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# CENTRAL ACTION PLAN 2016-17



CENTRAL BOARD OF DIRECT TAXES  
DEPARTMENT OF REVENUE  
MINISTRY OF FINANCE  
GOVERNMENT OF INDIA





# CITIZEN'S CHARTER

A DECLARATION OF OUR COMMITMENT TO THE TAXPAYERS

## INCOME TAX DEPARTMENT

GOVERNMENT OF INDIA

2014

The Citizen's Charter of the Income Tax Department is a declaration of its Vision, Mission and Standards of Service Delivery

### VISION

To partner in the nation building process through progressive tax policy, efficient and effective administration and improved voluntary compliance

#### Mission

- To formulate progressive tax policies
- To make compliance easy
- To be accountable and transparent & act with honesty, in a fair & judicious manner
- To deliver quality services
- To continuously upgrade skills and build a professional and motivated workforce

#### We Believe in

- Equity and transparency
- Promoting taxpayer awareness and encouraging and assisting them towards voluntary compliance
- Effective deterrence against tax evasion
- Continuous research as the foundation of tax policy and administration; and
- Adopting technology as an enabler for improved service delivery

### Service Delivery Standards

We aspire to provide the following key services within specified timelines :

Sl. No.	Key Services	Timelines (From the end of the month in which return/application is received/cause of action arises)
1	Issue of refund through interest under section 143(1) of the I.T. Act (a) In case of electronically filed returns (b) Other returns	9 months 9 months
2	Issue of refund including interest from proceedings other than section 143(1) of the I.T. Act	1 month
3	Decision on application for restitution	3 months
4	Giving effect to appellate/revision order	1 month
5	Acknowledgement of communication received through electronic mode or by hand	Immediate
6	Decision on application seeking extension of time for tax payment or for grant of instalment	1 month
7	Issue of Tax Clearance Certificate under section 230 of the I.T. Act	Within 3 working days from the date of receipt of application
8	Decision on application for recognition/approval to provident fund/superannuation fund/gratuity fund	3 months
9	Decision on application for grant of exemption to institutions (University, School, Hospital etc.) under section 10(23C) of the I.T. Act	12 months
10	Decision on application for approval to a fund under section 10(23AAA) of the I.T. Act	3 months
11	Decision on application for registration of charitable or religious trust or institution	6 months
12	Decision on application for approval of hospitals in respect of medical treatment of prescribed diseases	3 months
13	Decision on application for grant of approval to institution or fund under section 80G(f)(iv) of the I.T. Act	4 months
14	Decision on application for no deduction of tax or reduction of tax at lower rate	1 month
15	Withdrawal of grievance	2 months
16	Decision on application for transfer of case from one charge to another	2 months

The above timelines will apply to cases where return/application is complete in all respects.

#### Expectations from Taxpayers

We expect our taxpayers:

- To be truthful and prompt in meeting all legal obligations
- To pay taxes in time
- To obtain PAN and quote it in all documents and correspondence
- To obtain TAN and quote it in all documents and correspondence
- To quote correct tax payment/deduction particulars in the returns
- To verify credits in tax credit statements
- To file complete & correct returns, within the due dates and in appropriate tax jurisdictions
- To quote correctly Bank Account Number, MICR/FSC Code and other Bank details in the returns of income
- To intimated change of address to the tax authorities concerned
- To intimated any change in PAN particulars to designated agency
- To quote PAN in all documents in the TDS statements and
- To respond promptly to the communication from the Department.

#### We Endeavour

- To promote voluntary compliance
- To educate taxpayers and citizens about tax laws
- To provide information, forms and other assistance at the facilitation centres and also on website [www.incometaxindia.gov.in](http://www.incometaxindia.gov.in)
- To continuously improve service delivery
- To inculcate state-of-the-art and green technology with a user friendly interface
- To inculcate a healthy tax culture where the taxpayers and the tax collectors discharge their obligations with a sense of responsibility towards nation building
- To promptly deal with taxpayers' grievances arising on account of technological issues; and
- To adhere to the schedule of appointments with taxpayers.

#### Grievance Redressal

- All grievances received will be redressed within two months from the end of the month of their receipt.
- Petitions or un-redressed grievances filed before next higher authority will be decided within 15 working days of receipt.
- The taxpayers can approach the Income-tax Ombudsman in case of un-redressed grievances
- The grievance redressal mechanism including contact details of public grievance officers are available on the website [www.incometaxindia.gov.in](http://www.incometaxindia.gov.in)



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# INTRODUCTION

The Income Tax Department is committed to be a partner in nation building process through progressive and simple tax policy, effective and efficient tax administration and promotion of voluntary compliance, while strengthening the mechanism for effective tax deterrence. It is endeavouring to improve service delivery by creating quantitative deliverables. Maximizing of direct taxes collection in a non-adversarial manner remains the main thrust area of work. The Central Board of Direct Taxes (CBDT) issues the Central Action Plan annually to prescribe measurable targets in key result areas in various functional domains of the Income Tax Department.

The Central Action Plan for FY 2016-17 has been presented in two parts - viz.

**PART 1** – Targets in Key Result Areas (KRAs) that are required to be achieved.

**PART 2** – Strategies with respect to specific areas that may act as a guidance to achieve the targets/objectives. It also includes an advisory to the Supervisory authorities for monitoring and regulating progress under different KRAs.

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# **PART 1**

# **KEY RESULT AREAS**



## CHAPTER I

### ALLOCATION OF BUDGET TARGETS

#### 1. DIRECT TAXES COLLECTION DURING F.Y. 2015-16

The major head-wise direct taxes collection during F.Y. 2015-16 are as under:-

Head of Tax	Budget Estimates 2015-16 (Rs. in crore)	Revised Estimates 2015-16 (Rs. in crore)	Actual Collections 2015-16 (Rs. in crore)#	% age of R.E. Achieved
Corporate Tax	4,70,628	4,52,970	4,54,721	100.31%
Personal Income Tax (Including FBT, etc)	3,20,836	2,91,653	2,82,355	96.18%
Securities Transaction Tax	6,531	7,398	7,350	99.35%
<b>Total</b>	<b>7,97,995</b>	<b>7,52,021</b>	<b>7,44,426</b>	<b>98.99%</b>

# Source- OLTAS, figures for FY are Provisional / Unaudited

## 2. TARGETS FOR F.Y. 2016-17

The details of the Budget Estimates for F.Y. 2016-17 as compared to the Actual Collections for **2015-16** (Prov.) are as under:-

Head of Tax	Actual Collections FY 2015-16 (Rs. in crore)	Budget Estimates FY 2016-17 (Rs. in crore)	% increase of BE for FY 2016-17 over Actual Collections of FY 2015-16
Corporate Tax	4,54,721	4,93,924	8.62%
Personal Income Tax (Including FBT, etc)	2,82,355	3,45,776	24.61%
Securities Transaction Tax	7,350	7,398	0.65%
<b>Total</b>	<b>7,44,426</b>	<b>8,47,098</b>	<b>13.79%</b>

2.1 The Budgetary target for each cadre-controlling Pr CCIT for Corporate Tax & Personal Income Tax (Major Heads) has been fixed keeping in view the revenue potential of the region, which is based on the growth of direct taxes collected over a period of past five years. The allocation is done on graded weight system, giving a higher weight to the growth rate of the immediately preceding year. However, the region-wise growth rate is further moderated by taking into account all-India targeted growth rate so as to narrow the gap between all-India growth and target growth rate given to the Region.

2.2 Securities Transaction tax target is almost entirely allocated to Mumbai, as it contributes almost entire collection under this Head.

### 3. ALLOCATION OF TARGETS

The targets fixed for various cadre-controlling Pr. CCsIT for FY 2016-17 are as per the Table below:

**TABLE: ALLOCATION OF BUDGETARY TARGET FOR FY 2016-17  
MAJOR HEAD-WISE TO VARIOUS PRINCIPAL CCIT REGIONS**

Rs. In crore

Pr CCIT REGION	Corporate Tax	Personal Income Tax	Securities Transaction Tax	TOTAL	Targeted Growth Rate
1	2	3	4	5	6
Gujarat	23105	17334	1	40440	15.99%
Karnataka & Goa	46590	38888		85478	15.75%
Madhya Pradesh & Chattisgarh	8842	9046		17888	15.43%
Odisha	4502	3575		8077	10.13%
West Bengal & Sikkim	22648	12872		35520	13.18%
North West Region	15271	19240		34511	16.20%
Tamil Nadu & Puducherry	33674	25568	1	59243	15.07%
Kerala	4894	7051		11945	17.07%
Delhi	71487	43738	1	115226	12.94%
North East Region	3173	2713		5886	13.32%
Andhra Pradesh & Telangana	22680	18843		41523	14.37%
Rajasthan	7601	7432		15033	17.51%
UP (West) & Uttarakhand	12640	8789		21429	10.53%
UP (East)	1908	7246		9154	19.80%
Mumbai	190215	81447	7395	279057	12.51%
Nagpur	1406	2691		4097	14.50%
Bihar & Jharkhand	4079	6775		10854	19.14%
Pune	18757	23530		42287	17.96%
<b>Total</b>	<b>493474</b>	<b>336776</b>	<b>7398</b>	<b>837648</b>	<b>14.08%</b>
Central TDS	450	9000		9450	
<b>GRAND TOTAL</b>	<b>493924</b>	<b>345776</b>	<b>7398</b>	<b>847098</b>	<b>13.79%</b>

Major head wise target to Assessing Officers should be further allocated based on the collections reported in the ITD application and head-wise target for the region across the hierarchy.

## CHAPTER II

# SERVICE DELIVERY AS PER THE CITIZEN'S CHARTER & EARLY REDRESSAL OF GREIVANCES

The Income-tax Department has issued Citizen's Charter of 2014 which is a declaration of its vision, mission and its commitment towards maintenance of standards of service delivery to the tax payers. Therefore, the timelines mentioned with respect to each of the key services mentioned therein are to be adhered to by each of the Income-tax authorities responsible for providing such services to the tax payers.

Redressal of grievances of the taxpayers remains a key area of commitment of the Department and timelines set under the Citizen's Charter should be adhered to by field formation. The multi-layered public grievance redressal system for resolution of complaints relating to public grievances against the Department and to facilitate the satisfaction or settlement of such complaints is as below:

- Central Grievance Cell functioning at CBDT
- Regional Grievance Cells under the Principal CCsIT/CCsIT
- Income Tax Ombudsmen functioning in 12 Cities
- Sevottam Scheme aimed at 'Excellence in Service Delivery', Aayakar Sewa Kendra (ASK)

The grievances are received both online as well as through Dak from the public either directly or through other authorities including Department of Administrative Reforms & Public Grievances, President's Secretariat, Prime Minister's Office, Cabinet Secretariat and Department of Pension and Pensioners' Welfare. Large pendencies remained at the end of the F.Y. 2015-16 which were to be resolved as per the Interim Action Plan 2016-17. Hence, redressal of public grievances continues to be a key result area for the F.Y. 2016-17 and all out efforts for early disposal as per targets are expected from the various field formations. This year special focus towards disposal of huge pendencies especially those categorized under Citizen's Charter and Grievances is also to be undertaken.

To facilitate improved Tax payer Service, charges have been created in Pr CCsIT Regions.

## CHAPTER III

### TARGET FOR CASH COLLECTION (ARREAR DEMAND) FOR FY 2016-17 Pr. CCIT REGION WISE

1. The arrear demand, including demand not fallen due as on 31<sup>st</sup> March, 2016 has increased from Rs. 8,27,680 crore as on 01.04.2015 to Rs. 9,29,972 crore (Provisional) as on 01.04.2016. This arrear demand has been taken into consideration for fixing the target of cash collection of Rs. 53,981crore for FY 2016-17.

2. The target of cash collection of arrear demand has been worked out on the basis of the following formula:

S No	Description	Base Amount* (Rs. in crore)	Target in percentage in terms of the Base Amount	Actual target (Rs. in crore)
1	Net Collectible Demand as on 01.04.2016	21,955	75%	16,466
2	Demand not fallen due as on 01.04.2016	1,05,761	20%	21,152
3	(a) Demand stayed by I.T. Authorities [as reported vide item no. 9 (k) of provisional CAP-I of March 2016]	52,211	15%	7,832

S No	Description	Base Amount* (Rs. in crore)	Target in percentage in terms of the Base Amount	Actual target (Rs. in crore)
	(b) Demand covered by instalments (only to the extent not recoverable during the month) [as reported vide item no. 9 (l) of provisional CAP-I of March 2016]	7,111	15%	1,067
	(c) Demand, the recovery of which is not being pursued on account of assessee's stay petition pending consideration by the I.T. Authorities [as reported vide item no. 9 (m) of provisional CAP-I of March 2016]	18,850	15%	2,828
	(d) Any other reason [as reported vide item No. 9(s) of provisional CAP-I of March 2016]	92,719	5%	4,636
	<b>Total</b>	<b>2,98,607</b>		<b>53,981</b>

\* As per CAP-I March 2016(Provisional)

The inter-se target may be reviewed in December 2016.

3. Over-all target Pr. CCIT Region-wise is given in the table below:

**TABLE : ALLOCATION OF CASH COLLECTION TARGET (ARREAR DEMAND)  
FOR FY 2016-17 VARIOUS PRINCIPAL CCIT REGIONS**

(Rs in crore)

SI. No.	PRINCIPAL CCIT REGION	CASH COLLECTION TARGET
1	MUMBAI	10836
2	DELHI	10598
3	KARNATAKA & GOA	6988
4	WEST BENGAL & SIKKIM	5204
5	PR, CCIT (INT TAX.)	4010
6	TAMIL NADU & PUDUCHERRY	3103
7	AP & TELANGANA	2337
8	PUNE	1895
9	UP EAST	1589
10	GUJARAT	1530
11	NORTH WEST REGION	1364
12	MP & CHATTISGARH	1082
13	UP WEST & UTTARAKHAND	861
14	ODISHA	763
15	KERALA	640
16	RAJASTHAN	416
17	NAGPUR	294
18	BIHAR & JHARKHAND	285
19	NORTH EAST REGION	188
	<b>GRAND TOTAL</b>	<b>53,981</b>

Presently, targets for cash collection out of arrear demand have been provided at Pr. CCIT level only. The Pr. CCsIT will further allocate targets as per prescribed formula to the respective CCsIT/DGsIT in their region. The allocation of targets should be completed by 30<sup>th</sup> June, 2016 and needs to be intimated to Directorate of Recovery for monitoring purposes.

## CHAPTER-IV

### ASSESSMENT UNITS [Including International Taxation & Transfer Pricing, Exemptions]

S. No.	Key Result Area	Target / Activity	Time frame (by)
A	Budget Collection	100% Collection of Budget Targets fixed (Region-wise targets are as per Chapter I)	31.03. 2017
<b>B Assessment &amp; Processing Work</b>			
1	Processing of Returns	100% of manual returns pending for processing filed between 01.04.2016 upto 30.06.2016	31.07. 2016
2		100% of e-returns pushed to AO's Portal by CPC pending for processing 2016	31.07. 2016
3	Scrutiny assessments	Completion of at least 10% non –Time barring assessments especially those with potential to effect recovery during the current Financial year itself.	31.01.2017
<b>C1 Recovery / Reduction of Demand</b>			
1	Cash collection by AO	100% of the target fixed for arrear demand (Region-wise targets are as per Chapter III)	31.03.2017
2		20% of the current demand raised during the year	31.03.2017
3	Reduction in number of entries	Number of entries to be carried forward are to be less by 10% of the number of entries brought forward as on 01.04.2016	31.03.2017
4	TRO's Action Plan	Disposal of 150 TRCs by each TRO	31.03.2017

S. No.	Key Result Area	Target / Activity	Time frame (by)	
5	TRO's Action Plan	Cash collection of 5% of brought forward demand indicated in the TRCs	31.03.2017	
6	Write-off	Submission of replies to queries raised by the Board, ADG (Recovery) and Zonal, Regional and Local Committees	31.08.2016	
7		Write-off of arrears under ad-hoc and summary procedures	31.08.2016	
8		Identification of cases for write-off	31.08.2016	
9		Submission of proposals for write off to the Board or Committees in the cases identified as above	31.10.2016	
<b>C2 ARREAR DEMAND REPORTING</b>				
1	Reconciling Dossier Data With CPC-Financial Accounting System (CPC-FAS)	All arrear demand data reported in Dossiers should be as per data in CPC-FAS.  All entries for Sl no. 9(a) to 9(s) in CAP I report for such dossier cases should be as per data uploaded in CPC-FAS	Dossier cases exceeding demand Rs 15 Cr	Dossiers for quarter ending September 2016
			Dossier cases exceeding demand Rs 3 Cr but less than Rs 15 Cr	Dossiers for quarter ending December 2016
			Dossier cases exceeding demand Rs 30 lakhs	Dossiers for quarter ending March 2017

S. No.	Key Result Area	Target / Activity	Time frame (by)
D Widening of tax base			
1	Action in non-PAN/invalid PAN cases reported in AIR transactions disseminated by the Directorate of Systems in F.Y. 2015-16	Verification and population of PAN in disseminated cases. Issue of notices u/s 142(1)/148 of the Act, in appropriate cases	31.07.2016
2	Action in non-PAN/invalid PAN cases reported in AIR transactions disseminated by the Directorate of Systems in F.Y. 2016-17	Verification and population of PAN in disseminated cases. Issue of notices u/s 142(1)/148 of the Act, in appropriate cases	Within 3 months of receipt from Systems Directorate
3	Non-filers of return identified by the Directorate of Systems under NMS cycle 1, 2, 3 & 4	Action on P1 to P4 cases as per SOP issued by the ITA-II Division of CBDT vide Instruction No. 14/2013 dated 23.09.2013	31.07.2016
4	Non-filers of return identified by the Directorate of Systems under subsequent NMS cycles	Action on disseminated cases as per SOP	Within 3 months of receipt from Directorate of Systems

S. No.	Key Result Area	Target / Activity	Time frame (by)
E. Audit			
1	Receipt Audit	Brought forward pendency of Receipt Audit Objections and Draft Paras of C&AG / LAR as on 01.04. 2016	Replies to be sent by 31.08.2016
2		Receipt Audit (Major & Minor) Objections received after 01.04.2016	Reply to be sent on the objections contained in the LAR through the Pr. CIT to the AG/DAG- within 45 days of receipt of LAR
3		Draft Paras of C&AG received during financial year	Report on Draft Paras to be sent through Pr. CCIT to the CBDT- within 30 days of receipt of Draft Para or 30/11/2016, whichever is earlier.
4	Internal Audit	Brought forward pendency of Internal Audit Objections as on 01.04.2016	Settlement by 30.09.2016
5		Settlement through Pr CIT of Major Audit Objections received on or after 01.04.2016	As per the time frame prescribed by the Instruction No. 3 of 2007
6		Settlement through Range Head of Minor Audit Objections received on or after 01.04. 2016	As per the time frame prescribed by the Instruction No. 3 of 2007

S. No.	Key Result Area	Target / Activity	Time frame (by)
<b>F Disposal/Resolution of Grievances</b>			
1	Redressal of Grievances	Grievances received from PMO/FMO/MPs/CBDT/any other high priority case.	within 15 days of receipt
2		Grievances received through CPGRAMS online portal.	within 60 days of receipt
3		Grievances/Cases where taxpayer has responded to AO or CPC regarding Notice u/s 245 of the Income-tax Act, 1961 informing about outstanding demand to be adjusted against refund.	within 30 days of the response of the taxpayer and to be communicated to the CPC
4		Grievances received through ASK or any other source	within 60 days
<b>G</b>	<b>Exchange of Information</b>		<b>As per Chapter -IX</b>
<b>H</b>	<b>Prosecution and Compounding of Offences</b>		<b>As per Chapter -XIII</b>

## CHAPTER-V

## TDS UNITS

Sr. No.	Key Result Area	Target/Activity	Action to be taken by	Time frame (by)
1	To ensure compliance by Govt. Principal Account Officers/ Deductors	Reconciliation of TDS reported by AINs with payments through OLTAS by State AGs based on report available on TRACES portal	CIT(TDS)	One month after the end of due date of filing TDS statement
2		Notices to AIN defaulters and cleaning up of AIN database by getting the data of AINs who are non-filers/have requested for closure	CIT(TDS) & CPC(TDS)	One month after the end of due date of filing TDS statement
3		Identification of PAOs/ TOs/CDDOs who have not taken AINs	C P C ( T D S ) / CIT(TDS)	One month after the end of due date of filing TDS statement
4		Follow up action to ensure such PAO/TOs/ CDDOs (based on report available on TRACES portal) to obtain AIN	CIT(TDS)	One month after the end of due date of filing TDS statement
5	Collection and reduction of demand (Arrear Demand)	15% of Manual uploaded demand as on 01.04.2016	AO(TDS)	31.03.2017

Sr. No.	Key Result Area	Target/Activity	Action to be taken by	Time frame (by)
6	Collection and reduction of demand # (Arrear Demand)	50% of short payment demand as on 01.04.2016 (System Generated)	AO(TDS)	31.03.2017
7		60% of Late Payment Interest Demand as on 01.04.2016 (System Generated)		
8		60% of Late filing fees demand as on 01.04.2016 (System Generated)		
9	Collection and reduction of demand # (Current Demand)	30% of current demand raised during the year (Manual & System Generated)	AO(TDS)	
10	Capacity Building of Stakeholders	Training on legal and technical aspects to field formations through partnership with DTRTI/MSTU/CPC(TDS)	CCIT(TDS)/CIT(TDS)	Ongoing Basis
11		Organise focussed sector specific TDS seminars including Government deductors	CCIT(TDS)/CIT(TDS)	Ongoing Basis
12		'Corporate connect for TDS Compliance' by CIT(TDS) *for PANs mapped to respective TDS charges	CIT(TDS)	One in each month
13		Awareness workshop by each Range	Range Head	Not less than one in a month

Sr. No.	Key Result Area	Target/Activity	Action to be taken by	Time frame (by)
14	Enforcement Action	<i>Processing cases involving Tax Defaults as per Tax Defaulter Report (TDR) available on TRACES AO portal</i>	AO(TDS)	5 TDRs per month
15		<i>Monitoring of TDS collection of top 100 cases</i>		Ongoing Basis
16		<i>Surveys/On the spot Verifications</i>		Ongoing Basis
17	Taxpayer Service	Disposal of application for lower rate TDS certificate	AO(TDS)	Within 30 working days of the filing of application
18		Prompt remedial action to address TDS mismatch grievance		
19		Disposal of application for challan correction/refund approval/TAN closure		
20	Audit Compliance	Action on observations/objections raised in Performance/System/RAP audit and closure of IAP objections	AO(TDS)	Within 3 months of receipt of audit report in the office
21	Prosecution & Compounding	Processing of TDS cases for launching prosecution proceedings	AO(TDS)	At least 150 cases in a year

Sr. No.	Key Result Area	Target/Activity	Action to be taken by	Time frame (by)
22		Issue of S. 2(35) notices to Principal Officers in prosecution cases and sending proposals in Form F in cases of non-remittances identified in Surveys and identified cases of CPC List to CIT(TDS)	AO(TDS)	Within three months of receipt of information/detection
23		Ensure that notices in appropriate prosecution cases identified by CPC and detected in Surveys are issued and complaints are filed by TDS AOs	CIT(TDS)	Within 60 days of receipt of Form F
24		Finalisation of Compounding Proposals	CCIT/ CIT(TDS)	Within 180 days of application

\* See STRATEGY FOR TAX DEDUCTION AT SOURCE (PART-2 C)

# TDS CAP – I is available on AO Portal of CPC TDS showing bifurcation of demand under various categories

**Note:** CIT(TDS) shall ensure that all assessing officers do capture the completion of enforcement actions (notice u/s 201, prosecution, penalty, TDR etc) on TRACES portal. No manual demand in respect of TDS shall be maintained in the manual D & CRs. All such demand has to be uploaded/created in the AOs Portal of the CPC TDS. The TDS demand either created by CPC TDS or by the AO TDS should not be reported in the normal CAP-I statement, as CAP I for all the TDS jurisdictions is being compiled by the CPC TDS.

## CHAPTER-VI

### CIT (APPEALS)

The targets for each Pr. CCIT Region for Financial Year 2016-17 for disposal of appeals by CIT (A) are given below:

Pr. CCIT Region	Posts of CIT (A)	Pendency as on 01.04.2016				Target for FY 2016-17				
		B1	B2	B3	TOTAL	B1	B-2	B-3	B-4A	TOTAL
Andhra Pradesh & Telangana	21	3258	7758	2577	13593	2639	5117	569	293	8618
Bihar & Jharkhand	9	1217	5668	999	7884	986	2484	276	110	3855
Delhi *	44	6441	2678	5774	14893	5797	2142	5196	2634	15769
Gujarat	30	5457	3045	10198	18700	4420	2436	4242	491	11589
Karnataka & Goa	22	4707	7902	2563	15172	3812	3265	363	424	7864
Kerala	8	2679	6772	1672	11123	1980	0	0	220	2200
MP & Chhattisgarh	13	2707	6191	4667	13565	2192	2050	228	244	4714
Mumbai	60	16092	13450	14997	44539	13034	3632	404	1448	18518
Nagpur	4	641	2790	879	4310	519	941	105	58	1623
NER *	5	649	865	771	2285	584	692	694	98	2068
NWR	24	3821	8734	4953	17508	3095	5690	632	344	9761
Odisha	5	747	1399	891	3037	605	1119	287	67	2078
Pune	23	5381	12889	4718	22988	4359	2668	296	484	7807
Rajasthan	13	1795	7711	4497	14003	1454	3526	392	162	5534
Tamil Nadu & Puducherry	31	4792	8907	3283	16982	3882	7126	1298	431	12737
UP (West) & Uttarakhand	11	1324	1347	2446	5117	1073	1078	2588	119	4858
UP (East)	13	1052	1688	2038	4778	852	1350	3906	95	6203
WB & Sikkim	26	11061	11363	5997	28421	6435	0	0	715	7150
<b>All India</b>	<b>362</b>	<b>73821</b>	<b>111157</b>	<b>73920</b>	<b>258898</b>	<b>57718</b>	<b>45317</b>	<b>21475</b>	<b>8436</b>	<b>132946</b>

\* B-4A Targets of Delhi & NER have been fixed considering the shortfall of available appeals.

Figures of pendency of appeals as on 01/04/2016 have been taken on the basis of monthly report for the month of March 2016 sent by CsIT (A) and compiled by Research & Statistics Wing, O/o DGIT (Logistics).

**Computation of Targets :**

**B-1:** 275 x No. of posts of CIT (A) or 90% of pendency of B-1 Appeals, whichever is lower

**B-2:** [(275 x No. of posts of CIT (A) - Target for B-1 Appeals)] x 2 or 80% of pendency of B-2 Appeals, whichever is lower

**B-3:** [(275 x No. of posts of CIT (A)-Target for B-1 Appeals)] x2-Target for B-2 appeals

However, considering the instruction for grant of stay on payment of 15% of the demand, in case appeal is filed before CIT (A), 10% of the target for B-1 Appeals has been shifted to B-4A Appeals and 10% of the target for B-2 Appeals has been shifted to B-3 Appeals where no sufficient B-3 Appeals were available. Allocation of B-4A targets would be made by the Pr. CCsIT in consultation with CCsIT and DGsIT. Since, B-4A appeals continue to be filed all through the year and the pendency with each CIT (A) cannot be predicted, the Pr. CCsIT may revise the target periodically. While considering the request of Central Charges for permitting disposal of B-4A category, revenue potential and chances of recovery will be duly taken into consideration.

The other relevant inputs are as under:

1.1	Basis of Central Action Plan Target for Pr. CCsIT Region	275 appeals of Basket B-1 category or equivalent # as per priority for disposal set in Para 3 for post of each CIT (A) in the Region.
1.2	Targets of disposal for CsIT (A)	Pr. CCsIT in consultation with other CCsIT/DGsIT will fix annual and quarterly targets for each CsIT (A) in such a way that overall CAP target for CCA Region is achieved. The targets for individual CsIT (A) may be set in accordance with the priority of disposal as per Para 3 below depending upon the work load in the Region, availability of CsIT (A) and type of appeals being handled by CsIT (A).

1.3	Targets of disposal for Transfer Pricing cases	For CsIT (A) exclusively dealing with Transfer Pricing cases, separate norm of 150 appeals per year may be prescribed by CCsIT. To prioritize such appeals, suitable baskets may be created by CCsIT. In a charge where CIT (A) has decide Transfer Pricing cases in addition to high demand and other appeals, target allocation for disposal of Transfer Pricing appeals may be done equating 1 Transfer Pricing appeal with 2 high demand appeals or 4 other appeals.
<b># equivalent</b> - Where either because of insufficient pendency of Basket B-1 appeals or because of exceptions in priority of disposal as per Paras 3.2,3.3 or 3.4 below, it is necessary to dispose appeals other than B-1 category, one appeal of B-1 category should be substituted with 2 appeals of other category.		

## 2. Category of Baskets:

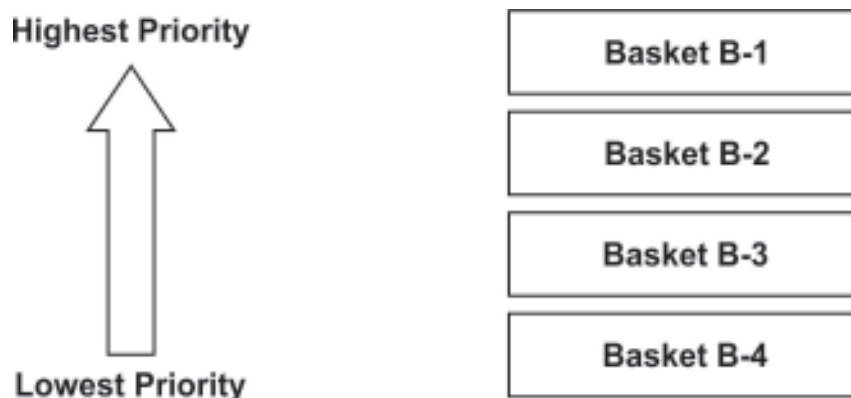
The appeals should be divided into baskets indicating the order of priority for disposal as under:

- i. **Basket - 1 (B-1)** - All High Demand Appeals (appeals involving disputed demand of Rs. 10 lakhs or above) pending as on 01.04.2016. This would further be sub-divided in basket B-1A and B-1B for reporting purpose:
  - a. B - 1A: High Demand appeals instituted before 01.04.2015.
  - b. B - 1B: High Demand appeals instituted between 01.4.2015 and 31.3.2016
- ii. **Basket - 2 (B-2)** - All appeals other than High Demand appeals filed before 01.04.2015.
- iii. **Basket - 3 (B-3)** - All appeals other then High Demand appeals filed between 01.04.2015 and 31.3.2016.
- iv. **Basket - 4 (B-4)** - All appeals filed in the current year i.e. those filed on or after 01.04.2016. This would be further sub-divided in Baskets B-4A and B-4B for reporting:

- a. B - 4A: High Demand appeal instituted during the current year.
- b. B - 4B: Other appeals instituted during the current year.

**3. Inter-se priority of disposal:**

3.1 The Inter-se priority of disposal of appeals shall be as under:



3.2 Keeping in view the basis of target indicated in Para 1 above, CsIT (A) may plan their work so as to dispose off at least 90% of B-1 category appeals during the year. Targets of other than B-1 category appeals should be met by disposing at least 80% of B-2 category appeals. However, the CIT (A) can take up any case of priority, if so directed by the Pr.CCIT/CCIT concerned.

3.3 In case CIT (A) is of the view that appeals of the same assessee for different years or different assesses for the same year or different years involving substantially similar issues or inter related issues are pending, the CIT (A) may dispose of such appeals irrespective of Baskets, if one or more among such appeals falls within the priority of disposal.

3.4 In case of group cases of search & seizure operation, CsIT (A) may dispose of appeals of group cases irrespective of Baskets, if one or more among such appeals falls within the priority of disposal.

3.5 If any matter is set aside by the ITAT/HC/SC to the AO and after the order of the AO an appeal lies before CIT (A) or if any matter is set aside by the ITAT/HC/SC to the CIT (A), such appeal would be deemed to be appeal under B-1 or B-2 category, depending upon the demand entailed therein, and may be disposed-off accordingly. In the reporting proforma, institution of such appeal should be shown under B-1 or B-2 category, as applicable.

#### **4. Action on part of Pr. CCIT /CCsIT**

4.1 With a view to ensuring rational distribution of workload, especially of B-1 category appeals amongst CsIT (A), intra-city & inter-city reallocation of work among CsIT (A) within the city & in different cities in the Pr. CCIT Region may be carried of setting action plan targets for each CsIT (A) and it should be reviewed at the end of every quarter. While re-distributing and re-allocating the workload, the Pr. CCIT shall keep in mind that as far as possible, every CIT(A) should be assigned at least 150 B-1 category appeals.

4.2 In terms of Para 1.2, after redistribution of workload, annual and quarterly targets for each CIT (A) may be communicated to the Member (A&J), CBDT before 15th July 2016 with a copy to the Zonal Member.

4.3 CCsIT should ensure that the remand reports are sent to the CIT (A) in time and necessary infrastructure, including secretarial support, is provided enabling them to discharge their duties efficiently and meeting Actin Plan Targets.

4.4 CCsIT should review the pendency of appeals for more than 3 years i.e. appeals filed before 01.04.2013 and the same may be given priority in respective baskets of B1 or B2 category.

4.5 CCsIT should monitor the working of the CIT (A) by conducting regular Inspections as per the targets assigned.

#### **5. Reporting and review**

5.1 Disposal of appeals by CsIT (A) should be monitored by the CCsIT on quarterly basis. Monthly report of disposal of appeals in electronic format on Excel Sheet on prescribed Proforma shall be sent as an attachment to the e-mail address of Chief Statistical Advisor in the Directorate of Statistics (R&S Wing) [csa@incometaxindia.gov.in](mailto:csa@incometaxindia.gov.in)) along with a copy to Under Secretary (ITJ) ([usjudicial1.cbd@incometaxindia.gov.in](mailto:usjudicial1.cbd@incometaxindia.gov.in)). The due date for sending the reports in electronic format is 7th of the following month. The above reports shall also be sent in hard copy to Chief Statistical Advisor.

5.2 Evaluation of performance of a Region and CsIT (A) would be done by the Zonal Members on the basis of achievements of targets in respective categories in order of priority rather than achievement of target of total appeals.

## CHAPTER-VII

### INTELLIGENCE AND CRIMINAL INVESTIGATION

S No	Key Result Area	Objective		Activity	Timeline
1.	<b>Form 61A (Statement of Financial Transactions - SFT)<sup>1</sup></b>	Compliance review of AIR/ SFT filers for 3 years (F.Y. 2012-13, 2013-14, 2014-15)	a.	Providing list of non-compliant filers by Directorate of Systems to DGIT(I&CI)	15.05.2016
			b.	Initiating appropriate action including issue of notice u/s 285BA(4) to filers of defective returns and u/s 285BA(5) to non-filers and penalty proceedings where required	31.07.2016
			c.	Completing penalty proceedings where initiated	Within 6 months
		Compliance review of AIR/ SFT filers for F.Y. 2015-16	d.	Providing list of non-compliant filers by the Directorate of Systems to DGIT(I&CI)	31.10.2016
			e.	Initiating appropriate action including issue of notice u/s 285BA(4) to filers of defective returns and u/s 285BA(5) to non-filers and penalty proceedings where required	31.12.2016
			f.	Completing penalty proceedings where initiated	Within 6 months

<sup>1</sup>For FY 2015-16, the obligation is to submit AIR in respect of the old specified transactions as per existing Rule 114E applicable for 2015-16. To bring the provisions of new section 285BA on filing of Statement of Financial Transaction (SFT) in sync with the existing Rule 114E applicable for the period 2015-16, the CBDT has amended Rule 114E vide notification no. 19/2016 dated 18.03.2016 to insert the word SFT in the Rule. The AIR/SFT shall be filed in the same manner and in same form as was being done earlier.

S No	Key Result Area	Objective		Activity	Timeline
		Creating awareness and capacity building for implementing SFT for FY 2016-17 (due date of filing SFT is 31.5.2017)	g.	Preparing reporting entity tool-kit (user manual, guidance and software) for Form 61 A by the <b>Working Group</b> of I&CI and Systems and obtain approval of the Member(Inv.)	31.03.2017
			h.	Preparing guidelines for compliance review of SFT by the <b>Working Group</b> of I&CI and Systems and obtain approval of the Member(Inv.)	28.02.2017
			i.	Conducting "Train the Trainers" program for officers of I&CI by DGIT(I&CI)	31.03.2017
2.	<b>Form 61B (Statement of Reportable Accounts - SRA)</b>	Capacity building of filers of Form 61B	a.	Conducting National workshop for filers of Form 61B by DGIT(I&CI) in coordination with the Directorate of Systems and Competent Authority	31.01.2017
			b.	Conducting "Train the Trainers" program for officers of I&CI by DGIT(I&CI)	31.08.2016
		Compliance review of 61B filers for 2014	c.	Preparing guidelines for compliance review by the <b>Working Group</b> of I&CI and Systems and obtain approval of the Member(Inv.)	30.06.2016
			d.	Reviewing compliance by filers of 61B for 2014 by Nodal Officer [DIT(I&CI) Delhi] for further action as per guidelines mentioned at 2(c).	30.09.2016

<sup>2</sup> Information related to registration and filing will be provided to the Nodal Officer in I&CI by Systems. This will also include verification of correctness and completeness of statements filed.

S No	Key Result Area	Objective		Activity	Timeline
3	<b>Inbound FATCA data</b>	Verification of inbound FATCA data received during 2015-16	a.	Verification and dissemination of actionable cases as per Board approved guidelines of the Board dated 10.02.2016	30.06.2016
			b.	Processing and dissemination of information as per Board's guidelines mentioned at 3(a).	31.12.2016
		Processing and verification of inbound FATCA data received during 2016-17	c.	Verification of cases and dissemination of actionable cases to the Designated Assessing Officer as per Board's guidelines mentioned at 3(a).	31.03.2017
4.	<b>Information received under AEOI (non-standard format)</b>	Processing and verification of information received in non-standard format	a.	100% disposal of cases under verification by I&CI as on 01.04.2016.	30.06.2016
			b.	Preparing guidelines for processing, verification and dissemination by the <b>Working Group</b> and obtain approval of the Member(Inv.)	30.06.2016
			c.	Processing, verification and dissemination of actionable cases as per Board's guidelines mentioned at 4(b).	Ongoing
5.	<b>Non-PAN AIR/SFT data</b>	Processing and verification of non-PAN AIR/SFT data	a.	100% disposal of cases under verification by I&CI as on 01.04.2016.	30.09.2016

S No	Key Result Area	Objective		Activity	Timeline
			b.	Preparing guidelines for processing and verification of non-PAN AIR/SFT data by the <b>Working Group</b> and obtaining approval of Member(Inv.)	30.06.2016
			c.	Processing and verification of actionable cases as per Board's guidelines mentioned at 5(b)	31.12.2016
			d.	Reporting of outcomes by DGIT(I&CI) to Member (Inv.)	Monthly
6.	<b>Collection of information under Special Projects</b>	Implementation of Special Projects with the approval of Member(Inv.)	a.	Identification and preparation of proposal and collection tool kit along with guidelines for verification & dissemination of actionable cases for Special Projects by the <b>Working Group</b> of I&CI and Systems and obtain approval of the Member(Inv.)	30.06.2016
			b.	Collection of data under special projects	31.10.2016
			c.	Review of outcomes by Member (Inv.)	31.12.2016
			d.	Verification and dissemination of actionable cases as per guidelines mentioned at 6(a).	28.02.2017
			e.	Submission of Report to Member(Inv.) on each project	31.03.2017

<sup>3</sup>MIS relating to activity will be provided by the Directorate of Systems every month.

<sup>4</sup>Proposal for special projects should include reasons for selection of project (hypothesis to be tested), expected outcome, methodology for collection of data, sources for collection of information, timelines for collection, rules for identification of actionable cases etc.

<sup>5</sup>Collection tool kit for special projects would include data structure, utility, instructions, user manual etc.

<sup>6</sup>MIS relating to outcome will be provided by Systems Directorate every month.

S No	Key Result Area	Objective		Activity	Timeline
7.	<b>Criminal Investigation</b>	Capacity building	a.	Analysis of prosecution data of Delhi region on pilot basis by identifying cases pending for more than 5 years	30.09.2016
			b.	Submission of report to Member(Inv.) suggesting remedial measures required to expedite the prosecution cases.	31.10.2016
			c.	Organize regional conferences of prosecution counsels at 4 places (East/West/North/South) along-with officers of the relevant CCA regions to enlist major issues/challenges.	One in each quarter
			d.	Submission of report to Member(Inv.) suggesting remedial measures for improving success rate in prosecution.	15th of the month following each quarter
		Identification and monitoring of prosecution cases	e.	Preparing guidelines with the approval of Member(Inv.) for monitoring of prosecution cases based upon CAP 2016-17	Within 3 weeks of release of CAP
			f.	Reporting of outcomes to Member (Inv.) on quarterly basis	15th of the month following each quarter

**Note:**

**1. The Internal Action Plan is visualized as a rolling activity flow and any shortfall in a quarter should be met in the succeeding quarter. It is expected that the DG will ensure that the achievement of the targets is not left towards end of the financial year and the same is reflected in every quarter and duly commented upon in the monthly DO.**

**2. Member (Inv.) shall review the performance in each key result area quarterly.**

<sup>7</sup>Potential prosecution cases relating to offences u/s 276B, 276BB, 276C(2) and 276CC can be centrally identified.

<sup>8</sup>MIS relating to activity will be provided by the Directorate of Systems every month.

## CHAPTER-VIII

## INTERNATIONAL TAXATION

Sl. No.	Key Result Area	Target / Activity	Time frame by
1	International taxation	Verification of high risk remittances reported in Form 15CA/CB flagged and disseminated by Directorate of Systems in 2015-16	Completion of verification by 31.08.2016
		Verification of high risk remittances reported in Form 15CA/CB disseminated by Directorate of Systems in 2016-17	Issue of query letters u/s. 133(6)/133C of the Income-tax Act within 30 days from the date of pushing the case into the interface by the Directorate of Systems.
2	Transfer Pricing	Quarterly target for completion of Time barring Transfer Pricing Audits	31.07.2016 - 40% 30.09.2016 - 90% 31.10.2016 - 100%
3	Litigation Management	Identification of litigation cases involving important issues of international taxation or transfer pricing, pending at various appellate levels (SC, HC and ITAT).	31.07.2016
		Bunching of cases (issue-wise and nomination of CIT (Intl.Tax) or CIT(TP) as resource person to supervise the representation of cases relating to specific issues).	31.08.2016

## CHAPTER-IX

### EXCHANGE OF INFORMATION UNDER TAX TREATIES

S. No.	Key Result Area	Target/ Activity	Time frame by	Reporting
1	Making requests for information under Exchange of Information provisions of the tax treaties	Where information/ evidence available in foreign Countries/ jurisdictions may be necessary for the purposes of assessment/ investigation, request for information in time-barring cases should be made under the provisions of tax treaties through the FT&TR Division, as per the procedure prescribed in the Manual on Exchange of Information, at least three months before time barring date	One month/ before time barring date	Quarterly
		Clarification sought by foreign authorities in respect of EOI requests should be provided in time.	Within 15 days of receipt by Pr. CIT/ Pr. DIT/CIT/ DIT concerned	
		Feedback on utilization of information including additional tax demand raised on completion of assessment should be provided to FT&TR Division.	Within one month of completion of assessment	

S. No.	Key Result Area	Target/ Activity	Time frame by	Reporting
2.	Training on making requests under tax treaties and maintain confidentiality	Each Pr. CIT/Pr. DIT shall conduct one day training programme for the officers of their charge on Exchange of Information including framing of requests. The training programme should also cover data protection safeguards and guidelines to maintain the confidentiality of tax treaty information as per ISO 27001	31.10.2016	As and when completed
3.	Handling requests made by tax authorities of foreign countries	Requests received from foreign tax authorities for information to tackle tax evasion and avoidance in their country under the provisions of the tax treaties should be given high priority by the officer concerned and all efforts should be made to provide comprehensive and quality information in a timely manner.	Within 30 days of the date of request received by the officer concerned	Quarterly

**Note :**

Report on the above action points is to be furnished by Pr. CCIT / DGIT (Inv.) to JS (FT&TR-I) as per the proforma to be circulated separately.

## CHAPTER-X

### COMPUTER OPERATIONS

S. No.	Key Result Area	Target/Activity	Timeframe by#
1	I.T. Infrastructure	Preparation and Updation of Hardware inventory and Software inventory and linkage to ITD hierarchy on ITBA system as per process or on stand alone basis (separately for network and non-networked devices)	By 30.06.2016 and then Quarterly
2		Assessment of additional requirement of IT Infrastructure including RSA tokens, PCs and related equipment, network nodes, Bandwidth	By 30.06.2016 and then Quarterly
3		Review and reporting of bandwidth congestion at any site in the region through R-NOC facility	Monthly
4		Preparation, review and correction of linkage of ITD hierarchy with room and building to facilitate online building wise address book	By 15.07.2016 and then Quarterly
5	I.T. Security	Implementation and maintenance of desktop policy which includes removal of unauthorized hardware and software on all networked PCs.	By 30.09.2016 and then Quarterly
6		Inspection and upgrade, if required, of Communication Rooms as per the advisory of the Directorate of Systems	By 30.09.2016 and then Quarterly
7	I.T. Training	CsIT(CO) along with RTIs/MSTUs to organize and manage training/ refresher training for ITBA applications for all users and technical personnel.	As per training plan to be circulated by ITBA team

S. No.	Key Result Area	Target/Activity	Timeframe by#
8	PAN and AIS	Migrating of PANs from OLD & ORPHAN Jurisdictions to Jurisdictional AO.	By 31.07.2016
9		Updation/Correction/ Standardization of hierarchy, roles, privileges, AO codes/ position codes for all offices on AIS/ITBA system	By 15.07.2016 and then Quarterly
10	OLTAS	Monitor pending actions of AOs relating to PAN population in suspense challans and refunds	By 30.9.2016 and quarterly thereafter.
11	ITBA Implementation	Updation/Correction/Linking of name based email ID and designation based email ID of all officers and staff and linking with employee ID and Tarang Mobile in the region	By 15.07.2016
12		Updation / Correction / Removal of duplicates/Allotment of Employee ID on ITD/ITBA for all officers and staff in the region	By 15.07.2016 and then Quarterly
13	Co-ordination	Yearly meeting of a representative from each Pr. CCIT regions with Pr DGIT(Sys) and CIT(CPC)	Meeting by 31.10.2016
14	Problem Resolution	Maintain and update FAQs, Instructions and list of resource persons	Quarterly
15		Provide inputs to Pr DGIT(Systems) related to new FAQs and unresolved issues	Quarterly

# Progress to be reported to the Principal DGIT(Systems) in monthly DOs.

## CHAPTER-XI

### EXEMPTIONS RELATED WORK

S. No.	Key Result Area	Target/Activity	Time frame by
1	Creation of database for entities registered/ exempted/ approved under various provisions of the Act	Uploading of data (alongwith verification) by CsIT (Exemptions) of all cases not uploaded so far on www.incometaxindia.gov.in	31.07. 2016
2		Uploading of data (alongwith verification) by CsIT (Exemptions) of new registration/exemption/ approval under various provisions (including cases where registration/ exemption/ approval has been withdrawn) on www.incometaxindia.gov.in	Within 1 month from the end of the month of relevant action
3		New registrations on ITD system for entities registered u/s 12A, exempted u/s 10(23C) / approved under various provisions t	Ongoing exercise

S. No.	Key Result Area	Target/Activity	Time frame by
4	Inquiries / verifications in respect of inter-ministerial references or references received from other agencies forwarded by Board to field formations	Making of inquiries, verifications or investigation and sending report to CBDT	In all pending references - 31.07.2016 References sent by CBDT after 30.06.2016- within 45 days from the date of reference by CBDT
5	Report of Jurisdictional Authority	Applications u/s 35(1)(ii)/(iii)	3 months from the end of the month in which application is received as per Rule 5C(8)
6		Applications u/s 35CCD	1 month from the end of the month in which application is received as per Rule 6AAF(9)
7		Applications u/s 10(46)	Within 45 days of receipt of application as per SOP dated 24.06.2013 of the Board.
8		Electoral Trust	Within 45 days of receipt of application as per SOP dated 10.12.2013 of the Board.

## CHAPTER-XII

### CIT (AUDIT)

Sr. No.	Key Result Area	Target/Activity	Time frame by						
1	Internal Audit Plan	Formulation of Internal Audit Plan by the CsIT (Audit) with the approval of Pr. CCIT in accordance with Instruction Nos. 3/2007 and 15/2013 and to send a compliance report to ADG (Audit)	01.07.2016						
2	Number of Cases to be audited by Internal Audit	As per the Internal Audit Plan subject to following annual targets of audit of minimum number of cases prescribed by Instruction No. 3/2007 and subsequent instructions. <table border="1" data-bbox="592 934 1235 1224"> <tr> <td>Addl.CIT/JCIT(Audit)</td> <td>150*</td> </tr> <tr> <td>SAP</td> <td>300</td> </tr> <tr> <td>IAP</td> <td>600 (Corporate Cases) or 700 (Non-Corporate Cases)</td> </tr> </table>	Addl.CIT/JCIT(Audit)	150*	SAP	300	IAP	600 (Corporate Cases) or 700 (Non-Corporate Cases)	31.03.2017
Addl.CIT/JCIT(Audit)	150*								
SAP	300								
IAP	600 (Corporate Cases) or 700 (Non-Corporate Cases)								
3	Meetings by CIT (Audit)	CIT (Audit) to coordinate one meeting every quarter of every Pr. CIT with the AG Audit to reconcile pendency and expedite settlement of Receipt Audit Objections	Every Quarter						
		CIT (Audit) to Conduct one meeting every quarter with every Pr. CIT to reconcile pendency and expedite settlement of Internal Audit Objections	Every Quarter						
4	Organisation of Training/Seminar by Pr. CCIT/ CCIT	1 per quarter / 4 per year	31.03.2017						

Sr. No.	Key Result Area	Target/Activity	Time frame by
5	Maintenance of Ledger Cards by Pr. CsIT/CIT (Audit)	CIT (Audit) to monitor and send a monthly report to the ADG (Audit) regarding maintenance of Ledger Cards of individual assessing officers by Pr. CsIT /CIT(Audit).	10th of following month.
6	Audit fortnight for settlement of Internal Audit Objections.	Concerned Pr. CCIT/CCIT should conduct Audit fortnight in the last two weeks of June, 2016 to ensure that reply to all pending Internal Audit Objections are submitted by the concerned Pr. CIT	First fortnight of July, 2016
7		A status report on Audit fortnight to be submitted to ADG (Audit)	10.08.2016
8	Review of performance as per interim Action Plan 2016-17	Review by Pr. CCIT/CCIT and report to ADG (Audit)	31.07.2016

\* In cases where the post of Additional CIT (Audit) is held as additional charge, the Cadre Controlling Pr. CCIT can reduce the annual target for audit.

**NOTE:**

- i. Monthly Reports for Revenue and Internal Audit are to be submitted in the Proforma prescribed by Instruction No. 15 and 16 to ADG (Audit) by the 10th of the following month.
- ii. Quarterly/Annual Reports on the disposal of audit objections are to be furnished by the Pr. CCIT and to the ADG (Audit) as per prescribed Proforma by the 20th of the following month from the end of the quarter.

## CHAPTER-XIII

### PROSECUTION & COMPOUNDING OF OFFENCES

#### A. PROSECUTION

With a view to promote voluntary compliance, it is necessary that all the cases having potential for prosecution under the Provisions of Chapter XXII of the Income Tax Act, 1961 are identified at the earliest and further necessary action taken by all concerned promptly. Close monitoring by the respective Pr.CCsIT/DsGIT/CCsIT in this regard is required. Specifics in this regard are as under:

Sr. No.	Area	Target/Activity	Time frame by	Responsibility	Feedback to / Date
1	Prosecution under section 276C(1)	Identification of appropriate cases by AOs/Range Heads/CsIT/ Pr CsIT Concerned.	3 months of completion of assessment, Search & Seizure operations and receipt of tribunals orders, as the case may be.	Pr.CCsIT/ DsGIT/CCsIT concerned	Zonal Members in Monthly DO letters & Member (Inv.) through QPRs on prosecution.
		Processing of the above cases under section 276C(1) and filing of prosecution complaint.	Within 6 months of the identification	Pr.CCsIT/ DsGIT/CCsIT con-cerned	-do-
		Review of the pro-gress in respect of the above by the Zonal Member con-cerned.	31.10.2016 and 28.02.2017	Zonal Member	

Sr. No.	Area	Target/Activity	Time frame by	Responsibility	Feedback to / Date
		Review of all cases identified in F.Ys 2014-15 & 2015-16 and submit action taken report to Zonal Member	31.07.2016	Pr.CCsIT/ DsGIT/CCsIT concerned	Zonal Member with a copy to Member(Inv)
2	Prosecution under section 276B/BB	The modalities for identification and processing of cases are being worked out. The timeline for prosecution would be separately communicated.			
3	Prosecution under section 276CC	Identification of cases having default where total income is Rs.25 lakh or above and dissemination of the relevant information to the respective Pr.CCsIT/ DsGIT/CCsIT.	List of cases already disseminated vide EFS Instruction no. 55 dated 22.03.2016	Pr. DGIT (Systems)	Member (L&C) and Member (Inv) 31.08.2016.
		Processing of the above cases under section 276CC and filing of prosecution complaint in appropriate cases.	31.10.2016	Pr. C C s I T / DsGIT/CCsIT concerned	Zonal Members and Member (Inv.) 31.01.2017
		Review of the progress in respect of the above by the respective Zonal Members.	31.12.2017 and 28.02.2017	Zonal Member	Zonal Member

Sr. No.	Area	Target/Activity	Time frame by	Responsibility	Feedback to / Date
		All cases disseminated to Pr. CCsIT/DsGIT/CCsIT by Systems directorate in F.Ys 2014-15 and 2015-16 to be re-viewed and action taken report to be submitted to Zonal Members concerned and Member (R)	31.07.2016	Pr. CCsIT/ DsGIT/ CCsIT	Zonal Member

The following cases for prosecution may be identified for processing on priority basis:

Cases before Settlement Commission where:-

- The application for settlement has been rejected or not admitted by the Settlement Commission, particularly on account of lack of true and full disclosure.
- The Settlement Commission has not granted immunity for prosecution.
- The Settlement Commission has withdrawn immunity from prosecution.

## B. COMPOUNDING OF OFFENCES

S. No.	Action	Target to be completed by	Responsibility	Feedback to
1.	Compounding of offences as per ex-isting instructions	Within 180 days from receipt of application by the department	Pr.CCsIT/ DsGIT/CCsIT concerned	Zonal Members through monthly DO/Member (Inv) through QPRs.
2.	Disposal of com-pounding applica-tions pending be-yond six months	31.08.2016	Pr.CCsIT/ DsGIT/CCsIT concerned	Zonal Member with a copy to Member(Inv.)

## C. DEVELOPING CRIMINAL INVESTIGATION CAPABILITIES OF THE DEPARTMENT :

Developing the Criminal Investigation capabilities of the Department inter alia by assigning the role of Prosecution Directorate to the Directorate of Intelligence and Criminal Investigation has been envisaged. To start with, the Directorate would focus on capacity building through data analysis, suggesting remedial measures, organizing regional conferences of Prosecution Counsels, and preparing guidelines for identification and monitoring of prosecution cases during the year.

### IMPORTANT NOTES:

1. The above is only illustrative list and does not seek to restrict the need of processing other categories of deserving cases for launching prosecution under various provisions of the Act.
2. It appears that there is some confusion regarding the CBDT's Instruction dated 24th April, 2008 in F.No.285/90/2008-IT(Inv.-I)/05 (given in the Prosecution Manual, 2009) in respect of launching of prosecution under section 276C for **willful attempt to evade tax**. This Instruction, inter alia, states that all the cases where penalty under section 271(1)(c) exceeding Rs.50,000/- is imposed and confirmed by the ITAT have to be processed for filing of prosecution complaint under section 276C(1). It is not intended to convey, in any manner, that only these cases are to be processed for launching of prosecution under section 276C(1). The above position has been further clarified by the CBDT's Instruction of 28th January, 2011 in F.No.285/90/2008-IT(Inv.). **In view of the above, all the cases fulfilling ingredients of section 276C(1) must be processed for launching of prosecution at the earliest without waiting for any other proceeding.** In addition to the above, based upon the information available including the information disseminated by the Directorates of Systems, prosecution under relevant provisions should be processed on priority.
3. In other cases fulfilling ingredients of prosecution provisions under Chapter XXII of the Act, not covered by the categories mentioned in the table above, where prosecution complaints have not been filed, it shall be construed that the CIT/DIT concerned has taken such decision after due application of mind.

4. While evaluating the performance of the officers, due weightage should be given to their efforts in processing and launching the cases for prosecution.
5. Review of the cases (disseminated in FYs 2014-15 & 2015-16) would cover inter alia the number of cases identified; the numbers processed; the number of cases dropped at show cause stage; the number of cases where complaints were finally lodged; the number of cases compounded, both at the show cause stage and after filing of complaints, separately.

## CHAPTER-XIV

## COMMUNICATION STRATEGY

Sl. No.	Key Result Area	Action	Target	Responsibility
1	Talks by Income Tax officials in Schools	<p>Every Pr. CIT/CIT charge to depute one of the young officers/officials to visit the schools to talk to the children during morning assemblies or otherwise, may be with power point presentation and using historical stories to show how the concept of taxation is a very old one and also how/why it is relevant even today.</p> <p>The officers should emphasize how a rupee gained/collected by way of taxes is utilized towards development of the country leading to nation building. The officer should discuss the importance of taxation and menace of black money/parallel economy.</p>	1 visit per quarter per Pr CIT/CIT charge*	Pr. CCIT/CCIT [including CCIT (Exemption)]/ Pr.CIT/CIT/ NADT/DTRTI
2.	Visits of students to Income Tax Offices	Visits to Income Tax Offices should be organized with batches of 20 to 25 students in age group 16-18 years. (However, number of students may vary depending on infrastructure available)	1 visit per quarter per Pr CIT/CIT charge**	Pr. CCIT/CCIT/Pr. CIT/CIT

\* The schools to be covered should include different kinds of schools i.e. Government schools, Public schools, Convents etc. to be decided by the Pr.Cs IT /CsIT among

the schools falling within their territorial jurisdiction so as to avoid any overlap. In case a Pr.CIT/CIT does not have any school in his territorial jurisdiction or does not have territorial jurisdiction, the school to be covered by his officers/officials should be decided by the concerned CCIT in consultation with the Pr.CCIT keeping in mind the convenience and to ensure maximum coverage within the region.

\*\* Frequency of visit may be increased considering the local requirements so that sizeable number of schools in city gets to participate in this initiative. Selection should target to cover student from all strata of society.

**TO PROMOTE ETHICS IN GOVERNANCE**

<b>Key Result Area</b>	<b>Action</b>	<b>Target</b>	<b>Responsibility</b>
Ethics in governance	Lectures, Seminars and workshop for the employees in the field	Once in every quarter by each CCIT	Pr. CCsIT/CCsIT

Note: A quarterly report on the above action points is to be furnished by the Pr.CCsIT/CCsIT as per the proforma to be circulated separately.

# **PART 2**

# **STRATEGIES**



## A. STRATEGY FOR QUALITY IN ASSESSMENT WORK

Framing of Quality Assessments is an essential part of any risk management strategy. Quality of Assessments is being used as one of the most important indicator to judge the performance of tax department. Therefore, it is imperative that various authorities in the hierarchy of Income-tax Department discharge their respective roles in the process of assessment work with sincerity and utmost devotion. In order to ensure the quality in assessment work a strategy needs to be devised at different level in the department keeping in mind some suggestions given hereunder in this chapter.

### 2. Statement on Strategy of Assessment:

Cognizance has been taken of the fact that in different regions and in different trade and industry areas assesseees follow different practices. At the same time it is also noted that assessment workload and nature of assesseees is also different in various Pr.CIT/CIT charges. Thus a common hard and fast strategy for all the Pr.CIT/CIT charges is not desirable. In view of this, each Pr.CIT/CIT having assessment charge, in consultation with his CCIT, should prepare and regularly review and update "Statement on Strategy of Assessment" for his charge to achieve the various targets assigned in the Central Action Plan and in line with various circulars and notifications etc. issued by the CBDT. The assessment strategy should lay emphasis on achieving all the targets mentioned in the Central Action Plan with special stress on (i) Overall Budget Target including targets of cash collection out of arrear and current demand of the charge, (ii) Work load of assessment with each AO and (iii) Quality of Assessment. This strategy is to be followed by the AOs and compliance ensured by the Range Heads.

**(A) Overall budget Target including targets of cash collection out of arrear and current demand of the charge:-** The Pr.CIT/CIT should select time-barring and non-time-barring cases for priority completion keeping in mind the potential of tax collection which could help in achieving the budget target. Assessment of such cases or reference to TPO should be expedited.

**(B) Work Load of assessment:-** The work load of assessment should be assessed in the beginning of the year itself and cases should be distributed among AOs to rationalize the workload keeping in view the manpower available.

**(C) Quality of assessment:-** The Pr.CIT/CIT should organize in-house conference / meeting at least one in every quarter wherein the Assessing Officers are to be guided about how the investigation is required to be carried out on various CASS issues. This may include issue wise and industry wise strategy / approach of investigation. First of such meeting should be held on or before 30 June 2016.

- Issues for investigation have been highlighted in the cases selected under CASS criteria in the form of reasons for selection of cases for scrutiny. However, in respect of full scrutiny cases, the same, in any way, is not intended to replace the investigation capabilities of the Departmental Officers. The Assessing Officers, under the guidance of the Range Heads, must identify relevant issues other than CASS issues while the assessment proceedings are going on. The intention is that all the relevant issues in such cases should get captured by utilizing the capabilities of the AOs and Range Heads. The Assessing Officers must follow the Board's Instructions/guidelines issued from time to time for completing the limited scrutiny cases.
- Pr.CIT/CIT should, in consultation with his team, form an overall strategy and mechanism for (i) effective and (ii) timely identification of the case specific relevant issues. Pr.CIT / CIT or Range heads should refrain from giving case specific directions except where he/she invokes his/her jurisdiction under specific provisions of the Act.
- The statement on strategy should ensure that within the limited time and resources the assessment orders framed by the AOs should be: (i) speaking orders, (ii) error-free from audit point of view, (iii) adhering to the principles of natural justice, (iv) having appropriate detailing and marshalling of facts and relevant legal provisions wherever additions / disallowances are being made, (v) be avoiding frivolous additions or disallowances leading to high pitched assessment.
- It should be emphasized that in most of the cases where revenue

potential is not seen, the AO/Range Officers must see to it that without many adjournments such cases should be completed on the principle of zero error assessment so that unnecessarily time is not wasted and the time is utilized gainfully in the revenue potential cases.

- All proposals for additions/disallowances of Rs. 5 lakh and above in Non-Metro charges and Rs. 10 lakh and above in Metro charges should be monitored by the Range Officers to prevent infructuous additions and consequent infructuous demand of taxes. The range heads, wherever necessary, must invoke their powers u/s144A to ensure quality of the assessment order framed.

The “Statement on Strategy of Assessment” of the Pr.CIT/CIT should be forwarded to the concerned CCIT by 30<sup>th</sup> of June 2016 who would review the same from time to time. The respective CCIT should also prepare his Statement on Strategy of Assessment for his CCIT region and forward the same to the Pr. CCIT.

### **3. Initiatives taken by the Board to improve upon quality of assessments:**

With the objective of bringing improvement in quality of assessments being framed, in recent years, Board has taken a number of initiatives. These are summarized as under:

- i. Selection of revenue potential cases for scrutiny has brought overall improvement in assessments as unimportant cases are filtered out in the selection process. Over the years, Board has devised system based methods for selecting cases for scrutiny which has substantially reduced the manual intervention in this process. As of now, bulk of the cases are selected through Computer Aided Scrutiny Selection (‘CASS’) after applying broad based selection filters and 360 degree data profiling while only a small numbers of cases are selected under the criteria – ‘Manual-Compulsory’ on the basis of predetermined parameters. Board has eliminated ‘Manual-discretionary’ method of scrutiny selection also, which had in the past led to complaints of harassment of tax-payers.
- ii. Board has laid emphasis on improving the quality of assessments by incorporating the strategy for ensuring quality in scrutiny assessment cases in the Central Action Plan document. Post-assessment, practice of review and

inspection has been standardized. Each CCsIT/DGsIT is required to forward to the concerned Zonal Member analysis of 50 quality assessments of his charge along with suggestions for improvement. Further, quality cases are being compiled and published annually which provides valuable guidance to the Assessing Officers.

- iii. To discourage Assessing Officers from making high-pitched assessments, Member (IT) issued a communiqué in November, 2012 to all Cadre Controlling Authorities wherein supervisory officers were advised to deal with such instances in an effective manner. Besides this the Board has issued Instruction No.17/2015 dated 9/11/2015 directing Pr.CCsIT to constitute a committee at his Headquarter consisting of PrCsIT and CsIT to deal with grievances related to the high-pitched assessments.
- iv. CBDT has vide Instruction No. 6/2009 directed that Range heads are required to effectively monitor cases during the progress of scrutiny assessment and in appropriate cases, may invoke provisions of section 144A of the I.T. Act to issue suitable directions to the Assessing Officer to enable him to frame a judicious order. Board vide Instruction dated 07.11.2014 in F. No. 279/Misc./52/2014-(ITJ) has reemphasized the fact that Range Heads are required to follow the said Instruction in letter and spirit and are also required to ensure that frivolous additions or high-pitched assessments are not made. Further, Principal Commissioners of Income-tax/ Commissioners of Income-tax are also required to supervise the work of their subordinates in this regard.
- v. System of Review (Instruction No. 15 of 2008) and Inspection (Instruction No. 16 of 2008) by the supervisory officers, post-assessment, is also used as an effective tool to monitor the quality of scrutiny-assessments being framed. Vide Instruction of the Board dated 07.11.2014, supervisory officers have been directed to ensure due follow up of these Instructions which have a vital bearing on capacity building of tax-administrators and improving quality of work.
- vi. Keeping in view the intent of the Government to usher in a non-intrusive system of tax administration, Board vide Instruction No. 7/2014 dated 26.09.2014 had directed that in cases selected for scrutiny assessment during the F.Y. 2015-16 under CASS on basis of AIR/CIB data/26AS mismatch, only those

specific aspects would be examined during scrutiny and wider scrutiny would be possible in such cases in exceptional circumstances only. This initiative reduced the instances of issuing non-specific queries in course of scrutiny proceedings and making frivolous additions. This initiative has been continued in the current year also.

- vii. It has been decided that for the financial year 2016-17, the quarterly targets for the disposal of scrutiny assessments are to be fixed by the Pr. CCsIT/CCsIT/ Pr.DsGIT/DsGIT concerned keeping in view the need to dispose of the cases in a staggered manner and ensuring quality in assessments as well as timely collection of regular assessment tax. The Pr.CCsIT/CCsIT are required to redistribute the workload wherever necessary
  - viii. In order to ensure greater accountability of Assessing Officers in assessment work, Board has revised the format of Annual Performance Appraisal Report (APAR) in which substantial weightage has been given to the handling of various aspects of assessment work by an Assessing Officer. These are required to be carefully and objectively filled by the supervisory authorities.
4. In addition to the above orders and directions of the Board, it is suggested that during the F.Y. 2016-17, adequate attention should be given to the following procedural aspects of assessment related work.
- All statutory notices and questionnaires should be served on the assessee in a timely manner in accordance with the prescribed procedures. Evidence of issue and service of all important notices must be placed on the assessment record. It is imperative that detail of notices issued earlier should be mentioned in the subsequent notices and assessment order.
  - The first detailed questionnaire under section 142(1) of the Income Tax Act, 1961 (Act) comprising relevant and case specific issues in scrutiny cases must be issued preferably by 30.06.2016 (in time-barring cases) and by 31.07.2016 (in non time-barring cases). It must be ensured that only relevant queries are made in the questionnaire. In the cases selected for limited scrutiny the AOs must follow the Board guidelines scrupulously. Further, the assessment proceedings should be conducted in a non-adversarial manner

in accordance with guidelines issued by the Board vide its instruction dated 7.11.2014 in F. No. 279/Misc./52/2014-15-(ITJ). During the course of scrutiny assessment proceedings, information regarding immovable and movable assets (including all types of Bank Accounts, deposits as well as Credit Cards) of the assessee concerned should be taken on record in accordance with Instruction No. 1937 dated 25.03.1996 of the Board. The supervisory authorities are required to ensure that the aforesaid Instruction is strictly implemented.

- Adjournment of hearing should be granted only for bona-fide reasons and in cases where there is deliberate non-compliance on the part of the assessee with the statutory requirements of assessment proceedings, appropriate action as per provisions of the Act must be taken.
- In order to reduce the time gap between the conduct of search and seizure operation and conclusion of assessments, the proceedings related to the search assessments must be initiated within one month from the date of receipt of the seized material/appraisal report by the Assessing Officer. Monthly review of the search assessment cases by the supervisory authorities may be made to expedite the completion of assessments in these cases. Further, as a general practice, efforts should be made to stagger passing of search assessment orders. The orders pertaining to the earlier six years should be completed in a phased manner while the assessment pertaining to the financial year in which search was conducted may be finalized subsequently.
- The cases for survey should be selected after due-diligence and the surveys must be conducted professionally in a transparent manner. It is imperative that survey reports are submitted in a timely manner and should clearly identify the issues requiring further examination in assessment proceedings. It is suggested that regular feedback between assessment charges and TDS charges will be helpful in identifying the potential cases.
- In the cases of revenue audit objections the Circular No. 8/2016 dated 17/03/2016 modifying Instruction No.9/2006 should be strictly followed and wherever required remedial actions should be taken strictly as per the

- timelines given therein and all efforts should be made for early completion of these cases and recovery of taxes within the Financial Year itself. In the cases of internal audit objections, the existing guidelines should be scrupulously followed.
- While disposing of objections to notice u/s 148 seeking to re-open an assessment, the Assessing Officer should pass order while keeping in mind various judicial pronouncements in this regard and indicating due consideration of the issues involved including the objections with reasons in support of his/her conclusions.
  - References for special audit u/s. 142(2A), Valuation etc. should be made by 31.08.2016 in respect of time-barring cases so as to ensure proper followup in such cases.

#### **5. General guidelines vis-a-vis assessments related to search assessments.**

- i. The assessments relating to/arising out of search operations (hereinafter referred as Search Assessments) be initiated within one month from the date of receipt of seized material/appraisal report.
- ii. The pendency of search assessments is to be reviewed every month and necessary corrective actions are to be taken to expedite completion of assessments
- iii. Endeavour should be made to reduce the time gap between search operation and conclusion of search assessments.
- iv. The practice of keeping assessment proceedings in respect of all the 7 AYs relating to search pending till the time barring date is to be avoided. The assessments, except in respect of A.Y. related to the F.Y. in which the search was conducted, should be completed in a phased manner without accumulating them till time barring date.
- v. General tendency of keeping the Penalty and Prosecution proceedings pending till the finalization of all appeal proceedings is to be avoided. Penalty and Prosecution proceedings in respect of issues on which AO has conclusive evidence and which satisfy the ingredients of relevant provisions of the Act should be taken up immediately without waiting for the outcomes of appeals.

## **6. Making requests for information/evidence available in a country/ jurisdiction outside India.**

(a) The Assessing Officer while making an inquiry for the purposes of assessments may require information which is available in a country or jurisdiction outside India. He cannot obtain this information since the powers of Income-tax Authorities cannot be exercised beyond India's territorial jurisdiction. In such cases the information/evidence can be gathered by making a request to foreign tax authorities under the provisions of tax treaties i.e. the Double Taxation Avoidance Agreement (DTAAs), Tax Information Exchange Agreements (TIEAs), Multilateral Convention on Mutual Administrative Assistance in Tax Matters and SAARC Limited Multilateral Agreement. India has one or more of such treaties with more than 130 countries/jurisdictions including well-known offshore financial centres.

(b) This request for information should be made through the Indian Competent Authority, which for the purposes of tax treaties are JS (FT&TR-1) for countries in North America (including Caribbean) and Europe and JS(FT&TR-II) in case of rest of the world.

(c) The Manual on Exchange of Information provides guidelines for making requests under the tax treaties including the types of information which is available in the other country/jurisdictions including identity and ownership information of legal entities and arrangements, accounting information, banking information and information available with tax administration. The Manual also provides guidelines for providing clarifications requested by the foreign authorities and utilizing the information received effectively. Guidelines for maintaining confidentiality and data safeguard as per provisions of the treaties have also been provided in the Manual.

(d) To ensure quality in assessments, the Assessing Officers should make requests under the provisions of the tax treaties in all appropriate cases where the information/evidence is likely to be located in a country/jurisdiction outside India. The information received would not only be useful for the purposes of detecting tax evasion and avoidance but may also strengthen the evidence already available with him. If a clarification is requested by the foreign tax authorities the same should be immediately attended to and after completion of the assessment, feedback on the usefulness of the information should be provided.

## B. STRATEGY TO ADD NEW TAX PAYERS

### Background

1. Revenue augmentation through Widening of tax base has been a constant endeavour of the Income Tax Department. Organized data collection in the department is mainly through following methods:
  - i) Electronic filing of IT returns and forms (e-filing).
  - ii) Submission of TDS/TCS statements by deductors in electronic form (eTDS).
  - iii) Making it mandatory for various agencies to furnish Annual Information Return (AIR) for specified transactions.
  - iv) Collection of information from third parties under Approved projects of I & CI.
  - v) Compulsory quoting of PAN for certain specified transactions.
2. Availability of information in electronic form provided an opportunity to the Department to develop information driven approach to improve compliance.

### Objective

3. The objective of widening the tax base is effective utilization of information to widen the tax-base and collection of taxes. The potential target segment consists of the following category of persons:
  - i) Some tax collected but no return filed.
  - ii) No tax collected, no return filed, some PAN linked information.
  - iii) No tax collected, no return filed, no PAN linked information, some non-PAN information.

## Key Result Areas

4. The key result areas for widening of tax-base are as under:
  - i) Devise and pursue region specific strategies.
  - ii) Effective collection of information about high value transactions.
  - iii) Efficient handling of information without valid PAN.
  - iv) Improving compliance to TDS/TCS Provisions.
  - v) Promote voluntary compliance.
  - vi) Ensuring compliance from identified non-filers through various methods
5. The main action points under above key result areas are discussed in following paragraphs.

### Devise and pursue region specific strategies

6. The PCCsIT/CCsIT/DGsIT should devise and pursue region specific strategies to widen the tax base. Action points in this area include the following:
  - i) Identification and pursuing potential taxpayers - Professionals, Businesses, Employees
  - ii) Identification of new data sources with widening and deepening potential by PCCsIT/CCsIT/DGsIT and communication of the same to the DGIT(I&CI). This is in addition to data sources identified by the DGIT(I&CI)

### Effective collection of information about high value transactions

7. Income Tax Department has been collecting information about high value transactions under AIR/SFT scheme. CIB module is now closed. Data can be collected through Approved projects. Action points in this area include the following:
  - i) Timely collection and uploading of information/data collected through

approved projects by DGIT(I&CI)

- ii) Action on AIR/SFT filers by DGIT(I&CI) for non-submission or submission of inaccurate statement

### **Efficient handling of information without valid PAN**

8. One of the main challenges of information collected under AIR Approved projects of I&CI frame-work is inability of the department in making use of information without valid PAN. Action points in this area include the following:

- i) Identification and prioritization of reporting entities submitting non-PAN AIR transactions
- ii) Follow-up with identified financial institutions for submission of revised data with PAN by DGIT(I&CI)
- iii) Migrate dissemination of non-PAN data from CDs to online platform. PCCsIT to decide whether action through Jurisdictional AOs or special units.
- iv) Preparation of Pin code jurisdiction mapping directory for bulk dissemination of non-PAN data by Pr. PCCsIT.
- v) Bulk Dissemination of non-PAN data (with value based categorization) having sufficient address information using dictionary using online platform
- vi) Follow-up with transacting parties for verification
- vii) Population of PAN in non-PAN information

### **Improving compliance to TDS/TCS Provisions**

9. TDS/ TCS statements provide valuable information about specified payments. Action points in this area include the following:

- i) Identification and prioritization of Deductors which have not filed TDS return, by the Systems Directorate

- ii) Follow-up with Deductors for submission of TDS Return by TDS AOs
- iii) Identification and prioritization of Deductors which have not submitted transactions involving non-deduction/ lower deduction (Form 15 G/15H) by the Systems Directorate
- iv) Follow-up with Deductors for submission of transactions involving non-deduction/ lower deduction by TDS AOs

### **Promote voluntary compliance**

**10.** Income Tax Department has taken several e-Governance initiatives for improving the quality of tax payer services and promoting voluntary compliance. Action points in this area include the following:

- i) Display of transactions in TDS/TCS statement and AIR information to taxpayer in 26AS
- ii) Sending reminders (E-mail/SMS) to persons who had filed return earlier but have not filed return in the current year

### **Ensuring compliance from identified non-filers**

**11.** The Non-filers Monitoring System (NMS) was implemented as a pilot project to prioritize action on non-filers with potential tax liabilities. Data analysis was carried out to identify non-filers about whom specific information was available in AIR, data and TDS/TCS Returns. The number of non-filers with potential tax liabilities identified in various NMS cycles is as under:

- i) NMS cycle 1 (2013): 12.19 lakh
- ii) NMS Cycle 2 (2014): 22.09 lakh
- iii) NMS Cycle 3 (2015): 44.07 lakh
- iv) NMS Cycle 4 (2015): 58.95 lakh

**12.** Following steps have been taken:

- i) Rule based algorithms were applied to classify the cases as P1, P2,

- P3, P4 and P5 priority ratings (P1 being the highest priority) for graded monitoring.
- ii) Bulk letters were sent to PAN holders communicating the information summary and seeking to know the submission details of Income tax return.
  - iii) An online monitoring system was implemented to ensure that information related to non-filers is effectively used by the field formation.
  - iv) Standard Operating Procedures (SOP) was issued to ensure that the field formations maintain consistency in their approach.
  - v) 'Compliance' module was developed on the e-filing portal and information related to non-filers was made available to the specific PAN holder. SMS and email were sent to the target segment asking them to access e-filing portal. The PAN holder is able to provide details electronically and keep a printout of the submitted response for record purposes.
13. Ensuring compliance from identified non-filers with potential tax liabilities is key to widening of tax base. Standard operating procedure to ensure that field formations maintain consistency in their approach in dealing with NMS have been issued vide CBDT Instruction No.14/2013. The SoP is being revised. However, till such revision, Assessing Officers are required to adopt the procedure prescribed in the above instruction, salient features of which are as under:
- i) The Assessing Officer should issue letter to the assessee within 15 days of the case being assigned in NMS, seeking information about the return of income flagged in NMS. Facility to generate such letter has been provided in the NMS module of *i-taxnet*;
  - ii) If the letter is delivered, the Assessing Officer should capture the delivery date in the NMS module;
  - iii) If the letter is not delivered, the Assessing Officer should issue letter to the alternate addresses of the assessee available in the Online Monitoring

System or any other address available with the Assessing Officer through field enquiries or otherwise. All addresses used in IT Return, AIR, databases have been made available to the Assessing Officer in the Online Monitoring System to assist the field formations in identification of current address of the taxpayer;

- iv) If the return is received, the Assessing Officer should capture the details in AST within 15 days of filing of the return. If the assessee informs that paper return has already been filed which was not captured in AST, the details of return should be entered in AST module within 15 days of receiving such information. The e-filed returns will be automatically pushed to NMS;
- v) If no return is required to be filed in a case (non-resident etc.), the Assessing Officer should mark “No return is required” and mention remarks in NMS which need to be confirmed by the Range head;
- vi) If the Assessing Officer is not able to serve the letter and identify the taxpayer, he/she should mark “Assessee not traceable” in NMS which needs to be confirmed by the Range head;
- vii) In cases where the assessee has been identified and no return has been filed within 30 days of the time given in the letter, the Assessing Officer should consider initiation of proceedings u/s 142(1)/148 in AST;
- viii) The cases will be processed every week by the Directorate of Systems and will be marked as ‘closed’ in NMS if one of the following actions are taken:
  - a. Details of return are available in AST/e-filing
  - b. Notice u/s 142(1) or 148 has been issued in AST
  - c. “No return is required” is marked by the Assessing Officer and confirmed by the Range head.

## Penalty & Prosecution

14. Action under sections 271F (penalty for non-filing of return of income) and 276CC (prosecution for non-filing of return of income) should be taken in appropriate cases. Systems Directorate has shared the list of cases, for further processing u/s 276CC. The PCIT/CIT concerned has to examine every such case of non-filer to arrive at a decision whether a particular case was fit for prosecution under section 276CC. If so, further necessary action is to be taken expeditiously. This exercise will help in conveying a strong message and assist in improving overall compliance to Direct Taxes laws.

## C. STRATEGY FOR TAX DEDUCTION AT SOURCE

### TAX DEDUCTION AT SOURCE

TDS is a non-obtrusive but powerful instrument to prevent tax evasion as well as to expand the tax net. TDS also minimizes tax avoidance by the taxpayer (income earners), as the payee's transaction(s) are reported to the Department by a third person. The contribution of TDS to the overall gross direct taxes collections during FY 2015-16 was Rs. 325000 crore (Provisional) with a growth of 11.64% over an amount of Rs. 2,91,096 Cr collected during FY 2014-15. TDS contributes 37% to the gross direct taxes collections, emphasizing its ever growing importance.

The strategy to augment revenue through TDS ought to be, a mix of enforcement, capacity building (external and internal) and leveraging of information that is now available with the Department through the CPC(TDS).

#### A. CAPACITY BUILDING:

##### A:1 TDS Conferences /Meeting of Stakeholders:

Capacity building of deductors and AIN holders regarding awareness of latest updates in legal provisions and technology driven processes is paramount to ensure improved TDS compliance. Further, the taxpayers get adversely impacted due to incomplete and incorrect reporting by the deductors. Accordingly, it is vital to educate the deductors and other stakeholders in this regard through conferences/seminars/workshops.

##### A:2 Corporate connect for TDS Compliance:

–“Corporate connect for TDS compliance” has *yielded significant results in improving the TDS compliance behavior by banks and big corporates having multiple TANs and a large number of branches. The attempt is to make the*

**“Principal Officer” of the corporate entity aware about the TDS defaults being committed by underlying branches.** The thought behind the exercise is to impress upon the Head office that any default on part of branches and consequential interest, penalty is ultimately the liability of the corporate.

A comprehensive view is available to the corporate entity (at PAN level) that displays TAN-wise defaults / compliance patterns for different years. This view is available to the corporates online under the heading ‘**Aggregated TAN compliance**’ on the portal of the CPC(TDS) [TRACES]. The FY-wise comprehensive view of defaults is also available in ‘Part G’ of Form 26AS of the PAN of the respective corporate.

The CsIT(TDS) may, therefore, organise workshops with big corporates/banks with large number of TANs to sensitize the ‘Principal Officers’ of respective corporates/banks about various defaults being committed by their branches. **The corporates have to be sensitized that the defaults committed by branches have implications on the ‘Total Income’ of the corporate entity** in view of section 40(a)(ia) of the Act and also the fact that interest u/s 201(1A), fee u/s 234E do not qualify for deductions. The defaults also attract prosecution action against the deductor. The corporates can also be sensitized about the fact that the defaults on their part also impact their clients as they are unable to get credit in their Income Tax Returns.

In the workshops, a detailed presentation can be made highlighting various functionalities being provided to the deductors and various types of TDS defaults (some of which are listed below) :-

S. No.	Type of TDS Defaults	Implication
1	Non filing / late filing of TDS Statements	Levy of fee u/s 234E of I.T. Act (no provision for appeal or waiver and not allowable as deduction)
2	Reporting incorrect and invalid PANs in the TDS statements	26AS statement and TDS certificate will not get generated for such transactions. Corresponding deductees are not able to take credit in the respective ITRs.

3	Reporting incorrect but valid PANs in the TDS statements	Downloading of incorrect TDS certificate due to which corresponding deductees are not able to take credit in the respective ITRs.
4	Short deduction / late deduction / short payment/ late payment etc.	Liability for interest u/s 201(1A) & principal default amount. The interest for late payment does not qualify for deduction while computing income.
5	Incomplete and incorrect information in point 27 of Tax Audit Form 3CD.	Penalty and prosecution under various provisions of the Act
6	Filing of TDS statements with incorrect/ incomplete particulars and subsequent filing of correction statements with C9 correction.	Prosecution u/s 277 of the Income Tax Act
7	Non reporting of 15G/15H transactions in the TDS Statements	Implies furnishing of incomplete/ incorrect particulars which may result into appropriate action under the Income Tax Act

**Corporates may be requested to insist that their auditors file correct & complete audit report with reference to TDS defaults (point 27 of FORM 3CD) after duly incorporating the facts & figures available under 'Aggregated TDS Compliance' on the CPC(TDS) portal.**

Some instances have been noticed where branches have multiple TANs, due to which TDS statements are not being filed on some of the TANs. These **duplicate TANs need to be identified** and appropriate action taken.

**CDs containing e-tutorials may be given to the participants.** The e-tutorial may have information on objectives and functionalities available to the deductors on TRACES [CPC(TDS) portal], various Forms and due dates, *Do's and Don'ts* regarding filing of regular statements, types of corrections, guidelines for filing correction statements and useful links to FAQs with a request that they may be further disseminated to all branches.

### **A:3 Sharing of Quality work/new issues with counterparts across the country:**

**Synergy amongst various TDS units across the country promises to enhance the overall performance.** An issue identified by one TDS charge can be replicated through proper communication to other charges. The CPC(TDS) *has introduced* a platform to ensure that the quality work done in one corner of the country becomes a force multiplier and gets replicated across the country.

The platform so introduced *provides* for the field officers to log in quality work on the TRACES portal itself. The quality work that may pertain to unearthing new area(s) involving non deduction of tax, interpretation of TDS provisions, recovery of TDS, interpretation of Court cases and implementation thereof etc. *can* be logged into the AO portal of the CPC(TDS) by respective field TDS officers. This shall be visible to all the TDS officers across the country who can then take guidance from such work and explore the possibilities of replicating the same in their area.

### **A:4 Connect with Professionals/ Chartered Accountants :**

To have a comprehensive capacity building plan, it is important to include the professionals who are engaged in conducting revenue audit of the respective principal corporate entities to whom the deductors are mapped. As has been indicated in section A:2 (*Corporate connect for TDS compliance*), as against past years, it is now possible to integrate defaults / compliance of each of the deductors mapped to a PAN.

**This is important from audit viewpoint and for reporting TDS compliance in Form 3CD.**

The CIT(TDS) should hold separate conferences with the tax professionals to impress upon them the above issue and to sensitize the auditors about the implications involved. The auditor ought to make sure that:

- a. The default interest(s)/ late filing levy etc. are not claimed as deductions;
- b. Disallowance u/s 40(a)(ia) ought to be quantified keeping in view the TAN wise defaults reflected in the Form 26AS of the 'principal' PAN also;

**A:5 Exchange of notes between field TDS officers & the CPC(TDS):**

Since technology driven solutions from the CPC(TDS) form an integral part of the overall TDS administration, it is important to ensure that there is a regular communication between the field officers and the CPC(TDS). Such **interactions may take place on quarterly basis through video conferencing or other facilities**. Further, to ensure that the field officers understand the solutions offered through the CPC(TDS), training sessions for two young officers deputed in each **Pr. CCIT** charge shall be done at Vaishali. These officers would then act as trainers for the other officers/officials of the respective TDS charge.

CPC-TDS has initiated con-call on every second and fourth Tuesday of the month to address queries of the field authorities regarding technology driven processes. Field authorities need to make the best use of this facility.

Concept of nominating one nodal officer at each station has been introduced last year. The idea behind the same is to facilitate deductors in proper understanding of technical processes and to provide handholding to effectively utilize the e-enabled services. CPC-TDS will impart requisite training to such nodal officers on quarterly basis. CPC-TDS has earmarked one inspector at CPC-TDS as the contact person for each CIT(TDS) charge to facilitate the capacity building of field officers.

**B: CASH COLLECTION/REDUCTION OF SELECT DEFAULTS:****B:1 Demand generated by the Systems/CPC(TDS):**

**The CPC(TDS) has comprehensive data of defaults for all the statements filed for FY 2007-08 and onwards.** Further, it has now developed a mechanism to:

- i) Identify deductors having various defaults including top deductors having defaults;
- ii) Notify the deductors about the reasons of determining defaults through online justification reports - from FY 2007-08 onwards;

- iii) Facilitate resolution of defaults viz. short payment, late payment interest, late deduction interest, late filing fee etc.

With the facility to file corrections both - online and offline (through NSDL), available to the deductors and the capacity to process the correction statements within 4 - 5 days of their receipt in the CPC(TDS), it is **possible to resolve the demand expeditiously**.

The default data with the CPC(TDS) reflects that substantial demand on account of short payment, short deduction, late payment interest, late deduction interest, interest u/s 220(2), late filing fee etc is outstanding against the deductors. The default data indicating demand outstanding as on 01.04.2016 is as under:

**Demand outstanding as on 01-Apr-2016 at all India level**

<b>Default Type</b>	<b>Amount (INR in Crores)</b>
Short Payment	8,241.49
Short Deduction	19,862.98
Interest on Payment & Deduction Defaults	12,704.00
Late Filing Fees	3,886.70
Interest u/s 220(2)	136.04
<b>Total CPC + System Generated Demand</b>	<b>44,831.21</b>
Manual Demand	17,401.93
<b>Total Demand</b>	<b>62,233.14</b>

*The AO wise details of above demand are available at AOs Portal of CPC (TDS).*

Huge demand lying in the records is a cause of concern and is also an opportunity to augment revenue collections. There may be some reason for not pursuing the demand relating to 'Short deduction' as the deductee may have paid the taxes. However, other defaults, particularly of short payment, late payment interest, late deduction interest,

late filing fee, interest u/s 220(2) are clearly liabilities of the deductor that have arisen based on the information furnished in the respective statements and corresponding matching with the challans reported by the banks must be acted upon appropriately.

The CPC(TDS) has matched challans even with *relaxed match logic*. Further to make the process of matching the challans simpler, online facility is available on the portal to match/tag the challan. The field officers should, therefore, ensure that the resolution/matching is done during the financial year itself.

**Relevant MIS reports available on the AO portal of CPC (TDS):**

The CPC(TDS) facilitates identification of deductors through comprehensive MIS that is available to the field TDS officers from the level of the CIT to the Assessing Officer. Some of the important MIS reports, available to the field officers on the Assessing Officer portal of the CPC(TDS), that would be of help to the field officers in resolution of demand are:

- i) **Defaulters report** : Gives view of various defaults pertaining to deductor (s) across the financial years. The report can be viewed Default-wise, TAN wise, FY wise etc.;
- ii) **Unconsumed challans report** : The report gives 360 degree view of cases where short payment default is identified and informs whether any challan is available for matching.

**B:2 Demand lying in the Manual Registers of TDS officers**

The field officers have been raising the demand manually on account of orders u/s 201 (consequent to survey/ spot verifications), penalty, compounding etc. The deductors may have paid some of the demand for which challan is lying in the system. The manual demand raised has since being uploaded to CPC(TDS). **Henceforth, all the demand should be entered on the AOs portal of the CPC(TDS) only.** The TDS Officers should make efforts for maximizing collection/reduction of the manual demand uploaded on the CPC(TDS).

**C: RECONCILIATION of TDS (reported by State Govt. AINs) & AMOUNT DEPOSITED BY RESPECTIVE STATE ACCOUNTANT GENERAL for FY 2014-15 & earlier years**

There was **short payment/ mismatch of TDS amount by various State Governments**. The mismatch can be attributable to any of the following:

- i. There is actually a gap between the tax that has been deducted by the deductors and the tax remitted to the Central Government by the respective State Accountants General; and/or
- ii. The respective Accountants General have committed errors in filling Assessment Year while remitting the tax; and/or
- iii. The Principal Accounts Officers (AINs) have reported wrong TDS against the respective DDOs that are mapped to them.

The gap, as outlined above can only be reconciled by the field officers through spot verifications. Since the revenue involved is substantial, the exercise may be carried out for **FY 2015-16 & earlier years**. In case there is a mistake in reporting the Financial Year in the challan, the same can be changed by the TDS Officer through '*challan correction mechanism*'. In case there is an error in reporting of TDS by the Principal Accounts Officer, the same is required to be corrected through filing of correction statement, as otherwise wrong BIN would be generated. **This exercise would help in identifying the amount that is collectible for the respective Financial Years.**

**D: ISSUANCE OF CERTIFICATES UNDER SECTION 197 OF THE INCOME TAX ACT**

The data in the system reflects that the certificates under section 197 of the Income Tax Act are being issued even in cases of those PANs where:

- i. There is an existing liability under the Income-tax Act including short payment or interest / late filing default; and/or
- ii. The PAN holder is a non-filer of the Income Tax Return; and/or
- iii. The case does not fall within the conditions prescribed u/s 197 i.e. where the income is taxable and TDS is being substituted by payment of advance tax;
- iv. The '*tax foregone*' is very substantial.

It is, therefore, suggested that due care has to be exercised while issuing these certificates. Further, to ensure better compliance, the field officers may ensure that the existing liability is either liquidated or the applicant has made sufficient arrangements for payment of such liability. The CPC (TDS) has introduced a new feature in Form 26 AS as Part-G showing various TDS demands of the concerned PAN (including of TANs mapped with that PAN). Also, **'Aggregated TDS Compliance' view is available to field TDS Officers on the AOs Portal of the CPC(TDS) for this purpose. In addition, IT demand outstanding against PAN of the applicant is also available on the system.** This feature will help the AOs in visualizing the demands against the tax payer, which may be used for recovery and also while considering issuance of certificate u/s 197 of the Income Tax Act.

## E. ENFORCEMENT ACTIONS

### E:1 Surveys / Inspections:

Surveys / Inspections are effective tools for detection of non-compliance in TDS/ TCS. It also helps in identifying defaults u/s 40(a)(i)/(ia)/(iii) of the Income Tax Act - an information that can be passed on to the A.O. of the deductor.

CPC (TDS) would regularly provide useful reports/ inputs to field officers which may be used for identifying survey / inspection cases. The Standard Operating Procedure (SOP) for selecting a case for survey / spot verification could be as follows:-

- i. Cases in prosecution list (Cases where TDS/TCS withheld after deduction);
- ii. Trend of TDS payment in stark contrast to other deductors in similar business;
- iii. Cases showing negative trend in payment (under a particular Section as compared to preceding FY);
- iv. Tax evasion petitions (regarding non deduction of TDS);
- v. Cases reported by the Assessing Officer with huge disallowance u/s 40(a)(ia) of the Income Tax Act;

- vi. Habitual late filers/non filers of TDS Statement (late filing/non filing is closely linked to late payment or non/short deduction);
- vii. Negative growth in TDS payment as against healthy growth in Advance tax payment;
- viii. Cases of sick units or units with negative operating margins (as indicated in Audit report u/s 44AB of the Act);
- ix. Grievance petition filed by the deductee;
- x. Analysis of newspaper reports/information available through internet;
- xi. Analysis of case laws decided in favour of Revenue.

## **E:2 Initiation of Prosecutions & Disposal of Compounding Applications:**

There are a number of cases where the deductors have failed to pay the TDS/ TCS or have kept the amount with them & paid such amount after substantial time into the credit of the Central Government as required in Chapter XVII-B. Initiating prosecution in these cases is an effective deterrence to non-compliance of TDS/TCS provisions.

As per the Income-tax Act, all cases wherein TDS/TCS is made but not deposited within the due date, as prescribed, are punishable u/s 276B / 276BB or 278A for second and subsequent offences.

Adequate publicity in local newspapers could be given to the action taken on Prosecution & also acceptance of compounding proposals, as this would prompt other defaulters to come forward with compounding proposals.

## **E:3 Penalty u/s 271C for failure to deduct whole or any part of TDS:**

On the spot verifications including surveys reveal that either the deductor has not been deducting the tax at all or has been deducting at low rates. In appropriate cases, initiation of penalty proceeding u/s 271C is warranted to dissuade the deductor from indulging in such exercise that has a direct bearing on tax revenue. The CPC(TDS) gives a detailed list of deductors in whose case short deduction demand has been raised. The TDS officers are advised to look into such cases, also besides spot verification cases for initiation of penalty proceedings.

**E:4 Tax Default Reports (TDRs):**

The CPC(TDS) shall compile information about the compliance of the deductor in terms of filing of TDS statements, payment of taxes, reporting of inconsistent data and default patterns. On the basis of this compilation 'Tax Default Report' for a TAN (deductor) would be made available to the field TDS Officer for examination and further follow up, as deemed fit. **The reports can also be of assistance to pick up cases for verifications/surveys/prosecutions.**

**E:5 Reporting transactions with "High Value" under 'PAN NOT AVAILABLE':**

A large number of instances have been noticed where the deductors are making PAN errors in the deductee rows in the TDS statements by way of either mentioning 'Invalid PANs' or 'PAN not available' in the corresponding column. **Accordingly, CsIT (TDS) may advise the deductors to insist upon furnishing of valid PAN by the taxpayers in case of high value transactions. Deductor-wise list of transactions is available as MIS on the AOs portal of the CPC(TDS) -[please see 'PAN error' report & 'Deductors with highest no of PAN errors' report.]** Pursuance of these cases could result in minimizing TDS mismatch cases on the one hand while helping in identification of new assesseees on the other, thus augmenting revenue.

**E:6 Action on information of Defaulters available in 3CD Reports :**

**In online 3CD Reports, the information is available on non deduction, short deduction, failure to deduct, failure to deposit, short deposit and delay in deposit. Moreover, the information of failure to deduct and lower deduction under wrong section is not available in TDS statements. Therefore, the data of 3CD reports is very useful. Action can be taken in this regard by the AOs to boost revenue and improve compliance.**

**E:7 Action on defaults in immovable properties transactions based on AIR Information:**

Data of sale of immovable properties over threshold limit from AIR returns can be matched with transactions on which TDS has been deducted u/s 194IA of the Income Tax Act to generate list of defaulters, on which action can be taken by TDS AOs.

## F. ACTION AGAINST NON-FILERS

Non-filing of TDS statements results in consequential mismatch of TDS in the case of deductee taxpayers. The CPC(TDS) shall provide a window to the taxpayers to flag non-compliance on the part of the deductor. This feedback shall be made available to the relevant field TDS officer for further action. List of non-filers of TDS statements would also be available to the field TDS Officers on the MIS section of the AOs portal.

## 2. SOLUTIONS in addition to TECHNOLOGY IN TDS ADMINISTRATION

### G. MONITORING OF TDS & DEDUCTORS --- Based on MIS available on TRACES portal

- i) **Monitoring of TDS statements of top 100 deductors** vis-a-vis the deduction made by them in the corresponding period of the previous FY by each AO TDS in their respective charges. Cases of decrease in TDS payments, noticed during a particular period, as compared to the preceding year, could be a possible trigger for initiating pro-active measures.
- ii) **Monitoring compliance in filing of Form 24G by the PAO / Treasury Officers** (the AIN holders) would also sensitize them towards dissemination of BIN to the Govt. deductors. The 24G Statements filed by the AIN holders could be utilized to issue notices to Government deductors to file their TDS statements in time.
- iii) **Monitor timely receipt of TDS payments of State Government through Accountant General**, as it has been the experience that either there is delay of more than two months on part of the A.G. office to issue draft for the TDS made by the DDOs in the State Government or no payment at all is made in few cases.
- iv) **Monitoring of Monthly TDS remittance from salaries** is required, both from the private sector as well as Government Departments.
- v) Monitoring of top 100 deductors who are in the habit of late deposit of tax deducted at source

- vi) Monitoring of top 100 deductors with negative growth or lower than average growth in TDS collection
- vii) Monitoring of top 100 deductors with maximum amount of unconsumed challans
- viii) Monitoring of top 100 deductors with maximum number of PAN errors
- ix) Monitoring of top 100 deductors with maximum amount of TDS default (short payment/late payment interest/late filing fee)

## H. IDENTIFYING AREAS OF NO / LOW DEDUCTION

### H:1 TDS compliance w.r.t. State Governments:

- i. To collect information from the State Government about the Plan Outlay of all major contracts in the various departments and monitor TDS payments from the same and also the sub-contracts involved therein.
- ii. While it is settled law that State Government undertakings are separate legal entities than the State and are therefore, liable to Income-tax. It has been observed that the Banks have been defaulters in non-deduction of TDS on interest to these State Governments PSUs, Corporations, Autonomous Bodies and Development Authorities. This area needs sensitization and education of deductors.

### H:2 Probable cases of non-deduction / short-deduction:

- i. In order to augment TDS from salaries, the focus should be on top Companies / PSUs / large employers where **a look at the entire compensation structure of top executives is required with a view to examine the nature of allowances/ perks & reimbursements** made to them. The treatment of employees as consultants also needs to be probed.

- ii. TDS on **payments to sub-contractors by infrastructure companies and catering contracts in Star hotels** is another new area worth monitoring.
- iii. E-commerce has emerged as a huge business in the past few years. This involves advertisement on the websites/portal of various organized and unorganized agencies, payments for job work - building website, translation of pages, data entry of text, research etc. This area promises to yield significant revenue.
- iv. Large scale non compliance of TDS Provisions by local bodies (especially Panchayats) has been noticed in some regions. A special drive to ensure compliance by the local bodies can be helpful in boosting revenue. Such drive can have three-pronged strategy to ensure (i) that all local bodies having liability to deduct TDS obtain TAN (ii) coordination with their administrative department and special drive for their education and (iii) spot verification.
- v. Collection of tax at source is now applicable at the rate of 1% from the purchaser; on sale of motor car with value exceeding Rs. Ten Lakh, sale of any any goods (other than buillion and jewellery which are covered hitherto) to provision of services (other than payments on which tax is deducted at source under Chaper XVII-B) with consideration exceeding Rs. Two Lakhs. (The above amendments will take effect from 1<sup>st</sup> June 2016).
- vi. A new levy called as the 'Equalization Levy' has been introduced in this budget which mandates that a person making payment to a nonresident, not having a permanent establishment in India, exceeding an aggregate amount of Rs. 1 lakh in a year, as consideration for specified services, will withhold tax at 6% of gross amount paid, as Equalization Levy and pay the same to the Government, similar to tax deducted at source.
- vii. Lastly, Standard Operating Procedure (SOPs) for administering TDS incorporating the re-engineered processes circulated by the CPC-TDS should be adhered to.

## D. STRATEGY FOR IMPROVING ADVANCE TAX COLLECTION

As per the provisional figures, during Financial Year 2015-16, advance tax contributed Rs.3,56,601 crore to the overall gross direct taxes collection of Rs. 8,66,851 crore. In comparison to F.Y. 2014-15, this marks an increase of 7.81% over previous year collection of Rs. 3,30,768 crore. Further, under the Major-head 'Corporate tax', the advance tax collection was Rs. 2,95,579 crore as against the collection of Rs. 2,74,066 crore under the same head during the F.Y. 2014-15. This amounts to a growth of 7.85%. Advance tax collection under the head 'Income Tax' for F.Y. 2015-16 was Rs. 61,019 crore as against Rs. 56,687 crore for F.Y. 2014-15 which is a growth of 7.64%.

2. The overall contribution of advance tax with respect to the gross direct taxes collection for F.Y. 2015-16 is 41.13%. Data of advance tax payments by the top 1000 advance tax payer companies of the country shows that the contribution of these corporate to the overall corporate advance tax collected during F.Y. 2015-16 is about 76.01%. Therefore, monitoring of the advance tax payment by the Corporates should be one of the major focus areas of the field formations, i.e. – PrCCsIT/DsGIT/CCsIT and below, for achievement of the budgetary target.

2.1 It is expected each authority in the field formation should monitor at least some top cases within their jurisdictional areas, in both the categories – Corporate and Non-corporate. The number of cases that must be monitored by different levels of authorities should be – ITOs 25 cases, DCsIT/ACsIT 50 cases, Addl/JCsIT 50 cases, CIT 100 cases, DsGIT/CCsIT 100 cases. In case of Principal CCsIT such monitoring should include the top 100 cases of their Regions.

3. Board guidelines for increasing advance tax collection that can be followed by the field authorities are as below:

- Following upon recent amendments in the Act that have advance tax connotations:
  - As per provision of section 43CA of the Income-tax Act, 1961, Real Estate companies have to be assessed on a turnover (based on stamp duty value or circle rate) in respect of all transactions relating to land

- or building or both. This will have an impact in case of Real Estate developers and traders in India where immovable property is kept as stock-in-trade;
- In case of Individual & Hindu Undivided Families, as per amendment to Section 56, any property acquired at a price lower than the Circle Rate, is treated to have been received for inadequate consideration and the balancing amount is the income of such person. This will have consequences for advance tax incidence. Where the consideration for shares received is more than the face value, the difference is taxable u/s 56(2)(viib) from the F.Y. 2012-13 as income from other sources in the case of a company in which the public is not substantially interested;
  - Corporate are liable for Minimum Alternate Tax (MAT). Similarly non-corporate entities like limited liability partnership, etc. under certain specified circumstances, are liable for Alternative Minimum Tax (MAT). These should be monitored for advance tax payments. Specifically Banks, State Power Generation, Mining sector and Transmission utilities maybe closely monitored;
  - Practice of deferring advance tax payments and payments of tax as Self-Assessment Tax should be watched. Recourse to provisions of section 210 of the Income-tax Act, 1961 may be taken up in such cases, if necessary;
  - The quarterly Financial Statements of large and medium corporations available in the Public domain under the Companies Act should be examined and co-related with the advance tax paid by them for the relevant quarter;
  - Information furnished to the field formations by I & CI Directorate and Systems Directorate should be pursued vigorously, especially in cases of invalid/no-PAN AIR transactions;
  - Cases where substantial additions were made and confirmed in appeals should be identified, and such assesses should be persuaded to pay the additional tax on similar issues as advance tax. Here also, recourse to issue of notice u/s 210 may be taken if necessary;

- Sectorial analysis of the growth trend of various industries should be done and individual cases showing large variation should be monitored. Focus should be on sectors which have shown signs of turnaround.
  - Analysis of survey cases of part 5 years where additional income was detected could be useful. It should be examined whether there has been an increase in advance tax for subsequent years since the survey;
  - As per Section 40(a)(iib), any amount paid by way of royalty, license fee, privilege fee, service charge or any other fee or charge or by whatever name called which is levied exclusively on or is appropriated directly or indirectly) from a State Government Undertaking (defined therein) by a State has been brought to tax. The same will have Advance tax connotations and need to be monitored.
  - The PrCCsIT/CCsIT/PrCsIT/ should identify companies and funds in their charge, which are liable for Dividend Distribution Tax as per the provision of section 115O and monitor timely payment of tax for the current year.
  - By Finance Act, 2013, Commodities Transaction Tax has been introduced on sale of commodity derivatives. Jurisdictional PrCCsIT/CCsIT should list the Recognized associations within their region and monitor collection & deposit of CTT by them;
  - Frequent interactions by PrCCsIT/CCsIT/CsIT with the industry/trade associations and professional bodies with a view to explain the tax policies of the Government and receiving feedback on the financial condition of various industries/trades should be continued.
4. Apart from the above guidelines, which are not exhaustive, the Pr CCsIT/CCsIT/ DsGIT may further devise their own strategy taking into consideration local factors. The feedback on the steps taken by the Pr CCsIT/CCsIT/DsGIT and the resultant gains will be reviewed by the Zonal Members of CBDT periodically through reports or while making official tours to different regions in their jurisdiction.

## E. STRATEGY FOR RECOVERY

Since the very beginning, the focus needs to be on the reduction of Arrear Demand by de-duplication of the entries and cleansing the arrear demand data. Priority should be accorded to reduce entries of amounts less than Rs.10000/- and those pending for more than 2 years. These steps have already been reiterated in the SOP several times. In addition to these, care must be taken to avoid generating any infructuous demand. Simultaneously, the work of executing Write-off under summary procedure must be carried out.

The following are the steps that may be taken by the field units to manage arrear demand.

### 1. Assessment Work

Quality assessment orders should be issued and legally sustainable demand be raised. During the assessment, the AO should gather all details about assets of the assessee so that effective recovery can be made after issue of notice of demand. In appropriate cases provisional attachment of assets may also be made by invoking section 281B of the Income Tax Act, 1961 so as to protect the interest of revenue. There should be error free reporting of dossier demands.

### 2. Initiation of recovery measures

Complete information about the assessee, details of directors and sister concerns etc. must be gathered during the assessment proceedings. AO must maintain a recovery folder containing the details of all bank accounts of the assessee's, debtors, details of assets (both movable and immovable).

Bifurcation of cases into actionable and non-actionable cases should be done. Actionable cases are those wherein the "non-actionable demand" is either nil or is very small. Non-actionable cases are those having large amounts or major amounts of demand in the following categories:

- Cases where demand is pending write off
- Assessee is not traceable
- Cases where there are no assets/inadequate assets for recovery
- Demand raised on protective basis
- Cases where Department has lost in appeal but the demand is outstanding for other years as it is in further appeal
- Notified persons under the Special Court (Torts) Act, 1992
- Cases before BIFR
- Companies under Liquidation
- Cases before Income Tax Settlement Commission (ITSC)
- Demand stayed by Court/ITAT/IT Authorities
- Demand not enforceable as Bank Guarantee has been given
- Demand where assets jointly attached with other agencies

In the case of non-actionable demands, as in-depth review in each of the cases must be done at least **quarterly, before submission of dossiers** to determine the status of the case and to make efforts to convert these from the non-actionable to the actionable category. For example, if the case is before the Settlement Commission, it would require maintaining liaison with the ITSC to have an early hearing and disposal of the case.

AO should ensure that the operational bank accounts are attached so that there is effective recovery from the bank accounts and infructuous work is avoided. Assets of partners/directors of defaulter firms/companies can be ascertained and

considered for attachment. Attachment of debtors can be pursued more actively. For tax defaulters who have deceased, legal heirs should be located. Similarly, in case of firms/private companies, partner/directors can be traced for further recovery. For these purpose, information available in Individual Transaction Statement (ITS) may also be referred to. [The 26AS in such cases may also be viewed to track payments to the defaulter.](#)

Files may be examined for implementation of provisions of sections 281(1) of the Act to declare transfers of properties as void, if made to avoid claims in respect of taxes or sums payable on account of pendency of any proceeding under the Act or after completion thereof but after service of notice under Rule 2 of the Second Schedule.

Further, summons can be issued to assesses and their statements recorded to gather details about immovable and movable assets owned by them. Recovery surveys can be mounted to enforce collection. Mechanism for making field enquiries, enquiries from the directors/partners/promoters/legal heirs/legal representatives/ authorized representative etc. should activated.

### **3. Use of internal and external resources in recovery matter**

Access to Individual Transaction Statement (ITS) has been provided to all the Range Heads. The ITS can be used a very effective tool for recovery especially in cases where demands are difficult to recover.

One of the means to enforce recovery is through correspondence with the CIBIL (Credit Information Bureau of India) that contains PAN-wise records of loans etc taken by entities from banks/financial institutions. The organization assigns Credit Scores to borrowers depending on factors like repayment patterns, defaults, loans taken etc. The demands, which have been confirmed in first appeal, could be considered for such verification. Further, since CIBIL also contains information about the credit rating of such entities, this would also help in ascertaining the financial capability of the PAN holders against whom demand has been raised. This channel is expected to be effective as the CIBIL contains information about loans/credit etc taken by different entities.

The help of the Investigation Wing can be taken in important cases for recovery. In appropriate cases reference may be made to FIU-IND through DIT(Recovery) to obtain information about bank accounts and other assets of the assessee.

#### **4. Priority disposal**

Identification of high demand cases pending before the CsIT (A) should be done, particularly the ones in which there is likelihood recovery of substantial demand. The CsIT(A) should be requested for early disposal of such cases.

Providing timely Remand Report to CsIT(A) / ITAT will prevent delay in disposing-off the appeal. Monitoring the progress in high demand cases before ITAT and preventing Departmental Representatives from seeking adjournment in such cases without prior approval of the respective Pr.CCsIT/CCsIT should be done. [Where possible the Assessing Officer may be directed to assist the Departmental Representative, at the time of fixation of high demand cases and where paper book is required to be submitted.](#)

#### **5. Stay of Demand/Instalment**

Stay and instalment should be given within parameters of instruction no.1914 [as modified vide F.No. 404/72/93-ITCC dated 29.02.2016](#). All stay petitions need to be reviewed from time to time, especially when granted by IT authorities. Carte-balance stay by the field officers should not be given. In case conditional stay is given upto a particular date or disposal of appeal by CIT(A), whichever is earlier, attempt should be made to collect part of the demand before considering the stay petition.

While granting instalment for payment of arrear demand, the amount of instalment should be commensurate vis-à-vis the total arrear so that the instalment is not of a meager amount. In cases where there is a default in payment of instalments, there must be a review of the instalments granted.

The Apex court in a case of Vodafone had directed the company to pay 25% of the taxes and balance 75% by way of bank guarantee, even before admittance of the appeal. The underlying principle is that the Government needs funds in public interest and there should be no impediment in recovery of taxes. Accordingly, the

Standing Counsels may be briefed to take up the matter before Court/Supreme Court for vacation of stay on such lines. The Standing Counsels may also be advised to explore the possibility of filing caveats in cases where the taxpayer was likely to seek stay from High Court to prevent granting of stays in large number of cases.

Regular monitoring of demands locked up at the level of CIT(A), ITAT, High Court, Supreme Court, Special Court, Settlement Commission, etc may be conducted. ITAT needs to be requested for vacation of stay and early hearing of cases especially in high demand case. Similarly, the Department Representative may be advised to plead for payment of taxes in cases of stay before the ITAT.

#### **6. Assessee Not Traceable and having No/Inadequate Assets for Recovery**

Usually cases of 'assessee not traceable' or 'No assets for recovery' remain unattended. Such cases need to be reviewed urgently to see whether further efforts can locate the assessee or assets. All avenues of available information needs to be explored and action may be taken as per the procedures laid down in the Board's letter dated 29-09-2011, 27-12-2011 and 26.09.2014. The reports prescribed as Annexure –I, II, III & IV of the said letter should be prepared after due diligence. In case of companies, provisions of Section 179 may be invoked in suitable cases to effort recovery from directors.

#### **7. Demand Not Under Dispute**

In the category of 'Demand not Under dispute' identification of the amount 'recoverable' and 'difficult to recover' should be done by placing them in separate baskets as per the proforma devised by the Directorate of Recovery and communicated to the field authorities. Thereafter, the recoverable portion of the demand is to be collected.

#### **8. TRO's Action Plan**

The AO should refer cases of arrear demand to the TRO at the beginning of the F.Y. and provide him with all the relevant information available pertaining to the assessee for effective recovery. It is expected that TROs are posted in substantive capacity in all charges throughout the year on priority basis. Progressive disposal of the Tax Recovery Certificates by the TROs has to be monitored and achievements

projected quarterly for status review by the CBDT. TRCs pending for more than 2 years should be disposed-off on priority basis.

TROs may exercise the powers for appointment of a receiver for business under the provisions of Rule 69 Schedule II of the Act. Attachments can be made of removable assets u/s 226(3) of the Act and of immovable property under Rule 48 of Schedule II. TROs should be directed to dispose-off properties under attachment in suitable cases.

The machinery of the TRO should be strengthened by providing more infrastructure and manpower. The TROs should be further trained specifically for their work in order to increase their effectiveness. The Pr. CsIT need to monitor the work of TROs especially in the area of attachment and sale of property to ensure that the attached properties are sold within one year.

In respect of non-compliant defaulters, the provisions of arrest and detention as per the provisions of Rules 73 to 81 of Schedule II should be invoked by the TRO. Stringent action can be taken in suitable cases including use of the provision for prosecution u/s 276C(2) of the Act.

In liquidation cases, there should be prompt lodging of the claim Official Liquidator and thereafter proper coordination be made with the Official Liquidator. Pr.CsIT may instruct AOs/TROs to monitor cases in Debt Recovery Tribunals (DRTs) working under the Recovery of Debts due to Banks and Financial Institutions Act, 1993 and to consider lodging of claims of outstanding demand in such cases before the DRT.

## **9. BIFR CASES**

For BIFR cases, the website [www.bifr.nic.in](http://www.bifr.nic.in) should be checked regularly to obtain information about cases that have abated/ discharged from the BIFR or where the rehabilitation period has expired; in such cases there is no bar of recovery. The list of BIFR cases which have been removed from the register of BIFR has been apprised to the relevant charges and unfettered recovery of such demands can be made.

## 10. Demand Management

At times, arrear entries are existing because of pending rectification orders, faulty TDS credit pending appeal effect, etc. The data pertaining to arrear demand, as uploaded on CPC portal as on 01.04.2016, requires to be properly reconciled, verified and confirmed. Field authorities must dedicate adequate time for recovery in every quarter during the year.

## 11. For Recovery from Tax Defaulters

**Names of wilful defaulters are now being put on public domain** i.e. Departmental Website and Publishing in Newspapers.

It is suggested that **after due notice, PAN of such defaulters should be blocked in our system, in a such a way that these defaulters should not be allowed to file their Return of Income**, which means that they cannot avail the benefit of carry forward of Business Loss and Losses under other heads where filing of Return of Income u/s. 139(1) is mandatory.

List of such Blocked PANs can be shared with credit rating agency like CIBIL & Banks, so that **these defaulters are not sanctioned any loans or overdraft facility by Public Sector Banks**, as the same is bound to become NPAs. Further, Ministry of Finance can be suggested to withdraw facility like LPG Subsidy etc. which are directly credited in to the Bank A/cs, for the said defaulters i.e. Disincentive to be a tax defaulter.

List of such blocked PANs can be circulated to **Registrar of Properties with a request for not allowing any registration of immovable properties where such PANs are involved** and intimation of all registration requests with such Blocked PANs must be sent to DIT (Recovery), who can then disseminate the same to the field, for effecting recovery.

CBDT may negotiate through Ministry of Finance – Banking Division for **subscribing to CIBIL on a centralised annual payment basis and all Pr. CsIT can be given password to access the CIBIL Data**, so that AO & TRO under the guidance & control of Pr. CIT can find out about Bank Accounts/ Transactions of defaulters, for taking necessary recovery actions.

**12. Write –off work at the level of Local/ Regional/ Zonal Committee level.**

Cases must be processed for write-off especially where it has been ascertained beyond doubt that assessee is untraceable. References can be made as per Instruction number 14/2003 dated 06.11.2003; 7/2004 dated 19.08.2004 and 2/2010 dated 18.03.2010 and other relevant Instructions. Quarterly report on the meetings of Zonal Committee should be sent to the DIT (recovery), alongwith the minutes of the meeting.

**13. Procedure for recovery of demand where assets/ money lie abroad.**

Tax authorities have enough powers to enforce the collection of taxes owed by a taxpayer, However, due to jurisdictional limitation, these powers can not be exercised when the taxpayer has left the jurisdiction without paying the tax dues or has no assets within the jurisdiction that may serve to recover the debts. The provisions for Assistance in Collection of Taxes in DTAA and TIEAs provide the legal basis for rendering assistance by one Contracting State in the collection of tax owed to the other Contracting state.

The provisions for Assistance in Collection of Taxes are present in 48 out of 94 DTAA's and in 3 out of 16 TIEAs which are in force in India. The Multilateral Convention and the SAARC Multilateral Agreement also have provisions for assistance in collection of taxes. However, in the Multilateral Convention, the signatories can place a reservation against providing such assistance and several countries / jurisdictions have put in such reservation. The Manual on Exchange of Information lists the countries / jurisdictions with which India has an agreement under one or the other treaty for assistance in collection of taxes.

The assistance in collection is provided under the treaties in respect of a “revenue claim”, which is normally defined to mean an amount owed in respect of a tax imposed in the country requesting assistance. The claim should be enforceable under the law of the requesting country and should normally be undisputed by the taxpayer. It should be owed by a person who, at the time of making the request, cannot prevent its collection under the law of the requesting country. Most importantly, the requesting country should have taken all reasonable measures for collection of the claim under its own laws and administrative practice. Some treaties all assistance in collection even if the revenue claim has not reached finality. In such cases, requests for measures of conservancy may be made. However, the amount of claim should be quantified and evidenced by a statutory order or notice.

Section 228(2) of the Income-tax Act provides that where an assessee is in the default or is deemed to be in default in making a payment of tax, the Tax Recovery Officer may, if the assessee has property in a country outside India with which the Central Government has entered into an agreement for recovery of income-tax, forward to the Board a certificate drawn up by him under section 222 of the Income-tax Act which may be forwarded to the other country under the terms of the agreement.

In cases where assets/money lie abroad and where the tax treaties provide for assistance in collection of taxes, the officers concerned may make a request to foreign tax authorities to collect the “revenue claim” or take conservancy measures in accordance with the provisions of the treaties. This request should be made through the Indian Competent Authority, i.e., JS(FT&TR-I) or JS(FT&TR-II) as the case may be as per the procedure prescribed in the Manual on Exchange of Information.

## F. STRATEGY FOR APPELLATE FUNCTIONS

1. In accordance with the mandate of national litigation policy, 2010 several steps to reduce litigation have been taken by the Board, with the result, the pendency of appeals with ITAT has significantly been reduced. However, the pendency of appeals with the CIT(Appeals) has been incrementally increasing over last 5 years.
2. The Institution of CIT(Appeals) plays an important role in dispensing justice and in plugging the loopholes/weakness in the assessment order. Keeping in view the mounting number of appeals, the number of CIT(Appeals) was increased to 362 from 242 in November, 2014. However, the pendency is still incrementally increasing. As per Central Statistical Advisor (March, 2016), there is an estimated pendency of 2.58 lakhs appeals with CIT(Appeals) as on 31.3.2016. The average pendency per CIT(Appeals) as on 31.3.2016 is 715 appeals, which includes 391 appeals in B1 and B2 categories. As against this, the average per CIT(Appeals) disposal has been 306 over last 6 years.

At this pace, the existing appeals will take two and half years, if no new appeals are filed. Over the last 3 years, the number of new appeals instituted have far exceeded the number of appeals disposed off, as a result of which, there has been increase in cumulative workload of net appeals by 37.7% over last 5 years. More importantly, the existing appeals involve estimated demand of Rs. 5.30 lakh crores. It therefore, needs a multi-pronged strategy involving all key stakeholders to reduce the number of pendency of first appeals.

3. The pendency of first appeal across various CCIT regions is also highly iniquitous, with Bhopal, Kolkata, Kochi, Jaipur, Pune and Nagpur having average per CIT(A) pendency of 1043, 947, 985, 986, 901 and 875, respectively (as on 31.03.2016). Further, CCIT regions such as, Delhi (53%), Ahmedabad (65%), Mumbai (47%), Kolkata (45%), Lucknow (45%), Kanpur (46%) and Guwahati (42%) have high number of current appeals filed during the F.Y. 2015-16. The CSA statistics shows that 44% of total demand locked up in appeals relate to current appeals. Therefore, a

common strategy for all regions will not serve the desired purpose and it would require a different strategy for CCIT regions with low arrears of appeals but high proportion of demand locked up in current appeals.

4. Due to variations in working strengths, nature of appeals, there is wide variation in the average CIT(Appeals)-wise pendency in different baskets. Therefore, common quantitative basket-wise targets in a straight jacket manner will not help reduction in pendency of appeals. The inequity in average per CIT(Appeals) pendency across regions is shown in Table-1 and Table-2 below.

**Table-1: Pendency of appeals as on 31.3.2016 (Source:CSA)**

Region	No. of CIT(A)	B-1A	B-1B	B-2	B-3	B-4A	B-4B	Total
CHANDIGARH	24	473	944	5968	2766	2404	4953	17508
DELHI	44	1015	1455	1158	1520	3971	5774	14893
JAIPUR	13	140	423	3427	4284	1232	4497	14003
AHMEDABAD	28	275	823	658	2387	4359	10198	18700
MUMBAI	60	2397	3682	6180	7270	10013	14997	44539
PUNE	23	815	1272	8631	4258	3294	4718	22988
NAGPUR	4	99	152	1990	800	390	879	4310
BANGALORE	22	1044	1576	5278	2624	2087	2563	15172
KOCHI	8	432	1109	4560	2212	1138	1672	11123
CHENNAI	29	828	1093	6729	2178	2871	3283	16982
HYDERABAD	21	642	697	5638	2120	1919	2577	13593
BHUBANESHWAR	5	102	150	562	837	495	891	3037
KOLKATA	30	869	1480	7181	4182	8712	5997	28421
BHOPAL	13	618	767	3186	3005	1322	4667	13565
LUCKNOW	11	147	197	849	839	708	2038	4778
KANPUR	13	87	155	533	814	1082	2446	5117
PATNA	9	594	287	4928	740	336	999	7884
GUWAHATI	5	90	94	585	280	465	771	2285
<b>Total</b>	<b>362</b>	<b>10667</b>	<b>16356</b>	<b>68041</b>	<b>43116</b>	<b>46798</b>	<b>73920</b>	<b>258898</b>

**Table-2 Average per CIT pendency as on 31.3.2016(Source CSA statistics)**

Region	No. of CIT(A)	B-1A	B-1B	B-2	B-3	B-4A	B-4B	Total
<b>CHANDIGARH</b>	24	19.71	39.33	248.67	115.25	100.17	206.38	729.50
<b>DELHI</b>	44	23.07	33.07	26.32	34.55	90.25	131.23	338.48
<b>JAIPUR</b>	13	10.77	32.54	263.62	329.54	94.77	345.92	1077.15
<b>AHMEDABAD</b>	28	9.82	29.39	23.50	85.25	155.68	364.21	667.86
<b>MUMBAI</b>	60	39.95	61.37	103.00	121.17	166.88	249.95	742.32
<b>PUNE</b>	23	35.43	55.30	375.26	185.13	143.22	205.13	999.48
<b>NAGPUR</b>	4	24.75	38.00	497.50	200.00	97.50	219.75	1077.50
<b>BANGALORE</b>	22	47.45	71.64	239.91	119.27	94.86	116.50	689.64
<b>KOCHI</b>	8	54.00	138.63	570.00	276.50	142.25	209.00	1390.38
<b>CHENNAI</b>	29	28.55	37.69	232.03	75.10	99.00	113.21	585.59
<b>HYDERABAD</b>	21	30.57	33.19	268.48	100.95	91.38	122.71	647.29
<b>BHUBANESHWAR</b>	5	20.40	30.00	112.40	167.40	99.00	178.20	607.40
<b>KOLKATA</b>	30	28.97	49.33	239.37	139.40	290.40	199.90	947.37
<b>BHOPAL</b>	13	47.54	59.00	245.08	231.15	101.69	359.00	1043.46
<b>LUCKNOW</b>	11	13.36	17.91	77.18	76.27	64.36	185.27	434.36
<b>KANPUR</b>	13	6.69	11.92	41.00	62.62	83.23	188.15	393.62
<b>PATNA</b>	9	66.00	31.89	547.56	82.22	37.33	111.00	876.00
<b>GUWAHATI</b>	5	18.00	18.80	117.00	56.00	93.00	154.20	457.00
<b>Total</b>	<b>362</b>	<b>29.47</b>	<b>45.18</b>	<b>187.96</b>	<b>119.10</b>	<b>129.28</b>	<b>204.20</b>	<b>715.19</b>

5. The existing appellate strategy primarily has quantity-focus and ignores other priority areas of the Board. For example, the Board has offered preferential taxpayer services to corporates opting for Large Taxpayer Unit (LTU). However, appeals by LTU tax payers are treated as normal appeals and, therefore, are not picked up until the next year. Further, Board has given instructions to the AOs to dispose of rectification application u/s 154, application u/s 195(2)/197 and pass orders to give appeal effect in a time-bound manner. However, there is no priority assigned to appeals against such orders u/s 154, 195(2)/197 passed by AO. Furthermore, the appeals against the set-aside assessments are also treated at par with normal appeals under the B1 or B2 categories depending upon quantum of demand even though the taxpayer has already faced protracted litigation. The new appeal strategy provides special priority treatment for such appeals.

6. In the existing strategy, there is no incentive for improving quality in the appellate orders. The new strategy intends to assign weighted credit for such quality appellate orders with 2 units per such appeal. For making claim for such weighted credit for quality in appellate functions, the CIT(A) shall report in the monthly DO letter such quality cases, which may interalia, include cases where-

- (a) enhancement was made,
- (b) penalty u/s 271(1)(c) was levied,
- (c) Assessment order was made by making further investigation or by applying relevant case laws that were ignored by the AO, or
- (d) where a new substantial question of law was laid down.

The concerned CCIT, on examination of appellate orders, decide where any of the cases reported by the CIT(Appeals) deserve the weighted credit, which will be conveyed through a DO letter to the CIT(Appeals), which he can rely upon while claiming the credit at the year end.

7. The proposed strategy for appellate functions revolves around active role of other stakeholders, namely, AO, Pr. CIT(Admn.), CCIT and Pr. CCIT, in addition to the CIT(Appeals). Secondly, instead of assigning common targets in a straight-jacket manner across various CCIT regions, targets shall be determined in a dynamic way keeping in view important parameters such as age of appeals, revenue involved, priority areas of the Board in a decentralized manner.

#### **8. New Strategy for appellate functions**

- (i) **Identifying cases, where administrative actions can redress the grievance of the taxpayer, thereby making the appeal infructuous-**

The concerned Principal CITs shall take stock of pending appeals filed against the action of the AO of not granting due tax credit, or not passing rectification order u/s 154 or appeals against 143(1) orders of CPC, or appeals that have become infructuous or the appeals on issues on which department has not preferred appeals in earlier years or in other cases, which can be better redressed through administrative actions. On identification of such pending appeals, the concerned CIT(Appeals) will be

informed of the action taken by the AO to enable the him to dispose of such appeals accordingly. Progress in this regard is to be communicated to the concerned Principal CCIT by 30.6.2016. Similar exercise can be carried out by the CIT(Appeals) as well.

**(ii) Redistribution of appeals within the same Pr. PCCIT(CCA) region**

(e) Principal CCsIT have to assess the existing workload of CIT(Appeals) in consultation with the concerned CCIsT keeping in view the reasons for high pendency and make suitable proposal to the Board, suggesting transfer of posts or inter-region change in jurisdiction. These proposals should reach by 15.5.2016 (Action: All Pr. CCsIT).

(f) Redistribution of appeals amongst CIT(Appeals) within the same Pr. CCIT region needs to be carefully done and not left to the discretion of CIT(Appeals) alone, who though will need to be actively consulted in the matter. For inviting the proposals for transfer of appeals, the Pr. CCsIT shall circulate a suitable guideline by 15.5.2016, which shall *interalia*, provide that,-

- (a) In cases proposed for transfer, not more than 3 hearings were conducted by the CIT(Appeals) or/ and his predecessor,
- (b) appeal on the same ground/grounds in the case of appellant were not decided by CIT(A);
- (c) appeal on the same ground/grounds in the case of same appellant are not pending with the transferor CIT(Appeals);
- (d) In Search cases, all group cases remain with one CIT(Appeals).

The concerned CCIT should get these facts verified before recommending transfer of appeals by 31.5.2016[Responsibility: CCIT]. The Pr CCIT shall pass the order u/s 127 for transfer of the appeals by 15.6.2016. Physical Transfer of appellate records will have to be completed by 30.6.2016 and the transferor and transferee CIT(A) shall report the compliance to the Principal CCIT by 01.7.2016 [Responsibility: CIT(A)]. In order to monitor benefit of such transfer and reduction of compliance burden on the appellant, the transferee CIT(Appeals) will separately report disposal in respect of such transferred-in appeals in the monthly DO letter to the concerned CCIT(responsibility CIT(A)/CCIT).

**(iii) Quick appraisal of nature of appeals at admission stage**

CIT(Appeals) need not wait for an appeal to be converted from B4 category to other categories on the next 1<sup>st</sup> April but will examine the nature of new appeal filed at the admission stage itself, and find out whether the appeal can be redressed through administrative action of the AO. These appeals may include appeals for the action of the AO of not granting of due tax credit or interest on refund, or not passing the rectification order u/s 154 or not giving proper appeal effect or appeals being against 143(1) intimation of CPC, etc. The CIT(Appeals) shall communicate with the Pr CIT(Adm.) for appropriate action within the first week of the next month in respect of all such new appeals filed during a month. Timely action by the AO will make such appeals infructuous.

**(iv) Accuracy of statistics**

Targets of appeals cannot be monitored due to significant statistical mismatches. Statistics compiled by CSA show significant mismatch between the closing balance of appeals in different brackets at the end of first financial year as compared with reclassification of appeals in different categories as opening balance in the next financial year (Table 3).

Principal CCITs/CCITs should seek reasons for such mismatch from the concerned CIT(Appeals) and furnish reconciliation to Board, with a copy to the CSA by 30.6.2016 in this regard.

<b>Table 3 Difference in Workload of Appeals ( as on 31.3.2015)</b>										
<b>S. No.</b>		<b>All India</b>								
		<b>B-1A</b>	<b>B-1B</b>	<b>B-2</b>	<b>B-3</b>	<b>B-4A</b>	<b>B-4B</b>	<b>Total</b>	<b>SC</b>	<b>TPC</b>
1	Opening Balance of Pending Appeals as on 1st April(as per opening balance of aggregate MDRs for 2015-16)	18291	33295	115312	64406	0	0	231304	9552	916
2	Opening Balance of Pending Appeals as on 1st April(as per closing balance of aggregate MDRs for 2014-15)	18763	33254	116040	64069	0	0	232126	11707	767
	<b>Difference(1-2)</b>	<b>(-472)</b>	<b>41</b>	<b>(-728)</b>	<b>337</b>	<b>0</b>	<b>0</b>	<b>(-822)</b>	<b>(-2155)</b>	<b>149</b>

**(v) Enabling disposal of pending appeals**

- (a) The Pr CsIT (Admn.) will review the pending remand reports as on 1.4.2016 and ensure that the remand reports based on examination of merit of additional evidence under Rule 46A or based on the inquiries on the lines directed by the CIT(Appeals) are prepared and sent by 30.6.2016. Where the CIT-(Appeals) has forwarded the written submissions of the appellant as such without any specific direction or without any additional evidence for examination, the AO can refer to the relevant CBDT instructions and inform the status to the CIT-(Appeals) accordingly.
- (b) All remand reports are to be furnished within 60 days of reference made by the CIT-(Appeals). The Principal CIT(Admn.) and the CIT(appeals) shall inform the status of Remand reports to the concerned CCIT through the monthly DO letter

and explain delay, if any, beyond 60 days.

- (vi) **Targets and units for disposal of appeals for f.y. 2016-17 (Responsibility: CIT(Appeals))**
- (i) **Annual target-** Each CIT(Appeals) charge will be required to achieve disposal of 360 appellate orders or earn 550 units. However, for evaluation of performance of an individual officer holding additional appellate charge during the year/part-year, performance in additional charge(s) shall be added.
- (ii) The blanket manner of keeping same targets across all regions may not address the local issues such as High number of old appeals (in B2 and B1B baskets) or high demand locked up in current appeals (B4 appeals). Therefore, in order to ensure that these competing targets are smoothly addressed, flexibility is provided through a common umbrella approach, by which appeals in B1A, B1B and B2 categories and priority appeals (LTU, against 154/195(2)/197/set aside assessments/ appeals on international taxation/transfer pricing matters) will be clubbed in one common umbrella "A". The CIT(Appeals) will be required to dispose of minimum 300 appeals out of the common umbrella.
- (iii) The balance 60 appeals (100 units) will be disposed of out of Common umbrella "B" comprising B3 appeals.
- (iv) Where there is a shortfall in the existing pendency in the common umbrella "A", the CIT(Appeals) will pick up appeals from Common umbrella "B", after informing the concerned CCIT in this regard.
- (v) In addition, where despite meeting targets in common umbrella "A", there are still appeals pending in the Common umbrella "A", an appeal in B4A and B4B Baskets can be considered for disposal keeping in view the urgency of the matter, genuine difficulty to the taxpayer or common issue involved in dispute or any other reason, on prior approval of CCIT on a case by case basis.
- (vi) Board has already assigned targets of 120 units for the first quarter. The concerned CCIT will determine the targets for the last 3 quarters in consultation

with the CIT(Appeals) within the overall annual targets of 360 appeals(550 units), as per the CAP for 2016-17.

**(vii) Credit of Units-**

- (a) The following orders will earn 2 units:
  - (i) Appeals in B-1A, B2B and B4A category - Appeal involving Demand of Rs. 10 lakhs or addition of Rs. 50 lakhs and above.
  - (ii) Appeals against Search assessments.
  - (iii) Quality appellate orders, which are endorsed for weighted credit by the concerned CCIT.
- (b) Appeals in B2, B3 and B4B baskets (other than those referred above, that are eligible for credit of 2 units) will earn 1 unit.
- (c) All appeals involving International tax/transfer pricing disputes will earn double the credit as in (a) and (b) above, as the case may be.
- (d) In addition, those CIT(Appeals), who make 100% disposal of appeals through ITBA shall earn 25 units on the endorsement of DGIT(Systems).
- (iii) Priority of appeals
  - (A) Each CIT (Appeals) shall dispose of 360 appeals during the year or earn 550 units to meet the annual CAP targets.

<b>Common umbrella comprising appeals in B1A , B1B and B2 baskets and other priority appeals</b>	<b>B3 basket</b>
<b>300 appeals</b>	<b>60</b>

- (B) **Out of this, 300 appeals will be from a common umbrella “A” comprising B1A, B1B and B2 baskets without any inter-se preference.** In addition, this umbrella would also include all LTU Appeals, appeals against order u/s 195(2)/197/154/set aside assessment, appeals against search assessments and appeals involving International tax/transfer pricing disputes, irrespective

of the original basket. Where, there are insufficient number of appeals in the common umbrella "A" in any charge, the CIT(A) will be free to choose appeals from B4A basket, in chronological order, to meet the shortage after informing the concerned CCIT in this regard.

- (C) **60 appeals from B3 basket.** Where in any charge, there is insufficient number of appeals in the B-3 basket, the CIT-(A) will be free to choose appeals from B4A or B4B baskets, in chronological order, to meet the shortage after informing the concerned CCIT in this regard.
- (D) In circumstances other than (A), (B) and (C) above, any B4A / B4B appeal can be taken up for disposal on prior approval of the concerned CCIT.
- (E) The concerned CCITs will determine the quarterly targets of each CIT-(Appeals) under his supervision depending upon the work load in different baskets, after redistribution of appeals is over.

## ADVISORY TO SUPERVISORY AUTHORITIES

### 1. PrCCsIT/DsGIT/CCsIT

The PrCCsIT/DsGIT/CCsIT are the leaders of their respective regional field formations that are entrusted to administer the tax policies and plans to achieve the objective of revenue augmentation. They are the pivots of tax administration and have a major role to play in bringing systematic and methodical improvement in tax administration considering the expanse of field formations. The following are the areas in which the PrCCsIT/DsGIT/CCsIT can make significant contribution to improve tax administration:

- The Pr. CCsIT/DsGIT/CCsIT are responsible for overall achievement of the target set, including the Budgetary target within their respective regions. To attain the same, they should also monitor and supervise each area of activity specified under the Central Action Plan. Quarterly/periodic targets should be prepared for assessment and recovery out of arrear demand. A 'Model Plan for Assessment Units' has been drafted and placed at APPENDIX as an aid to draw up such regional plans and strategies for their respective regions for the achievement of overall target.
- Rationalization of work-load on the principle of equitable distribution, so as to ensure optimal utilization of human resources, should be taken at the earliest. This equalization is necessary at the level of assessment units as well as appellate authorities. The workload at the appellate levels needs to be regularly monitored and reviewed, preferably on a quarterly basis, on the basis of achievements and task at hand and responded to administratively. Impact of cadre restructuring and subsequent jurisdictional changes should be carefully assessed and responded to.
- An institutional mechanism should be put in place to improve the quality and

- to bring uniformity in decision making by subordinate officer. if necessary, contributions from other Regions may be solicited.
- TDS is an important contributor to the direct tax collection kitty. TDS matters also have assessment/processing related connotations. TDS awareness amongst deductors is a constant work-in-progress due to changes in law and procedures as well as factors related to deductors themselves. However, AOs (TDS) are not stationed in every district of the region. It should be a prime responsibility of all Pr. CCsIT/CsIT to ensure that such awareness programmes are conducted in their Regions covering its full expanse. This will require co-ordination between both the assessment and TDS units. In multi-district jurisdictions, a plan should be devised so that such programmes are conducted in maximum number of districts within their jurisdiction.
  - The Pr. CCsIT/DsGIT/CCsIT should inspect the work as per Instruction No. 16 dated 04.11.2008 in respect of CsIT (Appeals), CsIT (TDS)/CsIT (Audit)/CsIT (CO) working directly under them.
  - Review of assessments should be done by Pr. CsIT/AddlCsIT/JCsIT in accordance with Instruction No. 15 dated 01.11.2008. Pr. CCsIT/DsGIT/CCsIT should ensure that the task is completed within the timeline given.
  - Constant upgradation of human skills is a sine-qua-non for an effective and efficient tax administration. The emotional connect of all strata of the personnel of Department's objective and ownership of its responsibilities helps in team building. To achieve maximum output from the human resource, it is necessary to engage in capacity building of the officials of all the grades by periodically hosting in-house seminars on topics where it is considered necessary. These can be on issues of law, procedures and other facets of administration. If required, the experts in the area may be engaged/co-opted. This process should be separate from the regular training by the Departmental Training Institutes/Units.

- The Aaykar Seva Kendra (ASK) represents a single window system for registration of all taxpayer applications/returns. The Pr. CCsIT/DsGIT/CCsIT should monitor:
  - Work relating to setting up of ASK in their region as per the list communicated by the Pr. DGIT (Logistics)/DIT(O&MS) and ensure that the ASK is made functional by 29.02.2017;
  - Action on the ASKs taken up for IS 15700:2005 certification for F.Y. 2016-17
  - Complete the Internal Audit and Management Review of ASKs identified by DOMS by 31.10.2016
  - Removal of Non-conformities found during the Internal Audit and Management Review and drawing up certificate regarding correction and preventive action by 31.12.2016.
- The Aaykar Seva Kendra (ASK) represents a single window system for registration of all taxpayer applications/returns. The Pr. CCsIT/DsGIT/CCsIT should monitor:
  - Submission of construction proposals on unencumbered land(s) in possession of the Department by 31.10.2016
  - Submission of proposals for reduction of shortage of office space by 50% by 31.12.2016.
  - Reduction of shortage of residential space by 20% by 31.03.2017.

## 2. **Pr CsIT/CsIT**

The following are the areas in which pro-active leadership and supervision of PrCsIT/CsIT can make significant contribution to improve tax administration:

- The Pr. CsIT/CsIT/DsIT (Int. Tax) are responsible for achievement of the target set, including the Budgetary target within their charges. To attain the same they should also monitor and supervise each area of activity specified under the Central Action Plan. Guidance to authorities below in matter of assessments and procedures should be pro-actively engaged in. Quarterly/periodic target set by Pr. CCsIT/DsGIT/CCsIT should be monitored regularly for achievement and adequate timely response;
- Steps to rationalize work distribution amongst the Assessing Officers should be taken at the earliest;
- An institutional mechanism should be put in place to improve the quality of and bring uniformity in the decision making by subordinate officers. Regular guidance should be given to them for achieving this objective. Learning from best practices from other Charges will improve the output in this area of work;
- Action for capacity building as devised in consultation with superior authority should be executed and training need analysis be done to decide on the area where such training may be immediately required;
- Action on centralization of search cases is an important area of work of Pr. CsIT. Orders under section 127 of the Act for the transfer of jurisdiction over Income-tax cases not involving change of station should be done within one month of receipt of request. In other cases such action must be taken within 3 months of receipt of request;
- Review of assessments done in accordance with Instruction No. 15 dated 04.11.2011 should be completed within the timeline given. Follow up on the reviews done in the preceding year(s) should be completed and remedial action required should be ensured in deserving cases by;
- The Pr. CsIT should complete the Inspection work of the AddlCsIT/JcsIT/

DcsIT/AcsIT in accordance with the Instruction No. 16 dated 04.11.2008;

- With regard to TDS awareness programme, the CsIT(TDS) should execute the plans drawn up by the superior authorities. However, Pr. CsIT may assist the TDS units to conduct seminars in offices within their charges;
- CsIT(TDS) & CsIT(Intl. Tax) are responsible for the supervision and implementation of the Central Action Plan target/activities related to TDS matters within their jurisdiction.

### 3. **AddlCsIT/JCsIT**

Addl. CsIT/JCsIT are at the first level of control and management of the tasks assigned to Assessment/TDS units. Their responsibilities include:

- Responsible for achievement of the target set, including budgetary target of their Range. They are required not only to monitor and supervise the work of the AOs but also to guide them on a daily basis. Quarterly/periodic target set by Pr. CCsIT/DsGIT/CCsIT should be monitored regularly for achievement and timely response. Challenges should immediately be communicated to the higher authorities
- Approval of refunds above Rs. 1,00,000/- be granted within one week of receipt;
- Review of assessments done in accordance with Instruction No. 15 dated 04.11.2008 should be completed within the timeline given. Follow up on the reviews done in the preceding year(s) should be completed and remedial action required should be ensured in deserving cases by;
- Addl. CsIT/JCsIT should complete the Inspection work of the ITOs in accordance with the Instruction No. 16 dated 04.11.2008;
- Especial attention towards achievement of targets related to Grievances should be done regularly.

**APPENDIX**

## MODEL DETAILED ACTION PLAN FOR ASSESSMENT UNITS

(Pr. CCsIT / CCsIT may adopt this plan with such modifications as they may deem fit)

S. No.	Key Result Area	Target / Activity	Time frame (by)
<b>A Assessment Work</b>			
1	Issue of specific questionnaires u/s 142(1)	All time barring scrutiny cases	31.07.2016
		Revenue Yielding non-Time barring assessments	31.07.2016
2	Time Barring Scrutiny Assessments	Quarterly targets for disposal	To be fixed by the Pr CCsIT/CCsI/ Pr DsGIT/DsGIT concerned
3	Non time barring scrutiny assessments	100% of the revenue yielding cases	31.01.2017
		Quarterly targets for disposal	To be fixed by the Pr CCsIT/CCsI/ Pr DsGIT/DsGIT concerned
<b>B Recovery / reduction of demand</b>			
1	Arrear demand	50% of the target	30.09.2016
2		70% of the target	31.12.2016
3		100% of the target	31.03.2017
4	Reduction in number of arrear entries	15% of number of entries	30.09.2016
5		20% of number of entries	31.12.2016
6		30% of number of entries	31.03.2017
7	Reduction in number of current entries	50% of number of entries	31.03.2017

8	TRO's Action Plan	Verification and correction of demand mentioned in TRCs brought forward as on 01.04.2015 by the TRO	31.07.2016
9		AO to certify new demands for drawing of TRC by the TRO	31.08.2016
10		TRO to draw TRCs	30.09.2016
11		Disposal of 40 TRCs	30.09.2016
12		Disposal of 90 TRCs	31.12.2016
13		Disposal of 150 TRCs	31.03.2017
14		Cash collection of 1% of demand indicated in the TRCs (including the TRCs drawn as at 11 above)	30.09.2016
15		Cash collection of 3% of the demand	31.12.2016
16		Cash collection of 5% of demand	31.03.2017
17	Write-off	Submission of replies to queries raised by the Board, ADG (Recovery) and Zonal, Regional and Local Committees	31.08.2016
18		Write-off of arrears under ad-hoc and summary procedures	31.08.2016
19		Identification of cases for write-off (out of cases involving demand in a no asset case or a case where assessee is not traceable)	31.08.2016

20		Submission of proposals for write-off to the Board or Committees in cases identified, as above	31.10.2016
<b>C Widening of tax base</b>			
1	Non-PAN/invalid PAN cases	Action in Non-PAN/invalid PAN cases reported in AIR transactions disseminated by Systems Directorate in FY 2015-16	31.07.2016
2		Action in Non-PAN/invalid PAN cases reported in AIR transactions disseminated by Systems Directorate in FY 2016-17	Within 3 months of receipt from Systems Directorate
3	Non-filers of return	Non-filers of return with P1 to P4 priority identified by the Directorate of Systems under NMS cycle 1, 2, 3 & 4	31.07.2016
4		Non-filers of return with P5 priority identified by the Directorate of Systems under NMS cycle 1, 2, 3 & 4	31.08.2016
5		Non-filers of return identified by the Directorate of Systems under subsequent NMS cycles	Within 3 months of receipt from the Directorate of Systems

No target if resultant figure is negative.