

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:136
ANSWERED ON:04.03.2011
RECOVERY OF AMOUNT LOCKED UP IN DISPUTES
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Will the Minister of FINANCE be pleased to state:

- (a) whether out of nearly Rs. 2.50 lakh crore arrears, nearly Rs. 99,000 crore is locked in tax disputes between the income Tax Department and taxpayers;
- (b) if so, the steps taken to reform income tax Saws to recover pending dues and to reduce unnecessary litigation;
- (c) whether the income Tax Authorities have fixed any target for 2011 and 2012 concerning recovery of pending dues and if so, the details thereof;
- (d) the details of companies from whom Income Tax worth more than Rs. One crore is due for recovery and the time since when such amounts are due: and
- (e) the efforts made to recover the dues?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PRANAB MUKHERJEE)

(a) to (e): A statement is laid on the table of the House.

STATEMENT REFERRED IN REPLY TO PARTS (a) TO(e) OF THE LOK SABHA STARRED QUESTION NO. 136 FOR ANSWER ON 4 MARCH 2011 REGARDING RECOVERY OF AMOUNT LOCKED UP IN DISPUTES.

(a) Out of the total arrears, the amount locked up in disputes between the Income Tax, Department and taxpayers as on January, 2011 is Rs.160499 crores.

(b) The Income tax Act, 1961 contains provisions enabling recovery of pending dues. Besides other institutions provided in the Act, Settlement Commission plays a significant role in speedy recovery of taxes. Through the Finance Bill, 2011 (8 of 2011), the scope of cases where application can be filed before the Commission has been widened. Under the existing provisions an applicant who had been searched and in whose case search assessment proceedings have been initiated, could file an application before the Settlement Commission, if the additional amount of income tax payable on the income disclosed in the application exceeds fifty lakh rupees. As per the new provision, entities related to the aforesaid applicant, who are also the subject matter of search, would now be allowed to file an application for settlement, if additional income-tax payable in their application exceeds ten lakh rupees. It has been decided to set up three more benches of the Settlement Commission.

The various steps taken to reduce unnecessary litigation include:

i) The monetary limit for filing of appeals by the Income Tax Department before the Income Tax Appellate Tribunal (ITAT), High Court [HC] and Supreme Court (SC) has been increased w.e.f. 9.2.2011 and the same are as follows:

Old limits	New limits
(tax effect	(tax effect
in Rs. Lakhs)	in Rs. Lakhs)

ITAT 2 3

HC 4 10

As a result, likely reduction in litigation at ITAT level is 13% and at HC and SC level 25 - 30%.

ii) National Judicial Reference System is being developed which will be repository of direct tax judgments of ITAT, High Courts & the Supreme Court and will help the Department in reducing litigation on covered issues.

iii) The Central Board of Direct Tax {CBDT} has issued communication/guidelines from time to time to its field formation for judicious application of mind while filing appeals & filtering out frivolous appeals.

(c) The CBDT fixes the target for recovery of pending dues for every Financial year. The target for recovery of arrear demand for the Financial year 2010-11 is Rs. 13,906 crore. The target for cash collection out of current demand has been fixed at 40% of demand due during the financial year.

(d) Data base regarding the outstanding demand against companies from whom income tax exceeding Rs.one crore is due and the time since such amount is due is not maintained centrally. However, total demand due (arrear + current) from companies upto the month of December 2010 is Rs. 1,02,763 crore.

(e) Apart from the statutory measures taken for recovery of outstanding tax dues as prescribed under the Income Tax Act, 1961 including attachment of bank accounts, attachment and sale of immovable property etc., the following special measures are being taken to expedite recovery of direct tax arrears:-

(i) Monitoring of the outstanding arrears above Rs.10 crore by C.B.D.T. alongwith the Directorate of Income Tax (Recovery).

(ii) Identification of cases involving substantial amount pending before Commissioners (Appeals) and ITAT and requesting these authorities to dispose of such appeals early so that the amount can be collected during current financial year itself.

(iii) Assessing Officers have been directed to focus on the recovery of outstanding demand specifically during the last quarter of the financial year.