

Summary of Recommendations

We recommend that

➤ *The CBDT, Ministry of Finance and Ministry of Corporate Affairs may have inter-ministerial arrangement to their mutual benefit where there is an interface between the ITD and ROC so that when a company is registered with ROC, the application for PAN is submitted automatically with the ITD. When PAN is issued to the newly incorporated company, it will automatically be sent to ROC Systems for updation. Further, the companies should be compulsorily required to submit a copy of acknowledgement of ITR while furnishing their annual reports in Form MGT-7. This will ensure that companies file their ITRs and at the same time the data of ROC will be in sync with that of ITD (paragraph 2.2).*

The CBDT stated (July 2018) that system of applying for PAN at the time of applying for registration of a company is already in vogue. The CBDT agreed (July 2018) to examine the feasibility of requiring a company to compulsorily submit a copy of acknowledgement of ITR while filing their annual reports in Form MGT-7.

➤ *The CBDT may consider taking up with the state governments to have an interface between IT system of ITD and that of Inspector General of Registrations (IGR) so that whenever sale of properties is registered with IGR office, the information is automatically populated into ITD systems as well (paragraph 2.3.1).*

The CBDT agreed (July 2018) to examine the recommendation and stated that although provisions are in place to identify non-filers having transaction of high value property, there is a need to strengthen its enforcement.

➤ *The CBDT may put a mechanism in place to ensure compliance of provisions of section 285BA and section 139A(5)(c) read with Rule 114B by AIR filers (paragraph 2.3.5).*

The CBDT stated (July 2018) that a new dedicated Reporting Portal had been operationalised in April 2018 wherein the Reporting Entities are required to register and upload the statements.

➤ *It is recommended that the CBDT may put in place an IT driven mechanism for sharing of information within the department so as to utilize information such as those regarding sales/purchases transactions of immovable property effectively and plug the leakage of revenue (paragraph 3.4).*

The CBDT stated (July 2018) that there was already a system in place for sharing the information within the Department.

Audit is of the view that since mechanism of sharing of information within the ITD is not effective, there is a need to strengthen the mechanism and to make it robust.

➤ *The CBDT may like to strengthen the system to address the issue of pending share application money after it is due for refund as per the Companies Act to prevent its misuse (paragraph 4.3.2).*

The CBDT stated (July 2018) that the cases pointed out by the C&AG would be examined.

➤ *The CBDT may consider to have a mechanism to ensure that TDR transactions are brought to tax say by having a provision to tax it at source (paragraph 4.4.1).*

The CBDT accepted (July 2018) to examine the issue during the course of the exercise for Budget 2019.

➤ *The CBDT may take steps for capturing the information in TRACES on Tax deducted at source and deposited by a purchaser of immovable property holding PAN under section 194-IA of the Act (paragraph 4.6.1).*

The CBDT accepted (July 2018) the recommendation and agreed to examine the issue.

➤ *The CBDT may consider introducing system based checks and validation to minimize manual interventions by assessing officers and avoiding mistakes in scrutiny assessments (paragraph 4.7).*

The CBDT stated (July 2018) that the assessments were already being done on ITBA. Further e-assessment has also been undertaken by the Department in a major way. Thus systems were in place to ensure proper checks and validations. The AO being a quasi-judicial authority, it is not possible to bring a fully system based assessment.

Audit is of the view that the CBDT may consider introduction of system based checks and validations to avoid mistakes in computation of income and tax thereon.

➤ *The Ministry may like to put in place a mechanism whereby the ITD gets inputs from the concerned administrative Ministry before it reviews the incentives given in schemes under the provisions of the Act so that the Ministry is in a position to monitor and measure the benefits of tax incentive to the intended groups (paragraph 5.1).*

The CBDT stated (July 2018) that administrative ministries were being requested to provide an impact assessment study in respect of tax concessions provided for the sectors under their jurisdiction and provide a cost-benefit analysis on various aspects.

ITD did not have any information with it with regard to impact of revenue foregone on growth in housing sector when the Audit asked for the same which gives reasons to believe that the benefits of tax incentives for the intended groups are not being monitored.

➤ *The Ministry may ensure the verification of certificate in form 10CCB and in the case of the certificate found to be incorrect, the Chartered Accountant may be held accountable (paragraph 5.2.2).*

The CBDT accepted (July 2018) the recommendation.