



# Report Summary

## First Report of the Tax Administration Reforms Commission

The Tax Administration Reforms Commission (TARC) (Chairperson: Dr Parthasarathi Shome) submitted its First Report on May 30, 2014.

**Observations:** TARC made the following observations:

- The current organisational setup has the Revenue Secretary at the top of the tax administration, above the Central Board of Direct Taxes (CBDT) and the Central Board of Excise and Customs (CBEC). The Revenue Secretary is not a tax administration expert, yet he has the final say in terms of tax administration before it reaches the Finance Minister.
- There is an artificial separation between direct and indirect tax administration, and a lack of co-operation between CBDT and CBEC.
- India has one of the highest numbers of disputes between tax administration and taxpayers, with lowest proportion of recovery of tax arrears.
- The selection of CBDT and CBEC members does not consider specialisation, policy experience, etc. and is based on seniority.
- There is pressure on tax officers to meet externally imposed revenue targets. In addition, there is a lack of protection for tax officers from the large number of anonymous vigilance complaints.
- There is complete absence of research-based analysis of policy, and lack of impact assessment studies. The benefits of Information and Communication Technology (ICT) systems have not been reaped.

**Recommendations:** TARC made the following recommendations:

- **Consumer Focus:**
  - (i) There should be a separate vertical for delivery of taxpayer services in each Board. A minimum of 10% of the tax administration's budget must be spent on taxpayer services.
  - (ii) The decision of the Ombudsman with regard to redressing taxpayer grievances should be binding on tax officers.

- (iii) Pre-filled tax returns should be provided to all individuals. The taxpayer will have the option of accepting the tax return or modifying it.

▪ **Structure and Governance:**

- (i) CBDT and CBEC should be fully integrated in 10 years. Within the next 5 years, they should move towards a unified management structure under the Central Board of Direct and Indirect Taxes.
- (ii) The post of Revenue Secretary should be abolished and its functions should be assigned to the two Boards. A Governing Council to oversee the working of the two Boards, and a Tax Council to suggest policy and legislation should be set up.

▪ **Human Resource Development:**

- (i) There should be a focus on specialisation, including lateral entry of specialists in the Boards. Indian Revenue Service (IRS) officers should specialise in a particular tax administration areas.
- (ii) The Central Vigilance Commission should have a Member who has been an IRS officer. The policy of not taking cognizance of anonymous complaints should be strictly followed.

▪ **Dispute Resolution and Management:**

- (i) Retrospective legislation should be avoided.
- (ii) Both Boards should start a special drive for review and liquidation of cases currently clogging the system by setting up dedicated task forces.
- (iii) A separate dispute management vertical should be set up in each Board. In addition, the process of pre-dispute consultation before issuing a tax demand notice should be put into practice.

- **Internal Processes:** The Permanent Account Number (PAN) should be developed as a Common Business Identification Number (CBIN), to be used by other departments such as customs, excise, etc.

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