

Executive Summary

- Strengthening the tax base is arguably one of the most important aspects of the direct tax management. The Income Tax Department (ITD) uses 'pieces of information' arising from different sources to strengthen the tax database, in addition to the information available in the income tax returns/provided by the assessee during assessment.
- Central Information Branch (CIB) of ITD collects, uploads information to the ITD Systems and disseminates to the Assessing Officers (AOs). There are 17 formations of CIB across the Country under the Director General of Income Tax (Intelligence and Criminal Investigation). Agencies submit information to CIB or TIN Facilitation Centres of National Securities Depository Limited (NSDL) on behalf of ITD. This flows through CIB Module of ITD Systems software administered by the Director General of Income Tax (Systems).
- Annual Central Action Plans of ITD target an increase of 15 *per cent* per year in assessee base. Against this, annual increase during the ten year period from FY 02 to FY 11 was only 3.1 *per cent* (from 262 lakh to 336 lakh assessees).
- We found several deficiencies in the scheme of flow and utilization of information. ITD did not call for Information from all the sources (*paragraph 2.11*). Some of the information lacked basic information like PAN of assessees thereby rendering it useless (*paragraphs 2.12 & 2.13*). We came across cases where incorrect information was transmitted. ITD made no effort to transfer this incorrect transmitted information to AOs dealing with the correct assessees (*paragraph 2.19 and Box 2.1*). ITD was not following up on notices requisitioning information from the agencies. ITD did not take action against inadequate filing of AIRs (*paragraphs 2.20-2.23 & Box 2.2*). CIB delayed and defaulted on uploading information on ITD Systems (*paragraph 2.32*). They defaulted on classifying and maintaining the data and did not utilize the full functionalities of CIB Module (*paragraphs 2.37-2.39, 2.47-2.57*).
- We found that out of the total cases selected for scrutiny by ITD, an average of 7.7 *per cent* over FY 08 to FY 10 was on the basis of AIR information (*paragraphs 3.1 & 3.2*). We also found 285 high value cases where AOs did not utilize the useful available information during assessments or they finalized the assessments relying on the reply of the assessees without verifying the facts and correctness of the transactions. (*paragraph 3.3*). AOs also did not bring AIR information to tax in cases where the assessee himself had offered the amount (*paragraph 3.5*).