

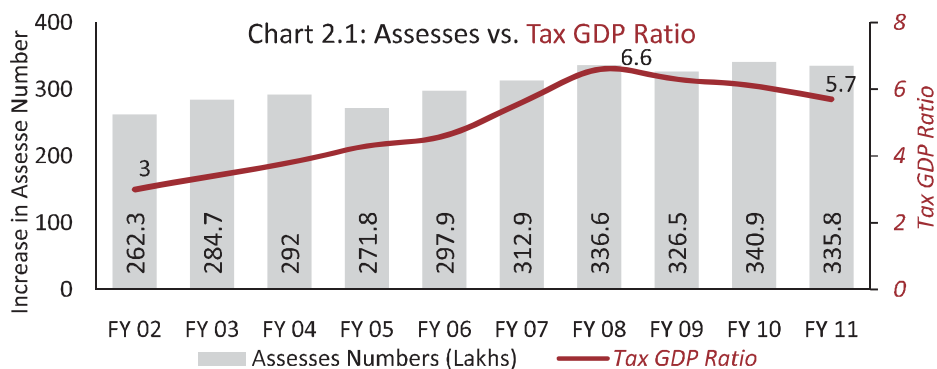
Chapter II: Collection, Collation and Dissemination of Information

- CIB did not collect information from all the compulsory source codes and approved optional source codes. A large number of collected pieces of information were without PAN and had zero value.
- ITD did not take penal action against the persons who did not furnish the required information, did not file AIR, filed AIR belatedly, and who gave incomplete information in AIR.
- ITD did not have any system to ensure the compliance to Rule 114B which requires mentioning of PAN in documents pertaining to specified transaction.
- CIB did not maintain database for collecting the information and for identifying prospective AIR filers/non-filers.
- CIB did not upload collected information in a timely and complete manner to CIB module. It faced problems in uploading information due to technical reasons.
- Information of earlier years was uploaded as information of current year.
- CIB did not digitize and disseminate declarations received in Forms 60/61
- CIB did not use all functionalities available in CIB module.

Importance of information

2.1 ITD collects information on financial transactions from various third party sources which help in identifying potential sources of revenue.

2.2 Tax GDP⁵ ratio which was showing an increasing trend started declining in FY 09 and came down to 5.7 per cent in FY 11 from 6.6 per cent in FY 08. During the period FY 02 to FY 11 average increase in number of assessees was 3.1 per cent (Chart 2.1).



⁵ GDP at Market Price (Source: Ministry of Statistics; NSO)

2.3 Clearly, there is much scope for widening and strengthening of tax base through collection of information by DGIT-I&CI (formerly CIB).

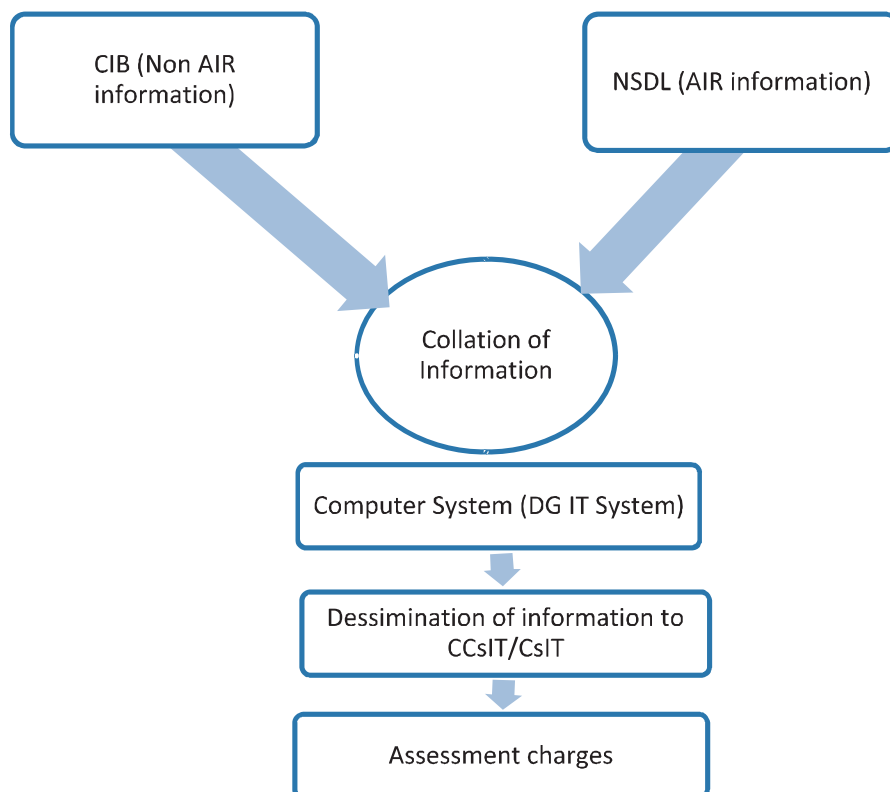
Sources of information

2.4 ITD collects information through AIR and by CIB directly. Various sources like banks, credit card companies, companies, mutual funds, registrar/sub-registrar of properties, Reserve Bank of India, Central Excise/Custom/Sales Tax Departments, Post Office, local authorities, hotels/clubs/caterers, telephone providers, insurance companies, etc. contribute information. CIB collects information from 40 source codes of which 12 is compulsory (**Annex**).

2.5 During FY 05, CIB collected 13.59 lakh pieces of information valuing ₹ 4.38 lakh crore. This increased to 11.17 crore pieces of information valuing ₹ 223.53 lakh crore in FY 12. During FY 05, ITD received 20.08 lakh AIR data valuing ₹ 14.21 lakh crore. This increased to 46.61 lakh AIR data in FY 12 valuing ₹ 94.30 lakh crore.

Flow of information

2.6 The following flow chart illustrates the flow of information:



Annual Information Return (AIR)/CIB information

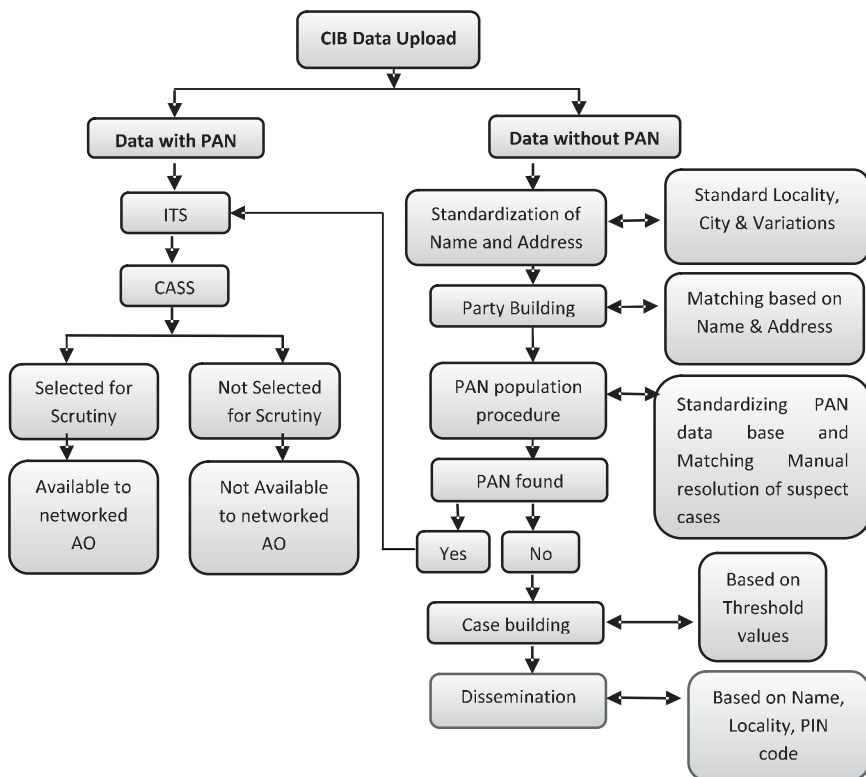
2.7 Section 285BA of the Act and Rule 114E of the Rules, specify that persons are required to furnish AIR immediately following financial year to the prescribed Income Tax authority or agency. CBDT has notified NSDL as prescribed agency to receive AIR from the specified persons. At present, seven categories of persons are required to compulsorily file AIR which are Banks accepting cash deposit of ₹ 10 lakh or more in a year, Bank or company issuing credit card where payment against bill exceed ₹ two lakh in a year, Mutual funds collecting ₹ two lakh or more for sale of units, Company receiving ₹ five lakh or more against issue of bonds/debentures, Company receiving ₹ one lakh or more against issue of shares, Registrars/sub-registrars in respect of sale/purchase of immovable property exceeding ₹ 30 lakh and RBI for issue of bonds exceeding ₹ five lakh or more.

CIB Module of ITD Systems

2.8 CIB module of ITD systems assists in identifying PAN of the transaction. It also allows updating of PAN information in cases where this is obtained by issuing query letter by the Designated Assessing Officer (DAO)/Jurisdictional Assessing Officer (JAO). The information collected from various internal and external sources are thereafter disseminated to AOs and the Investigation wing.

2.9 Assistance to AO at the time of scrutiny is provided in the form of the Individual Transaction Statement (ITS) report, which brings together information from multiple sources against a PAN in a single report and gives a more comprehensive financial profile of a tax payer.

2.10 The flow of CIB information (both PAN as well as non-PAN) through ITD System is as under:



CIB did not collect information from all the compulsory source codes and approved optional source codes. A large number of collected pieces of information were without PAN and had zero value. All the persons were not furnishing the information called for and penal action was not taken against them.

Deficiencies in collection of information

2.11 CIB had collected 2,868.94 lakh⁶ pieces of Information during FY 08 to FY 11. Analysis of information collected by CIB revealed that:

- a. DGIT (Intelligence) accorded sanction (June 2010) for collection of information from 10 optional sources in Kerala. However, information from these sources has not been called for in FY 11.
- b. DIT-CIB, Patna had not called⁷ for information from all the compulsory source codes. The Ministry replied (December 2012) that DIT-CIB, Patna called for information relating to all compulsory source codes and issued notices but did not mention the period to which these pertains to.

6 FY 08: 325.58 lakh, FY 09: 517.19 lakh, FY 10: 876.83 lakh and FY 11: 1,149.34 lakh. Information for FY 08 and FY 09 was not provided by the CIB, Tamil Nadu. Information in respect of Chhattisgarh was included.

7 FY 10: source codes 009 (i) & (ii), 010 & 011, FY 11: source codes 009 (i) & (ii)

c. CIB did not receive replies to 18,590 notices⁸ out of 56,528 notices⁹ issued during FY 07 to FY 11. DIT-CIB, Pune initiated penal actions only in 10 cases in FY 11 and DIT(CIB), Mumbai has not taken any action except issuing reminders in 2,746 cases. In Andhra Pradesh, ITD did not take penal action against non respondent except in 258 cases as ITD was preoccupied in the process of educating the filers and encouraging compliance. The Ministry replied (December 2012) that due to shortages of Addl.DIT/JDIT, many charges did not initiate penalty proceedings.

d. National Stock Exchange (NSE) did not furnish any information for FY 08 and FY 09¹⁰. ITD did not take any action against NSE for non-furnishing the information. The Ministry replied (December 2012) that from FY 10 onwards data from NSE has been collected and uploaded.

Information received without PAN

2.12 Out of 24.74 lakh and 1.55 lakh pieces of information collected in Kerala and West Bengal respectively, 19.14 lakh and 0.81 lakh pieces of information i.e. 77 per cent and 52.2 per cent information respectively were without PAN.

2.13 Analysis of data relating to CIB, Karnataka revealed that only 17 per cent of the information collected during FY 09 was with PAN whereas in FY 10 it was only 08 per cent of the data made available. We also noticed that 21 per cent of the information collected in FY 09 has zero value.

Table 2.1: Details of information collected by CIB, Karnataka

Financial Year	Pieces of information collected	Pieces of information made available	Data with zero value	Data without PAN	Data with PAN
FY 09	2300232	2300232	489057 (21%)	1917613 (83%)	382619 (17%)
FY 10	8854011	1788206	152989 (9%)	1645776 (92%)	142430 (8%)

Information not maintained in uniform format

2.14 We observed deficiencies in CIB's maintenance of Information Receipt Register (IRR) in the prescribed format in Rajasthan, Kerala, Odisha and Bihar. CIB was also not recording details about data uploaded in CIB module and disseminated. CIB was not maintaining IRR in a uniform format in Gujarat. It did not maintain IRR at all in Assam; and in FY 08 and FY 09 in Kerala and Odisha.

8 DIT-CIB, Pune: 12,534; DIT-CIB), Mumbai: 2,746; Andhra Pradesh:1,870; Kerala: 1,390; Madhya Pradesh: 58

9 DIT-CIB, Pune: 25,580; DIT-CIB), Mumbai: 7,329. Information in respect of FY 08 to FY 10 was not available in respect of DIT-CIB, Mumbai. Andhra Pradesh 7,296 (FY 11), Kerala: 7,785; Madhya Pradesh: 8,538.

10 Information for FY 10 and FY 11 was made available by CIB.

Collection of information through AIR handled by TIN FCs

2.15 AIR information is received through NSDL to its TIN FCs and uploaded to ITD System. Audit examination of information provided by NSDL revealed difference between count and amount of transactions received and uploaded to TIN Central System.

2.16 The Ministry replied (December 2012) that the difference between count and amount of transactions received and accepted is on account of AIRs rejected at TIN Central System for the reason of duplicate reporting of transactions. Audit, however, has observed that amount of transactions in AIRs accepted at TIN Central System was more than the amount of the transactions received in many cases.

2.17 We observed several deficiencies in AIR information handled by TIN FC which are as follows:

a. While extracting AIR data to ITD, NSDL is required to check the presence of PAN in ITD PAN Master. We, however, observed that TIN FCs checked¹¹ only structural validity of PAN before uploading of AIR, i.e. whether PAN contained 10 digits in the specified format. Thus there was no check about the presence of PAN in ITD PAN Master. The Ministry's reply (December 2012) - that ITD's data showed valid and invalid PAN categories and that CIB took remedial action as necessary – does not address the audit observation.

b. AIR filer can file Supplementary AIR to correct the incorrect information. ITD had, however, not prescribed any time limit for this. Little purpose is served by supplementary AIRs filed after selection of scrutiny cases. The Ministry's reply (December 2012) - that the use of supplementary AIR information was not limited to scrutiny and was also useful for investigation and drawing 360 degree profile of taxpayer – does not address the audit point as to why a time limit could not be set for supplementary AIR.

Assurance regarding completeness of information

2.18 Under Rule 114E(2), AIR in Form 61A was to be filed in respect of the specified transactions which were registered or recorded by the specified persons during a financial year. We observed that there were little checks in place to ensure that persons furnishing the information had included all the eligible transactions in their report and that reported information was correct.

¹¹ Audit analysed structural validity in Rajasthan at 5 TIN FCs-Shell Jaipur (code no. 07020), Alankrit Jaipur (code no. 01005), Karvy Jaipur (code no. 05016), Alankrit Jodhpur (code no. 01058), Integrated Enterprises Jodhpur (code no. 03160) on the data for the period from FY 08 to FY 11 involving 177 AIRs. Structurally valid PAN was not available in ITD in 1096 cases (9.62 *per cent*) out of 11395 cases of 122 AIRs. Further, there was no structural valid PAN in 55 AIRs.

Furnishing of incorrect information

2.19 We observed during test check that AIR information in 110 cases, selected for scrutiny assessment on the basis of information given in AIR, was found incorrect on verification during assessment process. Often, AOs did not forward reported information pertaining to assesses in other jurisdiction to the concerned jurisdictional AOs in absence of clear instructions, leading to wastages of information resources (see Box 2.1).

Box 2.1: Illustrative cases of incorrect information

A. Charge: DCIT 10(3), CIT 10, Mumbai, AY: 09

Assessee: Infrastructure Leasing and Financial Services Ltd

As per AIR information, the assessee had purchased immovable properties of ₹ 1,333.76 crore in FY 08. Assessee clarified that out of the reported transactions, one transaction of ₹ 1,280 crore pertained to the registration for the debenture trust deed for borrowings by the assessee for its business purposes and did not pertain to any purchase transaction in immovable property. Joint Sub Registrar, Kurla also confirmed the facts.

B. Charge: DCIT 5, CIT- 3, Pune, AY: 09

Assessee: Shri Dara N Damania

As per AIR information the assessee had deposited cash of ₹ 3.07 crore in Cosmos Co-op Bank. Later on it was discovered that the assessee did not have an account with the Bank. The Bank also confirmed this against notice and informed that the cash was deposited by four schools belonging to a Trust where the assessee was only a signatory.

C. Charge: CIT 20, Kolkata, AY: 10

Assessee: Shri Madhuchanda Kar, PAN-AEIPM9031M

As per AIR, the assessee had invested ₹ 20 crore in mutual funds during FY 09. During assessment proceedings, Assets Management Company informed that the investment made by some other person, inadvertently had been mentioned against name of the assessee.

D. Charge: CIT III, Bengaluru, AY: 06

Assessee: Shri Narchi Bhai M Patel, PAN-AAYP7854M

The AIR information wrongly mentioned registration fee payment of ₹ 75,750 as ₹ 75.75 lakh as sale value of the property. As a result, AO reopened the assessment by issue of notice under section 148 and concluded under section 143(3) read with section 147 in December 2010 without any addition. Thus incorrect information lead to reopening the case which otherwise would not have been reopened resulting wastage of manpower.

2.20 Audit also observed that AIR filers did not furnish information in the correct way: names of assessee were wrong or mis-spelt or abbreviated; addresses of the transacting party were clubbed with the names of the transacting parties; addresses of the transacting parties were not correct leading to significant information deficit and non-identification of PAN.

ITD did not levy penalty against the persons who did not file AIR or filed belatedly and against those who gave incomplete information in AIR.

Non-levy of penalty for not filing/late filing of AIR

2.21 271FA of the Act prescribes that if a person who is required to file AIR, failed to file AIR within the prescribed period, then the prescribed income tax authority i.e. DIT-CIB is empowered to levy penalty of ₹ 100 for every day during which the failure continues. The late collection and dissemination of AIR information has very serious consequences as it not only results in non verification of genuineness of the transactions by AO at the time of assessment but also lead to escapement of cases for selection of scrutiny through CASS¹² cycle run for that financial year. This defeats the very purpose for which AIR information is collected and disseminated.

2.22 We observed in 60 cases that AIRs relating to FY 08 (relevant to AY 09) were filed in January/March 2011 i.e. after expiry of the time limit specified under section 153 for assessment.

2.23 CIB sent notices to 2,414¹³ non-filers/late filers of AIR during the period from FY 08 to FY 11 of which 1,296¹⁴ had filed AIR. Penalty had been imposed in 263¹⁵ cases. Regarding less cases of penal action for late filing of AIR as well as delayed response to notices issued under section 133(6), DIT-CIB, Mumbai stated that he was guided by the fact that filers were helping ITD by building up a database at some cost and inconvenience to them, therefore persuasion was preferred to punishment. In Haryana, penalty was not levied in those cases where the delay was less than 100 days. Penalty¹⁶ of ₹ 596.78 lakh for late filing/ defective filing of 2,651 AIR was not levied by ITD.

No action against AIR filers for filing incomplete information

2.24 We observed in 87 cases that AIR filers either have not reported the transaction at all or not reported all the transactions. Though all these cases were selected for scrutiny assessment, AO did not take any action against AIR filer for not filing all the specified transactions in AIR (see Box 2.2).

¹² Computer Assisted Scrutiny System

¹³ Maharashtra: 1,035 cases; Haryana: 369 cases; Kerala: 230 (only for FY 10 and FY 11, no list for FY 08 and FY 09 was generated by CIB, Kerala), Tamil Nadu: 471 (FY 09 and FY 10), Odisha: 116 (FY 09 and FY 10), Andhra Pradesh: 193 (FY 10)

¹⁴ Maharashtra: 811, Kerala: 120, Andhra Pradesh: 64, Odisha: 18, Haryana: 283

¹⁵ Maharashtra: 54 cases, Haryana: 122 cases, Tamil Nadu: 87

Box 2.2: Illustrative cases where no penal action was taken**A. Charge: CIT III, Kolkata, AY: 09****Assessee: Smt. Deria Sarkar, PAN-ALQPS3180C**

As per AIR, the assessee had invested ₹ 49.99 lakh in Mutual funds. During scrutiny proceedings, the assessee disclosed the investment of ₹ 18 lakh in the Mutual funds over and above as disclosed in AIR which did not appear in ITS.

B. Charge: CIT XX, Kolkata, AY: 09**Assessee: Suvapasanna Bhattacharya, PAN-AEDPD2611R**

Assessee's investment of ₹ 38 lakh in mutual funds did not appear in ITS and since it was not reported in AIR.

C. The Sub Registrar, Haveli 20 (under the jurisdiction of DIT-CIB, Pune reported 14 transactions in AIR for FY 09. Upon verification, DIT-CIB found that five transactions having transaction value of more than ₹ 30 Lakh were not included in AIR.

ITD did not have any system to ensure the compliance of Rule 114B which requires mentioning of PAN in documents pertaining to specified transaction.

Non quoting of PAN

2.25 Rule 114B prescribes that every person is required to quote his/her Permanent Account Number (PAN) in all the documents pertaining to 16 types of transactions specified in the Rule. We found that the ITD did not have any system to ensure the compliance of provisions of Rule 114B though Section 272B of the Act prescribed penalty for not complying with the provisions of the Rule.

2.26 We observed that about 52 and 37 *per cent* of the transactions as reported in AIR to CIB, West Bengal and DIT-CIB, Pune respectively either did not have PAN or had invalid PAN. Similarly, 59 and 20 *per cent* of transactions reported to CIB in Andhra Pradesh and Karnataka respectively in FY 10 were without PAN or had invalid PAN. This indicates that system of collecting the data was not adequate. We took a sample of 150 transactions¹⁷ reported in AIR, where declaration in Forms 60/61 was indicated. We noticed that most of the transacting parties were companies, banks etc. Therefore, there was no question of these transacting parties not having PAN. We tried to find out PAN of these transacting parties and were able to find out PAN in 127 transactions.

¹⁷ Information collected from DIT-CIB, Mumbai relating to the transactions entered in FY 09 for purchase of immovable property exceeding ₹ 30 lakh.

Refusal of Co-operative Banks to furnish information to ITOs (Intelligence)

2.27 Cooperative banks/societies involved in banking business in Kerala had refused to provide information to CIB against notices issued to them under section 133 (6) of the Act saying that they are not governed by this provision of the Act and obtained a stay from the Supreme Court. ITD is required to ensure to bring information possessed by Co-operative Banks in the ITD system. The Board may make necessary amendments in the Act, if necessary.

Disposal of Notices

2.28 We observed that CIB in Rajasthan disposed off the notices issued to non-filers of AIR within six months of issue of notices, by dropping them on the basis of reply or by imposing penalty without ensuring that AIRs had been filed. During FY 10 and FY 11, ITD imposed penalty for failure to furnish AIR on 21 and 34 non-filers respectively.

CIB did not use the database for identifying prospective AIR filers and non-filers.

Data base of AIR filers

2.29 CIB is collecting information by issuing notices to various persons/organizations. For this purpose CIB needs to use a database of the persons/organization. This database may be used for identifying prospective AIR filers and also AIR non-filers. However, it appears that CIB was not using this database for AIR purposes. As a result notices in 48 cases were issued under section 285BA (5) for not filing AIR to the branch offices of the banks in Gujarat who were not required to file AIR. Similarly, in 12 cases in Gujarat where penalty proceedings under section 271FA were initiated, were ultimately dropped as AIR filers ceased to exist. In Hyderabad, one Sub-registrar office did not file AIR during FY 06 to FY 11, but ITD did not take action against it as it was not appearing in non-filers list.

Collation of information and party building based on gathered information

2.30 The information is gathered on annual basis in respect of financial transaction in the immediately preceding financial year from various sources. Board's letter dated September 2006 suggested that the information collected needs to be collated party-wise by CIT-CIB into individual transaction statements (ITS) using PAN of the transacting party. Where PAN is not available, CIB is required to prepare name-wise ITS and send it in CD format to DGIT-S to identify PAN of the transacting parties and update them in ITD system. ITD did not follow above suggested procedure and never send the gathered data to DGIT-S.

CIB did not upload collected information in a timely and complete manner to CIB module. It faced problems in uploading information due to technical reasons.

Uploading of information into ITD System

2.31 Information collected by ITD can be properly utilized only when such information is uploaded to the central system being operated by DGIT-S and disseminated to the field offices (Administrative Commissioners) for scrutiny during assessment. Data from third party sources are useful in verifying declarations made by individual assessees.

2.32 We observed that 588.53 lakh pieces of information collected during FY 08 to FY 10 could not be uploaded due to technical or other reasons such as shortage of manpower, CDs not being readable, proforma not being in prescribed format, late receipt of new software from DGIT-S and stabilizing problems of the software, etc. CIB offices did not make available money value of the information collected and uploaded except Assam, Rajasthan, Kerala and Kolkata.

Table 2.2: Details of information collected and uploaded into ITD Systems

Financial Year	Information collected	Figures in lakh	
		Information collected	Information uploaded
FY 08	325.58		213.19
FY 09	517.19		218.81
FY 10	876.83		667.34
FY 11	1149.34		1181.07
Total	2868.94		2280.41

For FY 08 and FY 09, CIB units at West Bengal, Rajasthan, Tamil Nadu, Assam, Maharashtra (DIT Mumbai) and for FY 10, CIB unit at Assam did not provide data on information uploaded.

Problems related to PAN/TAN

2.33 1,460 pieces of information worth of ₹ 59.49 crore collected from post offices could not be uploaded due to want of TANs of respective post offices. Information gathered having Tax Deduction and Collection Account Number (TAN) issued outside of the State could not be uploaded to ITD System from that State. As a result 17,881 pieces of information for FY 11 valuing ₹ 1,680.82 crore gathered by CIB Kochi under two transaction codes (403 & 410) could not be uploaded to ITD System.

2.34 The Ministry replied (December 2012) that the data pertaining to TANs outside the jurisdiction could be uploaded in the system by the concerned jurisdictional DIT-CIB. However, the audit did not find any system by which such cases could be transferred to the jurisdictional DIT-CIB for uploading.

Delay in uploading information into CIB module

2.35 NSDL uploaded information received from Bombay Stock Exchange for FY 08 and FY 09 in September 2010 and for FY 10 and FY 11 received from Bombay Stock Exchange and National Stock Exchange in October 2011.

2.36 Entire collected information of a year could not be uploaded during the same year except in Andhra Pradesh, Karnataka and Kerala. DIT-CIB, Mumbai informed that the procedure prescribed vide instruction No. 22 dated 17 January 2008 was very cumbersome and only a few CIB officers throughout the country could upload the data. Simplified procedures for uploading was introduced vide instruction no. 29 dated 29 June 2009 following which substantial amount of data was uploaded. We observed that in 171 cases involving ₹ 50.60 crore information was uploaded late as a result these could not be utilized during the scrutiny assessment (see Box 2.3).

Box 2.3: Illustrative case on delayed uploading of information

In CIT-I, Surat charge, CIB source code information containing 21 pieces valuing ₹ 9.63 crore in respect of a company, M/s. Amar Jewellers Limited relating to FY 08 (relevant to AY 09) were uploaded it on 8 March 2011 after the time limit specified under section 153 for completing the assessment.

Lack of uniformity/classification in uploading data

2.37 DIT-S, New Delhi has prescribed digitized data structure¹⁸ for the purpose of uniformity. The source code agencies are required to furnish the information in the prescribed format in CDs. Information received from source code agencies in CDs are required to be checked at the filing stage. Defective/incorrect CDs were to be returned for resubmission.

2.38 A test check of the soft copy of the information furnished by some of the Sub Registrar offices (SRO) in Chennai¹⁹ revealed that the data furnished by SRO was not as per the prescribed data structure but was in a different data structure in respect of 23 columns out of 39 columns. Moreover, the important information such as name of the transacting parties, address was in the regional language. This defeated the very purpose of having a common prescribed data structure. This may result delay in uploading such data received, as translation was required before uploading, involving unnecessary manpower and time delay.

¹⁸ Chapter 7 of the user manual for 'Third Party CIB information upload procedure for new compulsory CIB codes'

¹⁹ SRO Mylapore, Triplicane, Nungambakkam (Joint II Thousand Lights), Teynampet (Joint I Chennai – Central)

2.39 The Ministry replied (December 2012) that considering the spread of agencies providing CIB Data substantial agencies find it difficult to comply with Return Preparation Utility (RPU)/Filed Validation Utility (FVU) requirements. Nevertheless, field officers request agencies to submit data in correct prescribed format.

Information of earlier years was uploaded as information of current year

2.40 We observed that transactions pertaining to earlier years were uploaded as the transactions of current year in 32 cases (see Box 2.4).

Box 2.4: Illustrative cases on uploading of earlier year's information as current year's information.

A. A transaction²⁰ of ₹ 13.0 lakh transacted on 22 February 2002 was shown as the transaction of FY 08.

B. In one another case²¹ 33 pieces of AIR/ CIB information valued ₹ 70.30 crore disseminated and appearing in ITS of the assessee as transaction of FY 08 were related to FY 07.

2.41 CBDT instruction no. 1943 dated 22 August 1997 and no. 414/66/2009 (Inv. I) dated 22 December 2009 prescribed that DIT-I&CI shall disseminate/upload CIB source code information between 01 September and 15 September immediately following the financial year in which the transaction was registered or recorded. Further, as per first proviso to sub-section (1) of section 153, no order of assessment shall be made under section 143 or 144 after expiry of 21 months from the end of assessment year in which the income was first assessable.

Dissemination of information

2.42 AIR/CIB information uploaded with PAN on the system generates Individual Transaction Statements (ITS) and is available for use in CASS for selection of cases for scrutiny. Such data becomes accessible to AOs concerned in the cases selected for scrutiny which are useful in assessment proceedings. Non-PAN data is, however, organized on the basis of address and sent by DGIT-S to CCIT concerned for further dissemination to jurisdictional DAO/JAO for taking further action.

2.43 CIB, Uttar Pradesh delayed the dissemination of non-PAN information. CIT-I, Agra and CIT Ghaziabad received CD containing non-PAN information for FY 09 in the month of January 2012, i.e. after end of the prescribed period by which assessment for relevant assessment year could have been completed. CIT-I, Lucknow received this CD in May 2011. Similarly, DAO, Agra received a CD containing 9,007 pieces of non-PAN information pertaining to

²⁰ Assessee: M/s. Fair growth Enterprises Private Ltd., Charge: CIT-II, Kolkata, AY: 09

²¹ Assessee: M/s. Amrapali Fincap Private Limited, Charge: CIT-I, Ahmedabad, AY: 09

FY 05 to FY 09 in April 2010. This delay resulted in non utilization of information due to time barring of assessment period, non-tracing of transacting parties, etc.

2.44 Prior to February 2010, information was disseminated by DIT-CIB, Kolkata in consolidated manner without collation or sorting. All CsIT were given copies of same CD. Information received in 10 selected units²² was in such an unorganized manner that these could not be segregated so as to make the retrieval of the desired information at the time of assessment. CIB Kolkata was requested to provide macro level details regarding information disseminated to the five CsIT selected for review. However, CIB Kolkata expressed its inability to retrieve and provide the same on the plea that the data had been arranged pin code wise before sending to respective CCsIT/CsIT and jurisdiction of a CIT had covered numbers of pin code areas. When the concerned wing that has collected, organized and disseminated the data itself cannot retrieve the same, it may be almost impossible for AOs to use the same at the time of the assessment.

CIB did not digitize and disseminate declarations received in Forms 60/61.

Dissemination of information collected through Form 60 & 61

2.45 CBDT²³ instructions recommended that CIT-CIB should get the information contained in Form 60/61 digitized in a pre-determined format, sort them address-wise and range-wise and sent in CD format within one month of receiving the declarations to CCsIT for passing it on to the DAOs who shall with the prior approval of CIT call for information under section 133(6). We observed that different approaches were adopted by CIB offices in this regard. CIB in Karnataka, Kerala, Tamil Nadu, Uttar Pradesh and West Bengal dumped forms²⁴ after receipt whereas Andhra Pradesh, Gujarat, Haryana, Punjab and Rajasthan digitized²⁵ the data contained in Forms 60/61 and disseminated the same to respective CsIT. However disseminated information did not reach to the concerned assessing officers in some states²⁶. As a result large number of information which may be useful in identifying the assesseees remained unutilized to a large extent coupled with wastage of scarce resources of ITD-money and manpower.

22 Out of 75 selected units disseminated information was not received by 65 units. Only 10 units received the disseminated information.

23 Letter no.415/2/97-IT (Inv.) dated September 2006 of CBDT.

24 Kerala: 13,247 (FY 08 to FY 11); Karnataka: NA, Tamil Nadu: NA, Uttar Pradesh (CIB Lucknow): 5,82,251 (FY 09 and FY 10); West Bengal: 73,421 (FY 08 to FY 10).

25 Andhra Pradesh: 9,95,330 pieces digitized and sent; Gujarat: 38,488 Forms received of which 2,264 were disseminated; Punjab:2,50,301 Forms 60/61 received and disseminated; Haryana: 25,695 pieces received and disseminated; Rajasthan: 69,474 Forms digitized however only 46,832 were uploaded

26 Haryana and Punjab

2.46 Information about Forms 60/61 either was not available or not ascertainable in Assam, Odisha, Mumbai and Delhi Regions. CIB, Kanpur did not receive any Form 60/61 from AIR filers. None of the banks of the State Bank group, RTOs/SRTOs and District Registrars/Sub-Registrars have forwarded Form 60/61 to CIB Office in Kerala.

CIB did not use all functionalities available in CIB module

Standardisation of transactions in CIB module

2.47 The functionality of standardization of names and addresses in the transactions where PAN is not available was not being used. The on-line review of all standardized and non-standardized transactions required to be done for checking correctness of the transaction details by ITOs and their staff was not being done. The function of correcting errors in names and addresses due to errors in data entry was not being performed.

2.48 The Ministry replied (December 2012) that the data is voluminous and it requires technical expertise for standardization of Names and Addresses in the transactions where PAN is not available.

City - Regional Computer Centre (RCC) Cross-Reference at National Computer Centre (NCC)

2.49 The functionality of RCC and city cross – linkage required to be used to decide final destination of such transactions was not being maintained in the system. Similarly, the options available in system to transfer all transactions not pertaining to a particular RCC to NCC and also to retrieve from NCC, all transactions belonging to a particular RCC were not being used.

2.50 The Ministry replied (December 2012) that the functionality of RCC – City linkage is available in the system. The data has to be updated by the field CIB Units. Data warehousing & business intelligence project is being envisaged to address these issues.

Collation of transactions based on standardisation of name and address of the party

2.51 The functionality available for collation of transactions received without PAN from third parties on the basis of name and address through interface with AIS module after standardisation of name and locality is not being performed.

2.52 After receiving the transaction from third parties and standardisation in cases where no PAN is available, there is provision in the system to form parties by collating all transactions related to the single assessee at a single place on the basis of standardised names and addresses. However, we observed that no such activities were being performed by using the third party information received during FY 08 to FY 11 by the directorate using functionality of CIB module in order to widen the tax base. Similarly, functionality in the system to locate a unique party and linking of transaction to it, resolving same transaction linking to more than one party are also not being performed. Function of creating new party for each non-standardised transaction was also not being performed. In the absence of formation of parties, the information received from the third party remained unutilised and this defeated the very purpose of computerisation.

Case Generation

2.53 The functionality for generation of cases on the basis of threshold limits or benchmarks to build cases and mark them for sending query letters and also to ascertain whether the party whose case is built has filed the return or not through interface with AST module is available in CIB module. However, we observed that cases were not generated in CIB module. The Directorate did not issue any query letters. The non-generation of cases by using CIB module, resulted in huge number of information remaining unutilised, rendering the objective of widening the tax base using this information unachieved, as this information could not be disseminated to its final destination i.e. concerned Assessing Officer/Range.

Utilisation of information received without PAN

2.54 Major part of the information received remained unutilised due to absence of PAN and no efforts were made by ITD to resolve such cases by using various functionalities of CIB module. Even in cases where ITD successfully disseminated the information, no monitoring was exercised to ascertain whether all the cases where information has been passed on to the concerned Assessing officers/Range have been acted upon, despite this facility being available in the system. The failure on the part of Department to utilise the various functionalities of CIB module resulted in a major part of the information received remaining unutilised and locked in the system which have not been disseminated to concerned assessing officer/Range head.

2.55 Out of a total of 2.69 crore pieces of information valuing ₹ 2,830 thousand crore received during FY 08 to FY 11, 0.71 crore pieces of information valuing ₹ 828 thousand crore received without PAN remained unutilized due to non-collation of transactions. Moreover, the trend of non-

utilization of information received showed increase during FY 10 and FY 11 as compared to earlier years. Hence, due to non-collation of these transactions with PAN by using interface with other ITD Modules, ITD was unable to utilize the information to the final output of CIB Module i.e. ITS report to give a more comprehensive financial profile of a tax payer at the time of scrutiny assessment by AO.

2.56 Further, there is provision in CIB module where progress of each case sent to the concerned AO/Range can be watched through generation of feedback reports. However, no such reports were being generated by ITD. Thus, the tool available in CIB module to monitor utilisation of information to achieve the objective of deepening/ widening tax base remained unutilised.

2.57 The Ministry replied (December 2012) that the approach of the department was to investigate on sample basis. However, 360 degree profile is available to investigation, realization of demand, identifying survey and search cases.

Recommendations

2.58 We recommend that

- a.** ITD may collect Information from all the compulsory as well as approved optional source codes. The Ministry stated (December 2012) information gathering for compulsory as well as approved optional source codes is done as policy-matter considering emerging priorities vis-à-vis available resources. ITD is facing acute shortage of manpower at different levels which poses serious limitations on various intended outcomes.
- b.** CIB/NSDL may upload the entire collected information in the same year so that it can be used in scrutiny assessment, bottlenecks in uploading the information may be removed. The Ministry replied (December 2012) that ITD made consistent efforts to overcome the problems and upload data seamlessly. Specific targets have been assigned in the Central Action Plan 2012-13 for import of financial transactions into CIB module.
- c.** ITD should put in place a system which ensures correctness and reliability of data received through AIR/CIB before its dissemination to the field. There is also a need for effective penal provisions in the Act for furnishing factually incorrect information in AIR or in reply to notices issued by ITD. The Ministry has noted (December 2012) the recommendations and agreed to examine the desirability of legislative change, if any.
- d.** ITD may evaluate the feasibility of developing a web based information collection system to avoid the problems in collecting non-AIR information. This would take care of redundant data and data mismatch. The Ministry informed (December 2012) that the issue was already under consideration of the CBDT.

e. ITD may also initiate internal review to gauge the utility and effectiveness of system of filing of AIR. The Ministry noted the suggestion and informed (December 2012) that from time to time CBDT has set up committee/s to review inter alia the module and functionality in various forms.

f. ITD may define time lines for issuing query letters as also for referring back cases to DIT-CIB, as control mechanism to ensure that the query letters are issued by a specified time/date and if the letters return as unserved, the cases are referred to DIT-CIB within a defined time period, enabling effective monitoring of the activity. The Ministry replied (December 2012) that the query letters issued by DIT (Intelligence) were system generated and were sent within time prescribed in the Action Plan for 2012-13. However, the human resources constraints pose a limitation on the intended outcomes.

g. ITD may devise a suitable mechanism including business intelligence tools to ensure effective utilization of information collected at high cost, both to ITD and for the agencies tasked with collecting and providing such information to ITD to achieve the objective of deepening and widening of tax base. The Ministry replied (December 2012) that a separate project relating to data warehousing was proposed to be undertaken to address these and the related issues by DIT-S. Also, the new application viz. Income Tax Business Application would suitably address the suggestion.

h. ITD use the available functionalities of CIB module. The Ministry replied (December 2012) that with continuous evolution of IT technologies, CIB functionalities are improving. The efforts are further continuing.