) Out of (2) above :	
(i) Number	1,10,663
(ii) Amount (in thousands of rupees) . . .	94,059

4. No. of refunds in which interest was paid under Section 243, the amount of such interest, and the amount of refund, on which such interest was paid during 1979-80 :

(a) Out of (1) above :	
(i) Number	446
(ii) Amount of refund (in thousands of rupees)	453
(iii) Amount of interest paid (in thousands of rupees)	41
(b) Out of (2) above :	
(i) Number	2,442
(ii) Amount of refund (in thousands of rupees)	1,955
(iii) Amount of interest paid (in thousands of rupees)	63

5. No. and amount of refunds made during 1979-80 on which no interest was paid :

(a) Number	1,18,613
(b) Amount (in thousands of rupees)	95,450

6. No. of refund applications pending on 31-3-11980 . 15,269

7. Break-up of applications mentioned at (6) above :

(a) Refund applications for less than a year	15,264
(b) Between 1 year and 2 years	5
(c) For 2 years and more	..

2.20. The particulars of special revision etc., effects, refunds under Section 240 and payment of interest under Section 244, as furnishtd by the Ministry for the year 1979-80 are given below:

1. No. of assessments which were pending revision on account of appellate/revision etc. orders as on 1-4-79	*6,528
2. No. of assessments which are se for similar revision in 1979-80	1,13,926
3. No. of assessments which were revised during 1979-80.	
(a) Out of those pending as on 1-4-79.	5,725
(b) Out of those that arose during 1-4-79 to 31-3-80	1,05,407
4. No. of assessments which resulted in refunds as a result of revision and total amount of refund given:	

* The Ministry of Finance have revised the closing figure of 6,511 furnished for the year 1978-79.

	Number	Amount of refund (in thousands of rupees)
(a) Under item 3 (a) above.	1,745	1,47,27
(b) Under item 3 (b) above	49,146	38,57,21
5. No. of assessments in which interest became payable under Section 244 and amount of interest:		
(a) Under item 4 (a) above	260	6,23
(b) Under item 4 (b) above	3,839	95,91
6. No. of assessments pending revision as on 1-4-80 :		
(a) Out of (1) above	803	
(b) Out of (2) above	8,519	
7. Break-up of assessments mentioned at (6) above :		
(a) Pending for less than 1 year	8,519	
(b) Pending for more than 1 year and less than 2 years .	802	
(c) Pending for more than 2 years	1	

2.21 It is seen from the figures quoted above that the number of pending refund claims under Section 237 has recorded an increase from 10843 at the beginning of 1979-80 to 15269 at the end of March, 1980. Likewise, pending refund claims under Section 240 also rose from 6528 at the end of March, 1979 to 9322 at the end of March, 1980. When asked to indicate the reasons for this increase, the Ministry of Finance have in a note stated:

"Age-wise break up of 15269 refund claims pending under section 237, as on 31 March, 1980, is as under:

6426	Pending for less than one month
6132	One to 3 months
2589	Three to six months
117	Six to 12 months
5	More than 12 months
15269	

In direct refund claims sometimes inquiries are needed in cases of fresh claims which do take some time.

It may also be mentioned that during March, 1980, there were 10063 refund claims filed as against 7987 during March, 1979 which also accounts for higher carried forward pendency.

The number of appellate orders added during the month of March, 1980 are 10989 against 10370 during March, 1979. The reasons for higher pendency of appellate orders to be given effect to for more than one year is being ascertained from the concerned Commissioners of Income-tax."

2,22 The charge-wise break up of the 802 cases pending for more than one year (as given in the Audit Report, 1979-80) furnished by the Ministry of Finance is as under:

S. No.	C.I.T. Charge	Number of pending cases
1.	Allahabad	28
2.	Assam	14
3.	Bombay City	5
4.	Delhi	22
5.	Delhi (C)	8
6.	Jaipur	1
7.	Kanpur	120
8.	Karnataka-I	4
9.	Madhya Pradesh	1
10.	Nagpur	2
11.	Nasik	583
12.	West Bengal	14

2.23 In a subsequent note the Ministry have explained:

"From the chargewise break-up of pendency of appellate orders for more than one year for giving effect to it would be seen that the maximum pendency out of 802 cases was in Nasik (583) and Kanpur (Central) (120). On further reference to them, these two charges have revised the figures saying that the dealing official concerned inadvertently gave the figure of pendency of appeal rather than pendency of appellate orders to be given effect to in the relevant column. The figure of pendency of appellate orders to be given effect to in the relevant column. The figure of pendency of appellate orders to be given effect to in Nasik charge as on 31-3-80 is nil and in Kanpur (Central) charge it is only 10. The revised all-India

figures to be substituted in place of figures given in para 1.10 (ii) of the C&AG Report, 1979-80 would be as under:

Appeal/Revision etc. effects and Refunds u/s 240 and payment of interest u/s 244.

(1)	No. of assessments which were pending revisions on account of appellate/ revision etc. orders		5945*
(2)	No. of assessments which arose for similar revision in 1979-80		113926
(3)	No. of assessments which were revised during 1979-80		
	(a) Out of those pending as on 1-4-79		5844
	(b) Out of those that arose during 1-4-1979 to 31-3-1980		105370
(4)	No, of assessments which resulted in refund as a result of revision, and total amount of soundd given :		
		No.	Amount of refund (000)
	(i) Under item 3(i) above	1745	14727
	(ii) Under item 3(ii) above	49146	385721

*The figure does not tally with the closing balance of last year's report (Special Reports) as CsIT, Nagpur, West Bengal and Nasik have revised their figures.

5. No. of assessments in which interest became payable u|s 244 and amount of interest:

		No.	Amount of interest (000)
	(i) Under item 4(i) above	260	623
	(ii) Out of 4(ii) above	3839	9591
(6)	No. of assessments pending revision on 1-4-1980		
	(i) Out of 1 above		101
	(ii) Out of 2 above		8556
(7)	Break-up of assessments mentioned at 6 above		
	(i) Pending for less than 1 year		8556
	(ii) Pending for more than 1 year and less than 2 years		101
	(iii) Pending for more than 2 years		..

There was one case shown originally pending for more than 2 years which was in the charge of CIT(C), Delhi. On further verification it has been confirmed that this reporting was also by mistake as it related to pendency of appeals rather than pendency of appellate orders to be given effect to. CIT, Nasik, Kanpur (C) and Delhi (C) have been asked to obtain the explanation of the dealing officials for incorrect reporting of figures.

The reasons for pendency for 101 appellate orders to be given effect to for more than one year is being ascertained from 10 Commissioners. Sometimes, there are certain directions given by the appellate authorities for making further enquiries or ascertaining facts through records or from the assessees also before giving effect to his directions. In such cases, there is likely to be some time taken for giving effect to appellate orders. The detailed reasons are, however, being ascertained from the CsIT individually."

2.2 During evidence, the Committee drew the attention of the representative of the Ministry to the fact that figures pertaining to disposal of refund cases given earlier by the CBDT and printed in the Audit Report 1979-80 had been revised in certain material respects on the plea that the officials concerned had inadvertently given the figures of pendency of appeals rather than pendency of appellate orders to be given effect to, in the relevant column. The Committee therefore, desired to know about the steps taken by the Board to build up a sound management information system. In a note, the Ministry have stated:

"The need for a sound Management Information system in the I.T. Department is well recognised. In the past, several efforts were also made in this direction. For example, the C.B.D.T. set up a coordination Committee of Directors to review and rationalise the statistical statements and reports prepared in this Department. The report of the Committee (January, 1979) has streamlined the statistical reports and reduced their number to 78 from an earlier 181.

However, it may be noted that the design installation and operation of a Management Information System is contingent upon the availability of minimum supporting staff in the field level of operation. Today there are serious short-falls of long standing nature which are seriously blocking any such effort.

Keeping in view the present size and complexity of the department, it will be necessary to have a machine oriented (preferably electronic) management information system as against the present manual system. Preliminary studies in this direction are expected to be undertaken by DI (Systems) as soon as he is operational with a minimum contingent of staff. The post of DI (Systems) has been newly created for this purpose."

The Committee enquired whether the Board had conducted any study of a refund ward or special ward dealing with search and seizure cases to see if modern methods and table top computerised memory systems could be usefully made available to Income-tax Officers in such wards and if so, with what results. To this, the Ministry have replied in the negative.

2.25 The Committee further enquired about the Action Plan target, if any, in regard to disposal of refund cases during 1979-80. In a note, the Ministry have stated:

"In the Action-Plan for 1979-80, the Board had issued the following instructions to the Commissioners of Income-tax regarding giving effect to the appellate/revision orders:

It has been observed that there is a practice prevalent in the field not to make contemporaneous record of the rectification claims and appellate/revisionary orders when received. For remedying this situation, you should issue instructions to your officers for keeping a separate register at the Central Receipt Counter at each place so that all claims for rectification, etc. are entered therein and the register serves as a Control Register for ensuring the disposal of these claims. In regard to appellate/revisionary orders, a separate Cell should be created in your office to prepare lists of all cases of reduction of tax by appellate/revisionary authorities. This Cell should ask the ITOs to report back after giving appeal effect. You may also issue instructions that the ITOs should introduce appropriate columns in the appeal Register (ITNS 61) for recording refund voucher number and date of its service, so that from this Register also the timely issue of refunds could be controlled."

Monitoring of progress in this behalf was to be done at Commissioner's level. Administrative instructions were to the effect that the appellate orders should be given effect within two months of their receipt."

2.26 Asked whether the instructions with regard to maintenance of a separate register at the Central Receipt counters for all claims for rectification etc. and creation of separate cells to prepare lists of all cases of reduction of tax by appellate/revisionary authorities had been implemented, the Ministry of Finance have replied:

> "No feed back reports regarding the maintenance of separate registers for rectification applications etc. at the Central Receipt Counters and the creation of a cell in CIT's Office for monitoring of giving effect to appellate/revisionary orders as envisaged in the Action Plan for 1979-80 were called for. However, a sample check made in respect of metropolitan charges has revealed that whereas separate registers at Central Receipt Counters for rectification application etc. are generally being maintained, no separate cells for the monitoring of giving effect to appellate|revisionary orders have been created in the offices of the Commissioners of Income-tax. Instructions have been issued to all the Cs. I.T. vide Instruction No. 1452 (F. No. 225/46/81-ITA-II) dated 3-2-1982 reiterating that all these measures should be introduced immediately and a report sent to the Board by 15-3-1982."

2.27 The Committee desired to know why such control systems were not embodied in public circulars for the benefit of the tax payers. The Ministry have explained:

> "The maintenance of the registers at the Central Receipt Counters and creation of monitoring cells in the CIT's Offices are intended to be internal controls, devised by the department for its own proper functioning. As such, it is not clear whether any useful purpose could be served if information about the existence of such controls is brought to the public notice through circulars. Instead, Grievances Cells have been created in all CIT's offices. Adequate publicity has been given to the creation of these Grievances Cells and the assessees are requested to bring their grievances including delay in issue of refunds to the notice of this Cell. Similarly refund weeks/fortnights are observed from year to year and wide publicity is given to these refund weeks/fortnights."

2.28 Under the provisions of the Income-tax Act, 1961, where as a result of any order passed in appeal or other proceeding under the Act, refund of any amount becomes due to the assessee and if the Income-tax Officer does not grant the refund within a period of 3 months from the end of the month in which the order is passed, the Central Government

is required to pay to the assessee simple interest at 12 per cent per annum on the amount of refund due from the date immediately following the expiry of the period of 3 months aforesaid to the date on which the refund is granted. Instructions were also issued by the CBDT in July 1962 to the effect that the Income-tax Officer shall dispose of the refund cases within a fortnight of receipt of appellate orders. Audit has brought to notice a case where the orders passed by the Appellate authority in January, 1974 and February 1975 granting a refund of Rs. 1.49 lakhs were given effect to only in September, 1978. As a result of the abnormal delay of about four years in giving effect to the appellate orders, the assessee had to be paid a huge sum of Rs. 81,758 as interest under Section 244 of the Income Tax Act, 1961.

2.29 According to the Ministry, the delay in giving effect to the appellate orders was primarily on account of the frequent change of ITOs dealing with the case. It is seen that in a period of 4 years there were 7 changes in the incumbency of Income Tax Officer dealing with the case under reference. The delay has also been partly attributed to the search and seizure operations conducted at the premises of the assessee from 23rd December, 1975 to 3rd January, 1976 and order under Section 132(5) passed on 19 March, 1976 for retaining the assets seized.

2.30 Though too frequent transfers must be avoided in the interest of work, the Committee are not convinced with the plea of transfer of ITOs as a reason for the inordinate delay in this case. The Committee would like to be apprised of the reasons for transfer of each ITO during the period in question. The Committee would also like to point out that any system to be effective must provide adequate inbeult safeguards|checks so as to guard against any dislocation of work on this account. As admitted by the Ministry, it is actually the failure to observe the prescribed procedures such as correct and systematic filling up of transfer memoranda which is the cause of such lapses. The Committee consider it unfortunate that in spite of this admission, the only action taken against the erring official was a homely advice by the Commissioner to be more careful in future. The Committee are of the view that stern action is called for in this case so as to act as a deterrent to others and to minimise occurrence of such failures. The matter should therefore be reviewed and the Committee apprised of the action taken.

2.31 So far as the plea that the search and seizure operations were also partly responsible for the delay in granting refund in this case is concerned, the Committee consider that the department should devise ways and means to ensure that any apprehended liability in such cases gets crystalised within a specified period, say, six months during which no interest need be paid, so that the assessing officers do not take the easy course of refusing or unduly delaying the grant of refund. The question whether this

objective can be achieved through amendment of the Act or by executive instructions, may therefore be examined and the Committee apprised of the outcome.

2.32 The Committee find that despite elaborate instructions issued by the Board from time to time and various measures devised for prompt issue of refund orders, the number of pending applications for refunds under Section 237 recorded an increase from 10843 as on 31 March, 1979 to 15269 as on 31 Mach, 1980. Likewise, the applications for refund under Section 240 rose from 6582 to 9322 during the same period. The contention of the Ministry that 10063 refund claims under Section 237 were filed in Mach, 1980 as against 7987 during March, 1979 explains the position only partly. On the other hand the Committee expect disposal of larger number of the pending cases through improved performance from year to year. The Committee understand that a study is being undertaken of a few charges in Delhi to further evolve measures for tightening the administrative machinery in this behalf. The Committee desire that such a study should not be confined to a few charges in Delhi alone but it should be extended to other charges also where the position is not satisfactory so that their functioning can be streamlined and the clearance of refund applications expedited.

2.33 The Committee note with concern that the figures regarding disposal of refund applications given earlier by the CBDT and printed in the Audit Reports for 1979-80 were incorrect. The Ministry have offered the exlanation that officers concerned inadvertently gave figures of pendency of appeals rather than pendency of appellate orders to be given effect to. The Committee are not satisfied with this explanation. The Committee consider it very unfortunate that the data given to Committee for incorporation in the Audit Report which is required to be presented to Parliament was furnished in a casual manner and without proper care and scrutiny. The Committee consider it to be a serious lapse and would like the matter to be enquired into with a view to fixing responsibility. This is clear illustrations of the haphazard manner of maintenance of records and their scrutiny at higher levels. Such wrong reporting of data would necessarily affect the managerial efficiency of the Board itself. The Committee urge that effective steps should be taken to avoid recurrence of such mistakes.

2.34 In this connection, the Committee regret to observe that the instructions of the Board in regard to the setting up of a separate Cell for preparing lists of all cases of reduction of tax by appellate/revisionay authorities so as to ensure expeditious compliance of such orders, have not been taken seriously by the Commissioners of Income-tax. The Board should secure compliance of these instructions without delay and lapses on this ascount should be taken serious note of.

2.35 In the light of the foregoing, the Committee consider that it is of paramount importance for the Board to build up a sound management information system. The question of computerising the data processing system should therefore be gone into in dapth without much delay. The Committee would like to be apprised of the decision taken in the matter.

NEW DELHI;
June 21, 1982
Jyaistha 31, 1904 (S)

SATISH AGARWAL
Chairman,
Public Accounts Committee.

APPENDIX I

(*Vide* para 1.26)

NOT CONTAINING THE OPINION OF THE MINY, OF LAW ON THE INTERPRETATION OF SEC. 214 (IA) OF THE INCOME TAX ACT.

The question for consideration is whether under section 214 of the Income-tax Act, interest is payable on the amount of refund determined on provisional assessment under section 141A at the time of the provisional assessment itself or only at the time of regular assessment.

2. The above question was discussed at a tripartite meeting held in my room on 20-10-1981 which was also attended by Shri Chickermane, Director, and Shri Venkataraman, Director of the CBDT and by Shri N. Sivasubramanian, Joint Director, Receipt Audit, of the office of the C.&A.G. Subsequent to the said meeting, I had also the advantage of perusing a copy of a comprehensive note sent by Shri Sivasubramanian to Shri Chickermane on 24-10-1981, which also touches upon the above question.

3. Section 141A provides, inter alia, that where a return has been furnished under section 139 and the assessee claims that the tax paid or deemed to have been paid under the provisions of Chapter XVII-B or Chapter XVII-C exceeds the tax payable, the ITO may make a provisional assessment of the sum refundable to the assessee. It is further provided that after a regular assessment has been made, any amount refundable on provisional assessment shall be dealt with as follows:—

(a) where the sum refundable on regular assessment is equal to or exceeds the amount refunded, the amount so refunded shall be deemed to have been refunded towards the regular assessment;

(b) where no refund is due on regular assessment or the amount refunded exceeds the amount refundable on regular assessment, the whole or the excess amount so refunded shall be deemed to be tax payable by the assessee.

4. Section 214 deals with the interest payable by Government. Under sub-section (1) of this section, the Central Government shall pay interest on the amount by which the aggregate sum of any instalments of advance

tax paid during any financial year in which they are payable exceeds the amount of the tax determined on regular assessment from the first day of April next following the said financial year to the date of the regular assessment for the assessment immediately following the said financial year. Where any such instalment is paid after the expiry of the financial year during which it is payable, interest shall also be payable on that instalment from the date of its payment to the date of the regular assessment. According to the proviso under this sub-section, in respect of any amount refunded on a provisional assessment under section 141-A, no interest shall be paid for any period after the date of such provisional assessment. Sub-section (1A) provides that where on the completion of the regular assessment the amount on which interest was paid under sub-section (1) has been reduced, the interest shall be reduced accordingly and the excess, if any, paid shall be deemed to be tax payable by the assessee.

5. It may be pointed out that section 141A, the proviso to sub-section (1) of section 214 and sub-section (1A) of section 214 were inserted by the Finance Act, 1968.

6. The Board had issued a circular No. 91 of 2nd August, 1969 to the effect that any refund to tax on the provisional assessment will be deemed to have been granted in respect of the regular assessment when such assessment is completed. Where, on completion of the regular assessment, it is found that the refund already granted on provisional assessment is in excess of the refund actually due, the excess amount, together with interest, if any, paid thereon, is deemed to be tax payable by the tax-payer.

7. In Devaki Amma Vs. ITO (122 ITR 272), the Kerala High Court had occasion to consider the purport of the aforesaid circular. According to the court, this circular cannot be treated as an authority for the proposition that interest is payable on the amount of refund ordered under section 141A at that stage or that the reference in sub-section (1A) of section 214 to interest paid is to the interest paid under section 141A. The provision in the proviso to sub-section (1) of section 214 also cannot lend any support to the argument that interest paid referred to in sub-section (1A) of section 214 is interest paid under section 141A, as the proviso only says that in respect of any amount refunded on provisional assessment made under section 141A, no interest shall be payable for any period after the date of such provisional assessment, implying that under sub-section (1) of section 214, interest on such amount refunded could be and should be paid on regular assessment till that date.

8. The Kerala High Court has also observed that they have not been shown any provision in section 141A pertaining to payment of interest on the amount ordered to be refunded on provisional assessment.

9. As already pointed out, sub-section (1A) of section 214 provides that where on completion of the regular assessment, the amount on which interest was paid under sub-section (1) of section 214 has been reduced, the interest shall be reduced accordingly and the excess, if any, paid shall be deemed to be tax payable. If it is considered that interest under section 214(I) has to be allowed only on the completion of regular assessment, the provisions of sub-section (1A) would be refundant. However, there is no specific provision in section 141A pertaining to payment of interest on the amount ordered to be refunded on provisional assessment. Sub-section (4) of Section 141A also provides that after a regular assessment has been made, where the sum refundable is equal to or exceeds the amount refunded under sub-section (1), the amount so refunded shall be deemed to have been refunded towards the regular assessment.

10. As the position is not entirely free from doubt and in view of the observations of the Kerala High Court in Devaki Amma's case, it may be advisable to clarify the position by a suitable amendment.

11. The decision in *Devaki Amma's case* has also brought out the difference between section 214 and 215 of the Act. While the liability of the assessee to pay interest under sub-section (1) of section 215 of the Act is subject to corrections, amendments or results on appeal, revision or reference, the liability of the Government to pay interest under section 214(1) is not extended by any other provision. On the other hand, the provisions of the proviso to sub-section (1) and the provisions of sub-sections (1A) and (2) of section 214 are incorporated to safeguard the interest of the Central Government by reducing its liability in the circumstances mentioned therein.

12. In this context, it is relevant to point out that the PAC in their 51st Report (1972-73) has observed that while section 215(3) of the Act provides for reduction of interest payable by an assessee as a result of variation of the amount on which the interest was payable on rectification or revision, section 214 does not have a similar provision. Further, neither under section 214 nor under section 215 there is a provision for the enhancement of interest payable.

13. With regard to the above observations, it may be pointed out that in the absence of a specific provision in section 214 on the lines of the provision contained in section 215(3) of the Act, it is not permissible for the Income-tax Officer to reduce the quantum of interest payable by the Government as a result of an order of rectification or an order in appeal or revision which has the effect of increasing the tax payable by the assessee for the relevant assessment year.

14. The anomaly pointed out by the public accounts committee could be removed only by a suitable amendment of the Act.

Sd/-

(P. K. KARTHA)

JOINT SECRETARY & LEGAL ADVISER

30-12-1981

APPENDIX II

(*Vide* Paragraph 2.5)

COPY INSTRUCTIONS ISSUED BY CBDT REGARDING POLICY OF TRANSFER OF OFFICIES OF THE INCOME TAX DEPTT.

F. No. A-22013/17/79-Ad. VI

Government of India

Central Board of Direct Taxes, New Delhi, the 17th March, 1980.

To,

All Commissioners/Directors of Inspection/Director, O&M Services (IT), New Delhi/Director, IRS (DT) Staff College, Nagpur.

Subject:—Transfer policy regarding officers of Income-tax Department.

Sir,

General guidelines governing the transfers of the officers of the Income-tax Department were issued in the Board's letter F. No. 57/34/69-Ad. VI dated the 17th February, 1969 on the basis of the decisions taken in the Commissioners' conference held in July, 1968. The matter was again discussed in the Commissioners' conference held in May, 1979. The view generally held was that clear cut transfer policy requires to be re-stated for the information of all so that the officers concerned may plan the education of their children and other personal affairs well in advance and they also become mentally prepared to accept transfers when made.

2. Any scheme of transfers will necessarily have to be linked with the career planning and development of individual officers. For this purpose, the type of experience an officer is expected to attain within a service length of upto 6 years, between 6—10 years and so on has to be kept in view. It has to be ensured that the postings of officers during the various periods of service do aim at equipping them for assumption of higher responsibilities in due course, as well as to enable them to perform the functions assigned to them more efficiently and effectively. For transfers, other grounds would be avoidance of possibility of vested interests by longer stay in a post/station, or administrative ground and also on requests of individual officers made on compassionate grounds.

3. Keeping in view the above background and also the decisions taken in the Commissioners' conference, the following guidelines are laid down for transfers:—

(*i*) *ITOs (Group 'B')*:

ITOs (Group 'B') are borne on a chargewise cadre. They are not normally transferable from one charge to another, except on grounds of exterme compassion or for administrative reasons. Even if they are to be transferred on administrative grounds, transfers will ordinarily be made on zonal basis. The zones will be comprised of the Commissioners charges as indicated below:—

(a) Zone I	Patiala, Amritsar, Jullundur, Rohtak, Delhi, Rajasthan (Jaipur & Jodhpur), Agra, Meerut and Kanpur.
(b) Zone II	Allahabad, Lucknow, Patna, Ranchi and Bhopal.
(c) Zone III	Orissa, West Bengal and Assam.
(d) Zone IV	Bombay, Pune, Nagpur, Nasik and Gujrat.
(e) Zone V	Karnataka, Andhra Pradesh, Tamil Nadu and Kerala.

A Group ('B') officer may not, however, be allowed to stay at a particular station for more than 5-6 years. During his stay at the particular station, the officer should not be allowed to stay in the same ward for more than 3 years and should be shifted to another ward/circle at the same station. In city Charges, where the officer cannot be shifted to another station, it should be ensured that they are not allowed to remain in the same ward/circle etc. for a period of more than 3 years. The career planning of Group 'B' officers should be arranged in such a manner that the officers are enable to acquire not only assessment experience, but also are rotated to various other jobs.

(ii) *ITOs (Group 'A')*

(a) In the Commissioners' conference it was decided that the direct recruits on initial appointment should be so dispersed that they are posted away from their home States. At the initial stage if they are conditioned to accept transfers, there may be no opposition in subsequent years to accept a cross country posting. This will be kept in view by the Board while making postings of the direct recruits in various charges.

(b) A promotee officer would normally be liable to transfer to another charge after he has rendered five years regular service as ITO (Group 'A') in a particular charge.

(c) The directly recruited ITOs (Group 'A') will be shifted to another charge after 6 years stay in a charge. During their stay in a charge, the Group 'A' ITOs whether promotees or direct recruits should not be allowed to stay in the same ward for a period beyond 3 years.

(d) Presently Group 'A' officers take 8—10 years to become Assistant Commissioners of Income-tax. Within this period, the officers should be given postings at different jobs. Upto 4th year of service, Class I officers (direct recruits) are generally posted to less important Circles/Wards. As soon as a Class I officer is placed in the senior scale he should invariably be posted to Company Circles, Special Investigation Circles and other important Business Circles and Internal Audit. During the 7th—10th years service, he should be posted as ADI/Central Circles and JARs etc.

(iii) *Assistant Commissioners of Income-tax.*

An Assistant Commissioner who has stayed in a particular charge for 8 years including the period as ITO (Group 'A') will be liable for transfer to another charge in a State other than the State where he is presently posted.

Presently, Assistant Commissioners of Income-tax generally render 14-15 years service at that level before promotion as Commissioner of Income-tax. During the first 8 years of this period, they would be given postings on work such as IAC (Asstt.), IAC (Acq), AAC and Range TAC (Company Circle). During the 9th to 14th years they would be expected to hold senior posts like that of Deputy Director, IAC (Audit) and Sr. A. R. They would also be encouraged to go on deputation to Public Sector Undertakings and various Ministries/Departments of the Govt. of India. A suitable professional or management training either in the country or abroad will also be aimed at during this period.

(iv) *Commissioners of Income-tax*:

The Commissioners of Income-tax would be liable for transfer at any time to any station in India.

4. If an officer is working or has worked on deputation at the same station, the period spent on deputation will not be taken into account for the purpose of counting his stay at a particular station.

5. Notwithstanding what has been stated above, the Board can, for administrative reasons, transfer any officer at any time to any place in India.

6. On promotion, any officer can be transferred from one charge to another regardless of stay. *Ad hoc* promotion will not be treated as promotion for this purpose.

7. As far as possible, no ITO will be transferred to another charge during the last three years of his service and an Assistant Commissioner within the last two years of his service.

8. Certain stations are considered unpopular for various reasons and officers are *unwilling* to continue there for normal periods of posting. An officer posted to such an unpopular station will be eligible for transfer to another place after a stay of 2 years at that station. A list of stations as are treated unpopular will be circulated separately.

9. It has been noticed that some officers resort to the undesirable practice of applying outside pressure in matter of securing, modifying or *cancelling* transfer orders. Attention is drawn to Rule 20 of the CCS (Conduct) Rules 1964 under which no Govt. servant shall bring or attempt to bring any political or other influence to bear upon any superior authority to further his interests in respect of matters pertaining to his service under the Govt. The Board will be prepared to consider genuine cases of hardship if representations are sent through proper official channels. However, any violation of Rule 20 of the CCS(C) Rules 1964, will be taken serious note of and severely dealt with.

10. The contents of this letter may please be brought to the notice of officers working in your charge.

Yours faithfully,
Sd/-
(N. L. Duggal)
Secretary,
Central Board of Direct Taxes.

APPENDIX III

(*Vide* Introduction)

STATEMENT OF CONCLUSIONS/RECOMMENDATIONS

S. No.	Para No.	Ministry/Department	Recommendation
1	2	3	4
1	1.28	Finance (Revenue)	The phenomenon of under-assessment of taxes of substantial amounts has been noticed, year after year, on account of avoidable mistakes resulting from carelessness or negligence on the part of the assessing officers and the supervisory staff. The Committee regret to observe that in spite of repetitive instructions issued by the Board from time to time, such mistakes continue to occur. The Committee note with concern that during the year 1979-80 alone, as many as 2,304 cases of avoidable mistakes involving short levy of taxes of the order of Rs. 74.95 lakhs were noticed by Revenue Audit under Corporation tax and Income-tax. As Revenue Audit is only a test audit, the number of such mistakes and the amount involved are bound to be much higher. It would, therefore, appear that the Board have failed to secure compliance with their instructions with regard to maintenance of records, ensuring close supervision of work at various levels and periodic inspections by superior officers so as to obviate patent mistakes.

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2	1.29	Finance (Revenue)	In the paragraph under examination, Audit has brought to notice two instances (M/s. Dishergarh Power Supply Co. Ltd. and M/s. Associated Power Supply Co. Ltd.) where there was an aggregate tax undercharge of nearly Rs. 18 lakhs due to failure of the Assessing Officer to take into account at the time of regular assessment the refunds already allowed in the provisional assessment made under Section 141A. Although the Department has claimed that procedures and systems had been so designed as to prevent mistakes of the type pointed out by Audit in the two cases, the fact stands out that in these two cases there was a complete failure of the system. As per Board's instructions on the subject, the tax calculations in these cases had to be checked both by the Head Clerk as well as by the Income-tax Officer himself but it was not done by either of them. The reason given is that it is a clerical error that occurred through oversight in the rush of work. This is hardly convincing.
3	1.30	Do.	The Committee find that the mistake went unnoticed despite the fact that the refund allowed on provisional assessment was required to be verified and entered in the relevant columns in the assessment/refund form ITNS—150A. Apparently, the entries in the relevant form were not made. The Ministry have also admitted that the register of provisional assessments which is supposed to provide another check in the system designed prevent such mistakes "does not appear to have been maintained at that time".

4	1.31	Do.	The Committee further find that these cases escaped the attention both of the Internal Audit as well as the Inspecting Assistant Commissioner. But for the vigilance on the part of Revenue Audit, the State would have been put to a loss of about Rs. 18 lakhs in these two cases only. This is indeed a very sad reflection on the working of the Circle concerned. The Committee would like to be apprised of the specific steps since taken to tone up the working of this Circle, particularly with regard to the maintenance of relevant records and their scrutiny at higer levels. The Committee further desire that the responsibility for the failure in these cases should be fixed and appropriate follow up action should be taken.
5	1.32	Do.	The Committee have been informed that none of the 220 statutory forms in use under various tax enactments have been reviewed so far. However, 67 per cent of the 303 non-statutory forms in use have been reviewed. The Ministry have claimed that columns in the assessment/ refund form (ITNS-150) have been so designed as to prevent mistakes of the type pointed out in the instant case. In columns (F) (G) and (H) in Part II of the form, attention is invited to the adjustment of any amount already refunded. The form has apparently not been revised on the introduction of Section 141A in 1968. The Committee therefore desire that the work of reviewing all the forms, both statutory and non-statutory, should be taken up on a priority basis so as to bring them up-to-date keeping in view the amendments made in the Income Tax Act over the years. Opportunity may also be taken to simplify these forms to the extent possible and to reduce their number to the minimum extent possible The Committee would like to be apprised of the precise steps taken in this regard.

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6	1·33	Finance (Revenue)	The object of Section 141A, which lays down the procedure for provisional assessments, was to avoid inconvenience and hardship to tax payers on account of money likely to become refundable to them, lying locked up with the Department till the completion of the regular assessment. When asked whether there were still cases where such provisional assessments were not made thus causing harassment to assessees and avoidable payment of interest by Government, the Ministry stated that the Board did occasionaly come acrose cases where provisional assessments were not made in time.
7	1.34	Do.	Detailed procedure for finalising provisional assessments by the Assessing Officers has been laid down through various instructions issued by the CBDT. In their instruction No. 1078 dated 22-7-1977, the Board directed that even in cases where there is no claim from the assessee for the provisioanl assessment, the Income Tax Officers should *Sno moto* make the provisional assessment if the returned income exceeds Rs. 50,000. This instruction was apparently issued with a view to avoiding the payment of interest under Section 214 of the Income Tax Act. The Committee feel that the question of incorporating this salutary provision in the law itself may be examined so that a statutory duty is cast on the Income Tax Officer to complete all the provisional assessments within a fixed time schedule.
8	1·35	Do.	Under Section 214 of the Income-Tax Act 1961, where the advance tax paid by the assessee during a financial year exceeds the amount of tax

			determined on regular assessment, the Government is liable to pay interest at the rate of 12 per cent on such amount of advance tax as is found to be in excess and the interest is computed in respect of the period from 1st of April next following the said financial year upto the date of regular assessment. In respect of any amount refunded on the basis of provisional assessment made under Section 141A, no interest is payable for any period after the date of such provisional assessment. However, the Board in their Instruction No. 91 dated 2-8-1969 had clarified that interest should be paid alongwith the refund made on the basis of the provisional assessment. The Kerala High Court in N. Devaki Amma and others Vs. I.T.O. A Ward, Quilon (1980) (122 ITR 272) have held that the Circular cannot be treated as an authority for the proposition that interest is payable on the amount of refund ordered under Section 141A at the provisional assessment stage. The court have held that under Sub-Section (1) of Section 214, interest on such amount refunded could be and should be paid on regular assessment.
9	1·36	Do.	As the position is not entirely free from doubt and in view of the observations of the Kerala High Court in the above case, the Ministry of Law have advised that the position may be clarified by a suitable amendment. The Committee would therefore like the Board to bring forward a clarificatory amendment to Section 214 at an early date.
10	1·37	Do.	Under Section 215 of the Income-tax Act whenever amount on which interest was payable by the assessee is reduced, interest demanded is reduced accordingly and the excess interest paid, if any, is refunded. However, such is not the position in respect of interest paid by the Government

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to the assessee under Section 214. Where tax due from the assessee subsequently increases as compared to what was determined as per provisional assessment or as per regular assessment, in practice interest on additional amount due is not levied from the Ist of April next following the relevant financial year, to the date of re-assessment or even the regular assessment. As early as in 1972-73, the Public Accounts Committee in their 51st Report had drawn attention to this inequitous situation. The Committee find that the Law Ministry are of the view that in the absence of a specific provision in Section 214 on the lines of the provision contained in Section 215(3) of the Act it is not permissible for the Income-tax Officer to reduce the quantum of interest payable by Government as a result of an order of rectification or an order in appeal or revision which has the effect of increasing the tax payable by the assessee for the relevant years and that the anomaly pointed out by the Committee could be removed only by a suitable amendment of the Act. The Ministry of Finance have now informed the Committee that the recommendation made by the Public Accounts Committee would be examined in the light of recommendations which might be made by the Economic Administration Reforms Commission which is at present engaged in the task of simplification and rationalisation of the direct taxes laws. The Committee regret to point out that the Ministry of Finance have failed to take any action on the recommendations made by this Committee as far back as in 1972-73 to rectify the inequitious situation which was to be disadvantage of Government. The

			Committee would now like the attention of the Economic Administration Reforms Commission to be specifically drawn to this situation. They would like to be informed of the views of the Commission in this regard as soon as available.
11	1·38	Finance (Revenue)	Under Section 215, where the advance tax paid by an assessee is less than 75 per cent of the assessed tax (as determined on regular assessment) simple interest @ 12 per cent annum is payable on the shortfall for the period from 1 April next following the relevant financial year to the date of regular assessment. Where, however, the initial payment of advance tax is not less than 75 per cent of assessed tax, but the residual amount after allowing refund on provisional assessment is so short, no interest is chargeable under Section 215 even if the shortfall is more than 25 per cent. This is apparently an anomalous situation which calls for a suitable amendment of the law to remove the lacuna. The Committee recommend that Government should examine this question and bring forth suitable amendment to the Act forthwith.
12	2·28	Do.	Under the provisions of the Income-tax Act, 1961, where as a result of any order passed in appeal or other proceeding under the Act, refund of any amount becomes due to the assessee and if the Income-tax Officer does not grant the refund within a period of 3 months from the end of the month in which the order is passed, the Central Government is required to pay to the assessee simple interest at 12 percent per annum on the amount of refund due from the date immediately following the expiry of the period of 3 months aforesaid to the date on which the refund is granted. Instructions were also issued by the CBDT in July 1962 to

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			the effect that the Income-tax Officer shall dispose of the refund cases within a fortnight of receipt of appliate orders. Audit has brought to notice a case where the orders passed by the Appellate authority in January, 1974 and February, 1975 granting a refund of Rs. 1.49 lakhs were given effect to only in September, 1978. As a result of the abnormal delay of about four years in giving effect to the appellate orders, the assessee had to be paid a huge sum of Rs. 81,758 as interest under Section 244 of the Income Tax Act, 1961.
13	2·29	Finance (Revenue)	According to the Ministry, the delay in giving effect to the appellate orders was primarily on account of the frequent change of ITOs dealing with the case. It is seen that in a period of 4 years there were 7 changes in the incumbency of Income Tax Officer dealing with the case under reference. The delay has also been partly attributed to the search and seizure operations conducted at the premises of the assessee from 23rd December, 1975 to 3rd January, 1976 and order under Section 132(5) passed on 19 March, 1976 for retaining the assets seized.
14	2·30	Do.	Though too frequent transfers must be avoided in the interest of work, the Committee are not convinced with the plea of transfer of ETOs as a reason for the inordinate delay in this case. The Committee would like to be apprised of the reasons for transfer of each ITO during the period in question. The Committee would also like to point out that any system to be effective must provide adequate inbuilt safeguards/checks so as to guard against any dislocation of work on this account.

As admitted by the Ministry, it is actually the failure to observe the prescribed procedures such as correct and systematic filling up of transfer memoranda which is the cause of such lapses. The Committee consider it unfortunate that inspite of this admission, the only action taken against the erring official was a homely advice by the Commissioner to be more careful in future. The Committee are of the view that stern action is called for in this case so as to act as a deterrent to others and to minimise occurrence of such failures. The matter should therefore be reviewed and the Committee apprised of the action taken.

15 2.31 Finance(Revenue)

So far as the plea that the search and seizure operations were also partly responsible for the delay in granting refund in this case is concerned, the Committee consider that the department should devise ways and means to ensure that any apprehended liability in such cases gets crystalised within a specified period, say six months during which no interest need be paid, so that the assessing officers do not take the easy course of refusing or unduly delaying the grant of refund. The question whether this objective can be achieved through amendment of the Act or by executive instructions, may therefore be examined and the Committee apprised of the outcome.

16 2.32 Do.

The Committee find that dispite elaborate instructions issued by the Board from time to time and various measures devised for prompt issue of refund orders, the number of pending applications for refunds has been going up. The number of pending applications for refunds under Section 237 recorded an increase from 10843 on 31 March, 1979 to 15269 as 31st March, 1980. Likewise the applications for refund under Section 240 rose from 6582 to 9322 during the same period. The contention of the Ministry that 10063 refund claims under Section 237

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			were filed in March 1980 as against 7987 during March 1979 explains the position only partly. "On the other hand, the Committee expect disposal of larger number of the pending cases through improved performance from year to year." The Committee understand that a study is being undertaken of a few charges in Delhi to further evolve measures for tightening the administrative machinery in this behalf. The Committee desire that such a study should not be confined to a few charges in Delhi alone but it should be extended to other charges also where the position is not satisfactory so that their functioning can be streamlined and the clearance of refund applications expedited.
17	2.33	Finance (Revenue)	The Committee note with concern that the figures regarding disposal of refund applications given earlier by the CBDT and printed in the Audit Reports for 1979-80 were incorrect. The Ministry have offered the explanation that officers concerned inadvertently gave figures of pendency of appeals rather than pendency of appellate orders to be given effect to. The Committee are not satisfied with this explanation. The Committee consider it very unfortunate that the date given to Committee for incorporation in the Audit Report which is required to be presented to Parliament was furnished in a casual manner and without proper care and scrutiny. The Committee consider it to be a serious lapse and would like the matter to be enquired into with a view to fixing responsibility. This is a clear illustration of the haphazard manner of maintenance of records and their scrutiny at higher levels. Such wrong reporting of data would necessarily affect the managerial efficiency of the Board itself. The

			Committee urge that effective steps should be taken to avoid recurrence of such mistakes.
18	2·34	Finance (Revenue)	In this connection, the Committee regret to observe that the instructions of the Board in regard to the setting up of a separate Cell for preparing lists of all cases of reduction of tax by appellate/revisionary authorities so as to ensure expeditious compliance of such orders. have not been taken seriously by the Commissioners of Income-tax. The Board should secure compliance of these instructions without delay and lapses on this account should be taken serious note of.
19	2·35	-do-	In the light of the foregoing, the Committee consider that it is of paramount importance for the Board to build up a sound management information system. The question of computerising the data processing system should therefore be gone into in depth without much delay. The Committee would like to be apprised of the decision taken in the matter.

Sl. No.	Name of Agent	Agency No.
	DELHI.	
24.	Jain Book Agency, Connaught Place, New Delhi.	11
25.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	3
26.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9
27.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11
28.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15
29.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20
30.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23
31.	Bahree Brothers, 188 Laipatrai Market, Delhi-6.	27
32.	Jayana Book Depot, Ghapparwala Kuan, Karol-Bagh, New Delhi.	66
33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi—1.	68
34.	People's Publishing House, Rani Jhansi Road, New Delhi.	70
35.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
36.	Hind Book House, 82, Janpath, New Delhi.	95
37.	Bookwell, 4, Sant Narankari Colory, Kingsway Camp, Delhi-9.	96
	MANIPUR	
38.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annexe, Imphal.	77
	AGENTS IN FOREIGN COUNTRIES	
39.	The Secretary, Establishment Department, The High Commssion of India India House, Aldwych, LONDON, W. C.—2.	59

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