

## Chapter I

### Direct Taxes Administration

#### 1.1 Resources of the Union Government

**1.1.1** The Government of India's resources include all revenues received by the Union Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans. Tax revenue resources of the Union Government consist of revenue receipts from direct and indirect taxes. Table 1.1 below shows the summary of resources of the Union Government for the Financial Year (FY) 2015-16 and FY 2014-15.

Table 1.1: Resources of the Union Government	₹ in crore)	
	FY 2015-16	FY 2014-15
<b>A. Total Revenue Receipts</b>	19,42,353	16,66,717
<i>i. Direct Taxes Receipts</i>	7,42,012	6,95,792
<i>ii. Indirect Taxes Receipts including other taxes<sup>1</sup></i>	7,13,879	5,49,343
<i>iii. Non-Tax Receipts</i>	4,84,581	4,19,982
<i>iv. Grants-in-aid &amp; contributions</i>	1,881	1,600
<b>B. Miscellaneous Capital Receipts<sup>2</sup></b>	42,132	37,740
<b>C. Recovery of Loan &amp; Advances<sup>3</sup></b>	41,878	26,547
<b>D. Public Debt Receipts<sup>4</sup></b>	43,16,950	42,18,196
<b>Receipts of Government of India (A+B+C+D)</b>	<b>63,43,313</b>	<b>59,49,200</b>

Source: Union Finance Accounts of respective years. Direct Tax receipts and Indirect tax receipts including other taxes have been worked out from the Union Finance Accounts. Total Revenue Receipts include ₹ 5,06,193 crore in FY 2015-16 and ₹ 3,37,808 crore in FY 2014-15, share of net proceeds of direct and indirect taxes directly assigned to states.

**1.1.2** In FY 2015-16, the increase of 16.5 *per cent* in total revenue receipts mainly contributed increase of total receipts of the Government of India. The Direct Taxes accounted for 38.2 *per cent* of total revenue receipts and increased by 6.6 *per cent* in FY 2015-16 over the last year.

#### 1.2 Nature of Direct Taxes

**1.2.1** Direct taxes levied by the Parliament mainly comprises,

- i. Corporation Tax** levied on income of the companies;
- ii. Income Tax** levied on income of persons (other than companies);
- iii. Other direct taxes** including Securities Transactions Tax<sup>5</sup>, Wealth Tax<sup>6</sup> etc.

1 Indirect taxes levied on goods and services such as customs duty, excise duty, service tax etc.;

2 This comprises of value of bonus share, disinvestment of public sector and other undertakings and other receipts;

3 Recovery of loans and advances made by the Union Government;

4 Borrowing by the Government of India internally as well as externally;

5 Tax on the value of taxable securities purchased and sold through a recognized stock exchange in India. However, no rebate under section 88E is allowable with effect from Assessment Year 2009-10.

6 Tax chargeable on the net wealth comprises certain assets specified under section 2(ea) of the Wealth Tax Act, 1957. The Wealth Tax has been abolished through Finance Act, 2015.

**1.2.2** Table 1.2 provides a snapshot of direct taxes administration.

<b>Table 1.2: Direct Taxes Administration</b>					
	2011-12	2012-13	2013-14	2014-15	2015-16
<b>₹ in crore</b>					
1. Direct taxes collection	4,93,987	5,58,989	6,38,596	6,95,792	7,42,012
2. Refunds	93,814	83,766	89,060	1,12,163	1,22,596
3. Interest on refunds	6,486	6,666	6,598	5,332	6,886
<b>Number in lakh</b>					
4. Assesseees on record <sup>7</sup>	363.5	373.8	470.3	607.6	644.01
5. Actual returned filed by					
a. Non-corporate Assesseees	357.6	367.9	304.0	360.6	398.0
b. Corporate Assesseees	5.9	5.9	6.4	6.8	6.9
6. Scrutiny assessments completed	3.7	3.1	2.9	5.35	3.39
7. Scrutiny assessment pending	4.1	2.9	4.2	4.96	3.66

Source: Sl. No. 1 – Union Finance Accounts; Sl. No. 2 – Pr. CCA, CBDT, Sl. No. 3 to 7 – DGIT (Logistics), CBDT.

The details of tax administration are given in *Appendix-1*.

**1.2.3** Table 1.3 below gives the details of non-corporate assesseees in different categories of income.

<b>Table 1.3: Non-Corporate Assesseees</b>						(Figures in lakh)
Financial Year	A <sup>8</sup>	B <sub>1</sub> <sup>9</sup>	B <sub>2</sub> <sup>10</sup>	C <sup>11</sup>	D <sup>12</sup>	Total
2011-12	267.68	60.26	21.23	6.57	1.87	357.61
2012-13	276.13	58.21	23.94	6.59	3.00	367.87
2013-14	117.23	135.79	34.24	16.72	0.05	304.03
2014-15	76.32	216.31	46.11	21.80	0.01	360.55
2015-16	55.93	264.47	52.94	24.69	0.01	398.04

Source: Directorate General of Income Tax (Logistics), Research & Statistics Wing. These figures are based on actual returns filed during the respective year.

The non-corporate assesseees registered an increase of 10.4 *per cent* in FY 2015-16 in comparison to increase of 18.6 *per cent* in FY 2014-15. As can be seen from the table 1.3 above and Chart 1.1, there has been a steady shift of the number of assesseees from the lower income category 'A' to the middle income and higher income categories B<sub>1</sub>, B<sub>2</sub> and C during the five years period FY 2011-12 to FY 2015-16.

7 Includes cases where non-zero TDS-26AS exist but no ITR entered in the record of ITD (159.93 lakh - FY 2013-14, 169.35 lakh - FY 2014-15 and 163.45 lakh - FY 2015-16. The figures of FY 2014-15 and FY 2015-16 includes all assesseees covered by DGIT (Systems) during previous two years.

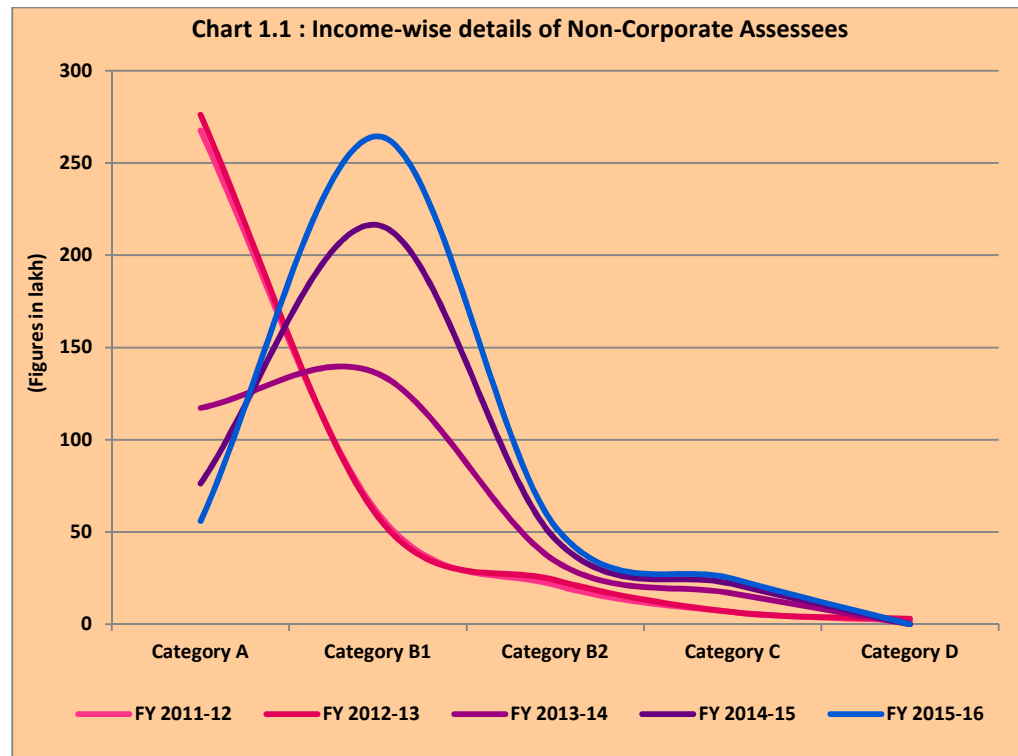
8 Category 'A' assesseees – Assessments with income/loss below ₹ two lakh;

9 Category 'B<sub>1</sub>' assesseees (lower income group) - Assessments with income/loss above ₹ two lakh and above; but below ₹ five lakh;

10 Category 'B<sub>2</sub>' assesseees (higher income group) - Assessments with income/loss above ₹ five lakh and above; but below ₹ 10 lakh;

11 Category 'C' assesseees - Assessments with income/loss of ₹ 10 lakh and above;

12 Category 'D' assesseees – Search and seizure assessments;



**1.2.4** Table 1.4 below gives the details of corporate assesseees in different categories of income.

Financial Year	A <sup>13</sup>	B <sub>1</sub> <sup>14</sup>	B <sub>2</sub> <sup>15</sup>	C <sup>16</sup>	D <sup>17</sup>	Total	Assesseees having income above ₹ 25 lakh	Working companies as per RoC as on 31 <sup>st</sup> March
2011-12	2.95	0.91	0.96	1.00	0.03	5.85	0.14	8.01
2012-13	3.05	0.97	0.83	1.02	0.03	5.90	0.14	8.84
2013-14	4.14	0.89	0.31	1.01	0.01	6.36	0.65	9.52
2014-15	3.20	1.51	0.48	1.56	0.00*	6.75	0.69	10.16
2015-16	3.08	1.59	0.50	1.71	0.00 <sup>^</sup>	6.88	0.76	10.82

Source: Directorate General of Income Tax (Logistics), Research & Statistics Wing. These figures are based on actual returns filed during the respective year.

\* 256 assesseees; <sup>^</sup> 337 assesseees.

The corporate assesseees registered an increase of 1.9 *per cent* in FY 2015-16 in comparison to increase of 6.1 *per cent* in FY 2014-15. As in the case of non-corporate assesseees there is a steady change in the income profile of the assesseees with more entering the higher income brackets over the five years period of FY 2011-12 to FY 2015-16.

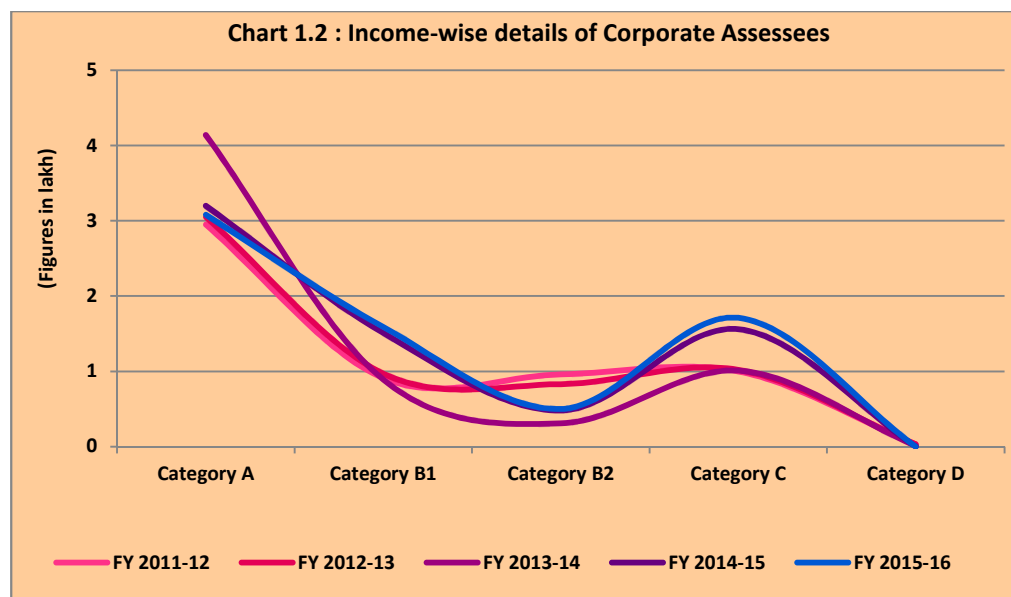
13 Category 'A' assesseees – Assessments with income/loss below ₹ 50,000;

14 Category 'B<sub>1</sub>' assesseees (lower income group) – Assessments with income/loss of ₹ 50,000 and above; but below ₹ five lakh;

15 Category 'B<sub>2</sub>' assesseees (higher income group) - Assessments with income/loss above ₹ five lakh and above; but below ₹ 10 lakh;

16 Category 'C' assesseees - Assessments with income/loss of ₹ 10 lakh and above;

17 Category 'D' assesseees – Search and seizure assessments;



### 1.3 Functions and responsibilities of the CBDT

**1.3.1** The Central Board of Direct Taxes (CBDT) under Department of Revenue (DOR) in the Ministry of Finance provides essential inputs for policy and planning of direct taxes in India. At the same time, it is also responsible for administration of direct taxes laws through Income Tax Department (ITD). ITD deals with matters relating to levy and collection of direct taxes and *inter alia* the issues of tax evasion, revenue intelligence, widening of tax-base, providing tax payers services, grievance redressal mechanism.

**1.3.2** As on 31 March 2016, the overall staff strength and working strength of the ITD is 78,552 and 45,045 respectively. The sanctioned and working strength of the officers<sup>18</sup> is 11,052 and 9,200 respectively. The revenue expenditure for the year 2015-16 is ₹ 4,688.6 crore<sup>19</sup>.

### 1.4 Budgeting of Direct Taxation

**1.4.1** The Budget reflects the Government's vision and intent. The revenue budget consists of the revenue receipts of the Government (tax revenues and other revenues) and the expenditure met from these revenues. Comparison of budget estimates with the corresponding actuals is an indicator of quality of fiscal marksmanship. Actuals may differ from the estimates because of unanticipated and random external events or methodological inadequacies or at times it may be convenient to under project/over project some critical parameters.

<sup>18</sup> Pr. CCIT/Pr. DGIT, CCIT/DGIT, Pr. CIT/Pr. DIT, CIT/DIT, Addl. CIT/Addl. DIT/JCIT/JDIT, DCIT/DDIT/ACIT/ADIT and ITOs.

<sup>19</sup> Union Finance Accounts for FY 2015-16.

**1.4.2** Table 1.5 below shows the details of Budget Estimates (BE), Revised Estimates (RE) and Actual collection of Direct Taxes during FY 2011-12 to FY 2015-16.

Table 1.5: Budget Estimates, Revised Estimates vis-à-vis Actual							(₹ in crore)	
Financial Year	Budget estimates	Revised estimates	Actual	Actual minus budget estimates	Actual minus Revised estimates	Difference as per cent of budget estimates	Difference as per cent of Revised estimates	
2011-12	5,32,651	5,00,651	4,93,987	(-) 38,664	(-) 6,664	(-) 7.3	(-) 1.3	
2012-13	5,70,257	5,65,835	5,58,989	(-) 11,268	(-) 6,846	(-) 2.0	(-) 1.2	
2013-14	6,68,109	6,36,318	6,38,596	(-) 29,513	2,278	(-) 4.4	0.4	
2014-15	7,36,221	7,05,628	6,95,792	(-) 40,429	(-) 9,836	(-) 5.5	(-) 1.4	
2015-16	7,97,995	7,52,021	7,42,012	(-) 55,983	(-) 10,009	(-) 7.0	(-) 1.3	

Note: BE and RE figures are as per respective Receipts Budget and Actual are as per respective Finance Accounts

**1.4.3** The RE were found realistic as variation in actual collection ranged from (-) 1.4 per cent to 0.4 per cent of RE in comparison to the BE during the FY 2011-12 to FY 2015-16.

## 1.5 Growth of Direct Taxes

**1.5.1** Table 1.6 below gives the relative growth of direct taxes (DT) with reference to Gross Tax Receipts (GTR)<sup>20</sup> and Gross Domestic Products (GDP) during FY 2011-12 to FY 2015-16.

Table 1.6: Growth of Direct Taxes						(₹ in crore)
Financial Year	DT	GTR	DT as per cent of GTR	GDP	DT as per cent of GDP	
2011-12	4,93,987	8,89,118	55.6	90,09,722	5.5	
2012-13	5,58,989	10,36,460	53.9	99,88,540	5.6	
2013-14	6,38,596	11,38,996	56.1	1,13,45,056	5.6	
2014-15	6,95,792	12,45,135	55.9	1,25,41,208	5.5	
2015-16	7,42,012	14,55,891	51.0	1,35,76,086	5.5	

Source: DT and GTR – Union Finance Accounts, GDP-Central Statistical Office (CSO), Ministry of Statistics and Programme Implementation; GDP for FY 2015-16 – Press note released by CSO on 31 May 2016. The Figures of GDP are continually being revised by CSO.

**1.5.2** Though the DT increased by 6.6 per cent in FY 2015-16 as compared to FY 2014-15, there was decrease of 4.9 per cent in the share of DT to GTR in FY 2015-16 as compared to FY 2014-15. This is because of growth of 30 per cent in Indirect Taxes during FY 2015-16 as shown in Table 1.1.

**1.5.3** Table 1.7 below gives the growth of direct taxes and its major components i.e. Corporation Tax (CT) and Income Tax (IT) during FY 2011-12 to FY 2015-16.

<sup>20</sup> It includes all direct and indirect taxes.

Table 1.7: Growth of Direct Taxes and its major components						(₹ in crore)
Financial Year	Direct Taxes	Per cent growth over previous year	Corporation Tax	Per cent growth over previous year	Income Tax	Per cent growth over previous year
2011-12	4,93,987	10.8	3,22,816	8.1	1,64,525	18.3
2012-13	5,58,989	13.2	3,56,326	10.4	1,96,843	19.6
2013-14	6,38,596	14.2	3,94,678	10.8	2,37,870	20.8
2014-15	6,95,792	9.0	4,28,925	8.7	2,58,374	8.6
2015-16	7,42,012	6.6	4,53,228	5.7	2,80,390	8.5

**1.5.4** The compound annual growth rate of DT, CT and IT was 10.7 per cent, 8.9 per cent and 14.3 per cent respectively during FY 2011-12 to FY 2015-16.

**1.5.5** There are different modes of direct taxes collection such as Tax deducted at source (TDS), advance tax, self assessment tax, and regular assessment tax in respect of both corporation and income tax. The pre-assessment collection through TDS, advance tax and self assessment tax is indicative of voluntary compliance in the system. The collection of tax through regular assessment mode occurs post assessment.

**1.5.6** Table 1.8 below shows the pre-assessment and post-assessment collection of Corporation Tax and Income Tax during FY 2011-12 to FY 2015-16.

Table 1.8: Collection of Corporation Tax and Income Tax					(₹ in crore)
Financial Year	Pre-assessment collection	Post assessment collection	Other receipts including surcharge and cess	Total Collections	
2011-12	4,77,853	51,512	50,134	5,79,499	
2012-13	5,25,918	62,418	48,596	6,36,932	
2013-14	5,85,192	72,528	63,884	7,21,604	
2014-15	6,37,681	80,189	81,589	7,99,459	
2015-16	6,95,171	63,814	96,940	8,55,925	

Note: The above figures were received from the Pr. CCA, CBDT during the respective years. The figures of collection comprises of refunds also.

**1.5.7** The voluntary compliance of corporation tax and income tax during FY 2015-16 was 81.2 per cent as compared to 79.8 per cent in FY 2014-15.

## 1.6 Revenue impact of tax incentives

**1.6.1** The primary objective of any tax law and its administration is to raise revenue for the purpose of funding government expenditure. The revenue raised is primarily dependent upon the collective tax base and the effective tax rates. The determinant of these two factors is a range of measures which includes special tax rates, exemptions, deductions, rebates, deferrals and credits. These measures are collectively called as “tax incentives or tax preferences”. These are also referred as tax expenditure.

**1.6.2** The Income-tax Act, *inter alia*, provides for tax incentives to promote exports, balanced regional development, creation of infrastructure facilities, employment, rural development, scientific research and development, the cooperative sector, accelerated depreciation for capital investment and encourages savings by individuals and donation for charity. Most of these tax benefits can be availed of by both corporate and non-corporate taxpayers.

**1.6.3** Union Receipt Budget depicts statement of revenue impact of major incentives on corporate taxpayers and non-corporate taxpayers based on returns filed electronically. The table 1.9 below shows the revenue impact of major tax incentives for FY 2011-12 to FY 2015-16.

Financial Year	Total Revenue impact of tax incentives	Revenue impact as per cent of		
		GDP	DT	GTR
2011-12	1,01,140	1.1	20.5	11.4
2012-13	1,02,256	1.0	18.3	9.9
2013-14	93,047	0.8	14.6	8.2
2014-15	1,18,593	0.9	17.0	9.5
2015-16	1,28,693	0.9	17.3	8.8

Note: The figures of revenue impact of tax incentives are actuals except FY 2015-16 (projected) as per Receipt Budget. These do not cover Charitable Institutions. However, as per Receipt Budget 2016-17, the amount applied by Charitable Institutions is ₹ 2,36,326 crores in respect of 1,19,317 electronically filed returns till November 2015.

**1.6.4** The revenue impact of tax incentives is increasing in absolute terms over the years (except FY 2013-14). The Public Accounts Committee (PAC) in their 87<sup>th</sup> Report (15th Lok Sabha) noticed that the Government ‘though belatedly’ had proposed some measures in this direction but felt that the Government need to consider some interim measures to phase out unwarranted tax exemptions/deductions. The Finance Minister in his Budget speech of 2015 had announced that exemption for corporate would be rationalized and removed. In pursuance, the Government has taken certain measures to rationalize the deduction under section 35, 35AC, 35AD, 35CCC, 35CCD, 80IA, 80IAB and 80IB(9) through the Finance Act, 2016.

## **1.7 Widening of tax base**

**1.7.1** The ITD has different mechanisms available to enhance the assessee base which includes survey, information sharing with other tax departments and third party information available in annual information returns (AIRs). In the Central Action Plan 2015-16 of ITD, key result areas for widening of tax base are:

- a. Improving compliance to TDS/TCS provisions;
- b. Effective collection of information about high value transactions;
- c. Efficient handling of information without valid PAN; and
- d. Ensuring compliance from identified non-filers through various methods.

**1.7.2** The data of TDS as shown in *Appendix 1* indicates increase of 44.7 per cent over the period from FY 2011-12 to FY 2015-16, which suggest improvement in compliance to TDS/TCS provisions. A comparison of the figure on total working companies as per the Registrar of Companies (ROCs)<sup>21</sup> data with the total filers as per the ITD would suggest that ensuring compliance by indentifying non-filers has not been effective. As in FY 2014-15, there were 10.16 lakh companies registered with ROC as against which it is observed that in FY 2015-16, 6.88 lakh companies only are the filers of income tax returns. Since all working companies (whether profit earning or loss incurring) are required by the provision of the Income Tax Act, 1961 to file their return of income, 47.7 per cent of such working companies in FY 2014-15 did not file their return of income.

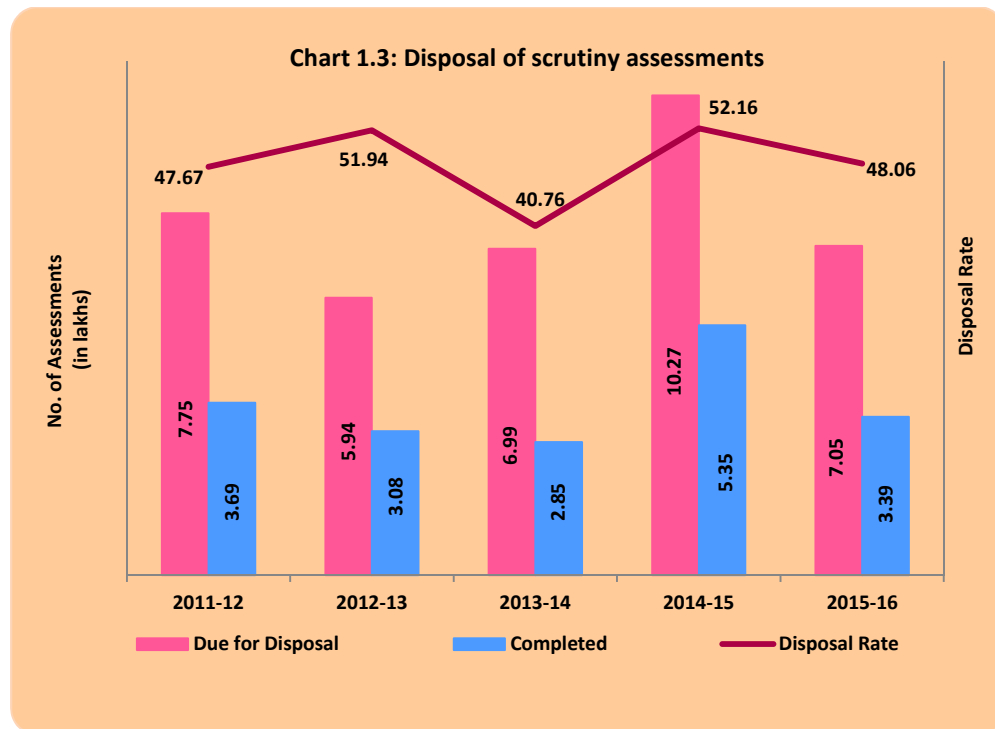
## **1.8 Disposal of Scrutiny assessments**

**1.8.1** Chart 1.3 gives the trend of disposal of scrutiny assessments during FY 2011-12 to FY 2015-16.

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21 Source: Ministry of Corporate Affairs (Statistics Division).





**1.8.2** The disposal of scrutiny assessment cases in FY 2015-16 has decreased to 48.06 per cent as compared to 52.16 per cent in FY 2014-15.

## 1.9 Disposal of Refund cases

**1.9.1** Table 1.10 below gives the trend of disposal and pendency of direct refund cases during FY 2011-12 to FY 2015-16.

Table 1.10: Disposal of Direct Refund Cases				(Number in lakh)
Financial Year	Direct Refund cases due for disposal	Direct Refund cases disposed of	Direct Refund cases pending	Pendency in percentage
2011-12	52.8	40.3	12.5	23.7
2012-13	38.8	27.6	11.2	28.9
2013-14	34.5	25.7	8.8	25.5
2014-15	31.5	22.6	8.9	28.1
2015-16	38.9	33.4	5.5	14.2

Source: Directorate General of Income Tax (Logistics), Research & Statistics Wing.

**1.9.2** There has been significant reduction in pendency of direct refund cases during FY 2015-16.

**1.9.3** The Government has refunded ₹ 1,22,596 crore which includes interest of ₹ 6,886 crore (5.6 per cent) in FY 2015-16. The interest paid on refunds in FY 2014-15 was ₹ 5,332 crore (4.8 per cent ₹ 1,12,163 crore the amount refunded).

### 1.10 Arrears of demand

**1.10.1** Table 1.11 below gives the trend of arrears of demand pending during the period FY 2011-12 to FY 2015-16.

Table 1.11: Arrears of Demand				(₹ in crore)
Financial Year	Arrears of earlier year's demand	Current year's demand	Total arrears of demand	Demand difficult to recover
2011-12	2,65,040	1,43,378	4,08,418	3,87,614
2012-13	4,09,456	76,724	4,86,180	4,66,854
2013-14	4,80,066	95,274	5,75,340	5,52,538
2014-15	5,68,724	1,31,424	7,00,148	6,73,032
2015-16	6,67,855	1,56,356	8,24,211	8,02,256

Source: CAP I Demand & Collection Statement alongwith Analysis for the month of March of respective FY provided by Directorate of Income Tax (Organisation & Management Services)

**1.10.2** Demand & Collection Statement for the month of March of respective FY analysed various factors viz. inadequate assets for recovery, cases under liquidation/BIFR, assessee not traceable, demand stayed by various authorities etc. leading to demand difficult to recover. This demand is increasing year after year and accounted for 97.3 per cent of the total arrear of demand in FY 2015-16 as against 96.1 per cent in FY 2014-15.

**1.10.3** Defaults in payment of tax are referred to Tax Recovery Officers (TROs) who draw up a certificate specifying the amount of arrears due from the assessee and proceed to recover the amount. The certified demand remaining uncollected was stagnant to ₹ 2.40 lakh crore in FY 2015-16 in comparison to ₹ 2.36 lakh crore in FY 2014-15. TROs could dispose off 8.5 per cent (₹ 22,089.31 crore) of pending certified demand in FY 2015-16.

### 1.11 Disposal of Appeal cases

**1.11.1** Table 1.12 below gives the trend of disposal and pendency of appeal cases before CIT(Appeals) during FY 2011-12 to FY 2015-16.

Table 1.12: Disposal of Appeal Cases by CIT(A)					
Financial Year	Appeal cases due for disposal	Appeal cases disposed of	Appeal cases pending	Pendency in percentage	Amount locked up in Appeal cases
					(₹ in crore)
(Number in lakh)					
2011-12	3.06	0.76	2.30	75.3	2,42,182
2012-13	2.84	0.85	1.99	70.1	2,59,556
2013-14	3.03	0.88	2.15	71.0	2,87,444
2014-15	3.06	0.74	2.32	75.8	3,83,797
2015-16	3.53	0.94	2.59	73.3	5,16,250

Source: Directorate General of Income Tax (Logistics), Research & Statistics Wing.

**1.11.2** The amount locked up in appeal cases with CIT(Appeals) is equivalent to 1.5 times approximately of the revised revenue deficit of Government of India in FY 2015-16 against 1.1 times of revised revenue deficit in FY 2014-15.

**1.11.3** Table 1.13 below gives the position of Appeals/Writs and other matters pending with Income Tax Appellate Tribunals (ITATs)/High Courts and Supreme Court as on 31 March 2016.

Table 1.13: Appeals/Writs and other matters pending with ITATs/High Courts/Supreme Court		
Authority with whom pending	Cases pending (Numbers)	Amount locked up (₹ in crore)
ITATs	32,834	1,35,984
High Courts	32,138	1,61,418
Supreme Court	5,399	7,092
<b>Total</b>	<b>70,371</b>	<b>3,04,494</b>

Source: Directorate General of Income Tax (Logistics), Research & Statistics Wing.

**1.11.4** The amount locked up at higher levels (ITATs/High Courts/Supreme Court) increased to ₹ 3.0 lakh crore (70,371 cases) as on 31 March 2016 in comparison to ₹ 1.9 lakh crore (77,448 cases) as on 31 March 2015.

## 1.12 Search & Seizure and Survey

The Search & seizure and survey are amongst the main evidence collecting mechanisms that are used in cases where credible information about tax evasion is in possession of the ITD. Table 1.14 below shows the details of search & seizure and survey conducted and the undisclosed income admitted/detected during FY 2011-12 to FY 2015-16.

Table 1.14: Status of search & seizure and survey cases				(₹ in crore)
Financial Year	Number of groups searched	Undisclosed income admitted	Number of survey conducted	Undisclosed income detected
2011-12	621	15,071	3,706	6,573
2012-13	422	10,292	4,630	19,337
2013-14	569	10,792	5,327	90,391
2014-15	545	10,288	5,035	12,820
2015-16	447	11,226	4,428	9,700

Source: Investigation Wing, CBDT

The undisclosed income admitted during search & seizure increased by 9.1 per cent in FY 2015-16, however, the undisclosed income detected during survey decreased by 24.3 per cent in the same period.

## 1.13 Status of prosecution cases

**1.13.1** Table 1.15 below shows the status of prosecution proceedings launched, proceeding decided viz. convicted, compounded and acquitted from FY 2011-12 to FY 2015-16.

Table 1.15: Status of Prosecution proceedings					(Number)
Financial Year	Prosecution proceedings launched	Disposal of cases			Total cases
		Convictions	Compounded	Acquitted	
2011-12	209	14	397	182	593
2012-13	283	10	205	50	265
2013-14	641	41	561	62	664
2014-15	669	34	900	42	976
2015-16	552	28	1,019	38	1,085

Source: Investigation Wing, CBDT

**1.13.2** The number of compounded cases increased substantially from 66.9 *per cent* of disposed prosecution cases in FY 2011-12 to 93.9 *per cent* in FY 2015-16 and acquittals in disposed prosecution cases decreased sharply from 30.7 *per cent* in FY 2011-12 to 3.5 *per cent* in FY 2015-16.

#### **1.14 Results Framework Document**

The Results Framework Document (RFD) for the ITD for the FY 2015-16 under the objectives includes better communication with Taxpayers, better management of Human Resources for enhancing Taxpayer services, strengthening Taxpayer services by enhancing Information Technology, efficiency in Tax Administration and implementing recommendations of TARC.

#### **1.15 ITD's IT Initiatives**

**1.15.1** With a view to improving the efficiency and effectiveness of the tax administration and to provide management with reliable and timely information towards effective planning as also broaden the tax base, ITD introduced many ICT applications from time to time.

**1.15.2** The ITD has designed an Integrated Taxpayer Data Management System (ITDMS) as a data mining software to build profile of taxpayer. It enables the users to build a near 360 degree profile of taxpayers dealing with high volumes of data and more linkages. The improved version is giving better linkages and handling a higher quantum of data.

**1.15.3** The ITD has undertaken a separate project called Income Tax Business Application (ITBA) with which it plans to re-write the existing ITD applications in a new architecture and design. Some of the features of this application are workflow based management system, alert and notification services, consolidated view of tax payers, capability to generate a large number of standard and customized reports for all (authorized users), a uniform mailing solution to all etc. The application is still under development.

**1.15.4** The ITD has initiated "Project Insight" on Data Warehouse and Business Intelligence (DW & BI) platform to strengthen the non-intrusive information driven approach for improving compliance and effective

utilization of information in all areas of tax administration. This will integrate data warehouse, data mining, web mining, predictive modeling, data exchange, master data management, centralized processing, compliance risk management and case analysis capabilities. The project is expected to be rolled out in FY 2016-17.

**1.15.5** The ITD has taken up a new project, called the “National Judicial Reference System”, with the objective of improving litigation management in the Department with the help of technology. The Computerized database of appeals and judgments will help in identifying issues that have attained finality avoiding litigation on settled issues; bunching of similar cases, prioritization of important cases; capacity building and in tax policy analysis. The software has been developed and implemented. This project utilizes appeal data from the Supreme Court of India/High Courts/ITATs.

## **1.16 Effectiveness of Internal Audit**

**1.16.1** Internal audit is an important part of the Departmental control that provides assurance that demands/refunds are processed accurately by correct application of the provisions of the Act. The ITD prepares action plan for conducting internal audit in pursuance of instruction no. 3 of 2007 and completed audit of 1,78,793 cases in FY 2015-16 as against 1,66,229 cases audited in FY 2014-15.

**1.16.2** Table 1.16 shows details of internal audit observations raised, settled and pending for each of the five years from FY 2011-12 to FY 2015-16:

Table 1.16: Details of Internal audit observations								(₹ in crore)	
Financial Year	Opening balance		Addition		Settled		Pending		
	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	
2011-12	34,940	8,516	13,771	1,880	14,148	1,118	34,563	9,278	
2012-13	34,563	9,278	18,275	4,135	16,626	2,736	36,212	10,677	
2013-14	36,212	10,677	14,423	8,951	26,322	8,610	24,313	11,018	
2014-15	20,834 <sup>^</sup>	8,368	9,927	2,292	15,586	3,805	15,175	6,855	
2015-16	19,137 <sup>^</sup>	8,023	13,148	6,463	12,891	2,205	19,394	12,281	

Source: Directorate of Income Tax (Income Tax & Audit); <sup>^</sup>Figures revised after verification by respective CsIT(Audit) subsequent to submission of quarterly statement for the quarter ending March

**1.16.3** Out of 11,509 major finding cases<sup>22</sup> raised by internal audit, the AOs acted upon in 3,730 cases (32.41 per cent) in FY 2015-16 in comparison to 4,973 cases (46.8 per cent) out of 10,624 cases in FY 2014-15.

<sup>22</sup> Audit objection above ₹ two lakh in Income tax and above ₹ 30,000 in other taxes.

