

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5897

ANSWERED ON:11.05.2012

IT REFUND FRAUD

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Will the Minister of FINANCE be pleased to state:

- (a) whether any time period has been fixed for disposal of cases of refund of income tax and if so, the details thereof;
- (b) the region-wise quantum of Income Tax refund held up as on 31.3.2012;
- (c) whether the Government/ Central Bureau of Investigation (CBI) has unearthed a scam/ fraud in the Income Tax Department on Income Tax Refunds;
- (d) if so, the details thereof;
- (e) the action taken against those held responsible; and
- (f) the steps taken/ being taken to check such frauds in future and expedite settlement of pending cases?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) Processing of returns of income, including those with refund claim, is a continuous process. Statutory time limit to process returns of income is with reference to the financial year of their receipt. As per the Income Tax Act, 1961, returns received during the financial year can be processed up to one year from the end of the financial year in which the return is received. Therefore, returns pertaining to F.Ys. 2009-10 and 2010-11 if filed during F.Y. 2011-12 can be processed upto 31.03.2013. Normally, after processing the return, the refund generated is issued in due course.

(b) In view of the above, the refunds claims are disposed-off within statutory time limits. The region-wise data about the number of returns claiming refund pending for processing is not separately maintained.

(c) & (d) Yes Sir, recently some fraudulent claims of refund were discovered and reported to the CBI. The generation of fraudulent refunds was effectuated by multiple rectifications for a single PAN and assessment year, and at times, by migrating the PANs to various jurisdictions.

(e) CBI has registered a case under various provisions of the Indian Penal Code and Information Technology Act, 2000 and the accused have been arrested.

(f) Following steps have been taken to check the instances of fraudulent claim of refund in future:

- (i) IT security policy has been strengthened for better protection of the computer system and confidentiality of passwords,
- (ii) Instructions have been issued directing that Refund vouchers shall be kept in the personal custody of the Assessing Officer,
- (iii) A new procedure has been introduced for marking of the issue of refund on paper returns and also in the system before issue of refund,
- (iv) Administrative Instruction has been issued stipulating prior approval of the Range Head for refunds above Rs 1 lakh.

As a long term measure to expedite the processing of returns of income and issuance of refund, if any found due, the Income tax Department has taken several measures. Some of these are enumerated below:

- (i) Promoting e-filing of the returns for speedy processing,
- (ii) Centralized Processing Centre (CPC) at Bengaluru has been set up for processing of e-filed returns of the entire country and manually filed returns of Karnataka & Goa Region,
- (iii) Verification of tax credit is a sine-qua-non for speedy processing. TDS deductors are required to compulsorily e-file their TDS returns on quarterly basis. Data from Banks of taxes paid is also collected electronically,

(iv) To improve the fidelity of the mechanism and to reduce mismatches between deductee claims and corresponding tax deduction statement from deductors, quoting of PAN by deductors in their return has been made mandatory. For improved compliance, failure to provide PAN number to deductor now results in higher rate of TDS,

(v) Facility of viewing individual Tax Credit Statement in Form 26AS is made available to tax payers so that they can verify the tax payment details before filing their return of income and take proper steps with the deductor(s), etc. to rectify mistakes, if any,

(vi) Grievance Redressal Mechanism has been strengthened. Income Tax Ombudsman with offices at 12 stations and jurisdiction covering the country has been created to ensure that delivery of this objective becomes effective.