

## 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) 2014-15 and FY 2013-14.

Table 1.1: Resources of the Union Government	₹ in crore)	
	FY 2014-15	FY 2013-14
<b>A. Total Revenue Receipts</b>	16,66,717	15,36,024
i. Direct Taxes Receipts	6,95,792	6,38,596
ii. Indirect Taxes Receipts including other taxes <sup>1</sup>	5,49,343	5,00,400
iii. Non-Tax Receipts	4,19,982	3,93,410
iv. Grants-in-aid & contributions	1,600	3,618
<b>B. Miscellaneous Capital Receipts<sup>2</sup></b>	37,740	29,368
<b>C. Recovery of Loan &amp; Advances<sup>3</sup></b>	26,547	24,549
<b>D. Public Debt Receipts<sup>4</sup></b>	42,18,196	39,94,966
<b>Receipts of Government of India (A+B+C+D)</b>	<b>59,49,200</b>	<b>55,84,907</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 ₹ 3,37,808 crore in FY 2014-15 and ₹ 3,18,230 crore in FY 2013-14, share of net proceeds of direct and indirect taxes directly assigned to states.

**1.1.2** The total receipts of the Union Government increased to ₹ 59,49,200 crore in FY 2014-15 from ₹ 55,84,907 crore in FY 2013-14. In FY 2014-15, its own receipts were ₹ 16,66,717 crore including gross tax receipts of ₹ 12,45,135 crore.

#### 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 Wealth Tax<sup>5</sup>, Securities Transactions 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 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.

6 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.

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

<b>Table 1.2: Direct Taxes Administration</b>					
	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
	<b>₹ in crore</b>				
<b>1. Direct taxes collection</b>	4,45,995	4,93,987	5,58,989	6,38,596	6,95,792
<b>2. Refunds</b>	75,169	93,814	83,766	89,060	1,12,163
<b>3. Interest on refunds</b>	10,499	6,486	6,666	6,598	5,332
	<b>Number in lakh</b>				
<b>4. Assesseees on record</b>	335.8	363.5	373.8	470.3 <sup>7</sup>	607.6 <sup>7</sup>
<b>5. Scrutiny assessments completed</b>	4.6	3.7	3.1	2.9	5.35
<b>6. Scrutiny assessment pending</b>	3.9	4.1	2.9	4.2	4.96

Source: Sl. no. 1 – Union Finance Accounts; Sl. no. 2 - Pr. CCA, CBDT, Sl. no. 3 to 6 – DGIT (Logistics), CBDT.

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

### **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 2015, the overall staff strength and working strength of the ITD is 78,544 and 41,304 respectively. The sanctioned and working strength of the officers<sup>8</sup> is 10,863 and 8,863 respectively. The revenue expenditure for the year 2014-15 is ₹ 4,147.6 crore<sup>9</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>7</sup> Includes 159.93 lakh cases (FY 2013-14) and 169.35 lakh cases (FY 2014-15) where non-zero 26AS exist but no ITR entered in the record of ITD.

<sup>8</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>9</sup> Union Finance Accounts for FY 2014-15.

**1.4.2** Table 1.3 below shows the details of Budget Estimates, Revised Estimates and Actual collection of Direct Taxes during FY 2010-11 to FY 2014-15.

Table 1.3: Budget Estimates, Revised Estimates vis-à-vis Actual (₹ in crore)							
Financial Year	BE	RE	Actual	Actual minus BE	Actual minus RE	Difference as per cent of BE	Difference as per cent of RE
2010-11	4,30,000	4,46,000	4,45,995	15,995	(-) 5	3.7	Zero
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

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

**1.4.3** The actual collection of direct taxes exceeded the budget estimates in FY 2010-11 whereas it was less than the budget estimates during FY 2011-12 to FY 2014-15. The revised estimates were found generally realistic as variation in actual collection ranged from (-) 1.4 per cent to 0.4 per cent of revised estimates. In FY 2014-15, the actual collection of direct taxes was less than ₹ 9,836 crore from revised estimates.

## 1.5 Growth of Direct Taxes

**1.5.1** Table 1.4 below gives the relative growth of direct taxes (DT) with reference to Gross Tax Receipts<sup>10</sup> (GTR) and Gross Domestic Products (GDP) during FY 2010-11 to FY 2014-15.

Table 1.4: Growth of Direct Taxes (₹ in crore)					
Financial Year	DT	GTR	DT as per cent of GTR	GDP	DT as per cent of GDP
2010-11	4,45,995	7,93,307	56.2	77,95,314	5.7
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

Source: DT and GTR - Union Finance Accounts, GDP - Press note on GDP released on 29 May 2015 by Central Statistical Office (CSO), Ministry of Statistics and Programme Implementation. This indicates that the figures for GDP for the year 2012-13 and 2013-14 are based on New Series Estimates; and figure for the year 2014-15 are based on provisional estimates at current prices. The figures for GDP for the year 2010-11 and 2011-12 are based on current market prices with base year 2004-05. Figures are continually being revised by CSO and this data is meant for an indicative comparison of fiscal performance with macro-economic performance.

**1.5.2** We find that DT increased by ₹ 57,196 crore (9.0 per cent) in FY 2014-15 as compared to FY 2013-14. However, the share of direct taxes to GTR has also slightly decreased from 56.1 per cent in FY 2013-14 to 55.9 per cent in FY 2014-15.

<sup>10</sup> It includes all direct and indirect taxes.

**1.5.3** Table 1.5 below gives the growth of direct taxes and its major components i.e. Corporation Tax (CT) and Income Tax (IT) in absolute terms during FY 2010-11 to FY 2014-15.

Table 1.5: Growth of Direct Taxes receipts and its major components							(₹ in crore)
Financial Year	Direct Taxes	Per cent growth over previous year	CT	Per cent growth over previous year	IT	Per cent growth over previous year	
2010-11	4,45,995	18.1	2,98,688	22.1	1,39,102	13.6	
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	

**1.5.4** We find that the growth of CT came down to 8.7 *per cent* in FY 2014-15 from 10.8 *per cent* in FY 2013-14. There was steep decline in growth of IT from 20.8 *per cent* in FY 2013-14 to 8.6 *per cent* in FY 2014-15. The compound annual growth rate of CT and IT was 9.5 *per cent* and 16.7 *per cent* respectively during FY 2010-11 to FY 2014-15.

**1.5.5** There are different mode of direct taxes collection {Tax deducted at source (TDS), advance tax, self assessment tax, regular assessment tax} in respect of both corporation and income tax. Collection through advance tax, self assessment tax and TDS is largely indicative of degree of voluntary compliance in the system. Collection of tax through regular assessment mode occurs on assessment. The voluntary compliance of corporate and non-corporate assessees during FY 2014-15 was 83.2 *per cent* as compared to 84.6 *per cent* in FY 2013-14.

**1.5.6** Table 1.6 below shows the collection of corporate assessees during FY 2010-11 to FY 2014-15.

Table 1.6: Corporate assessees' collections							(₹ in crore)
Financial Year	TDS	Advance Tax	Self assessment tax	Regular Assessment Tax	Surcharge and Cess	Other receipts	Collections
2010-11	68,313	1,84,263	23,056	41,916	16,846	20,872	3,55,266
2011-12	91,974	2,08,886	13,632	40,030	24,309	19,285	3,98,116
2012-13	74,481	2,32,467	18,731	53,874	16,804	23,790	4,20,147
2013-14	83,443	2,45,350	18,852	60,426	24,175	29,605	4,61,851
2014-15	87,858	2,72,193	23,025	68,604	26,514	34,778	5,12,972

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** TDS collection decreased from 18.1 *per cent* in FY 2013-14 to 17.1 *per cent* in FY 2014-15 of the total corporate collection whereas regular assessment tax marginally increased from 13.1 *per cent* in FY 2013-14 to 13.4 *per cent* in FY 2014-15 of the total corporate collection. The advance Tax remained constant at 53.1 *per cent* in FY 2014-15 as compared to FY 2013-14.

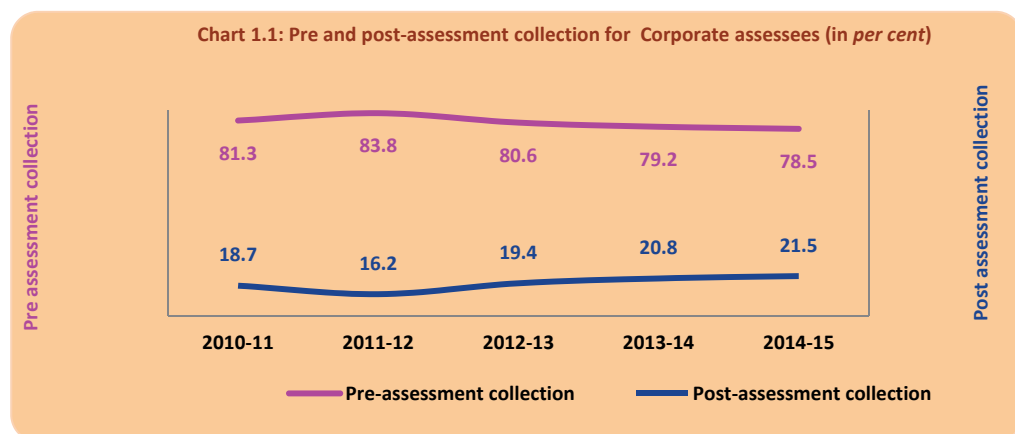
**1.5.8** Table 1.7 below shows the collection of non-corporate assessee during FY 2010-11 to FY 2014-15.

Table 1.7: Non-corporate assessee's collections							(₹ in crore)
Financial Year	TDS	Advance Tax	Self assessment tax	Regular Assessment Tax	Surcharge and Cess	Other receipts	Collections
2010-11	1,00,356	28,275	13,831	9,922	5,498	750	1,58,632
2011-12	1,06,705	42,640	14,016	11,482	5,120	1,420	1,81,383
2012-13	1,36,173	43,327	20,739	8,544	6,000	2,002	2,16,785
2013-14	1,65,104	47,172	25,271	12,102	7,629	2,475	2,59,753
2014-15	1,71,248	54,332	29,025	11,585	8,924	11,373	2,86,487

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

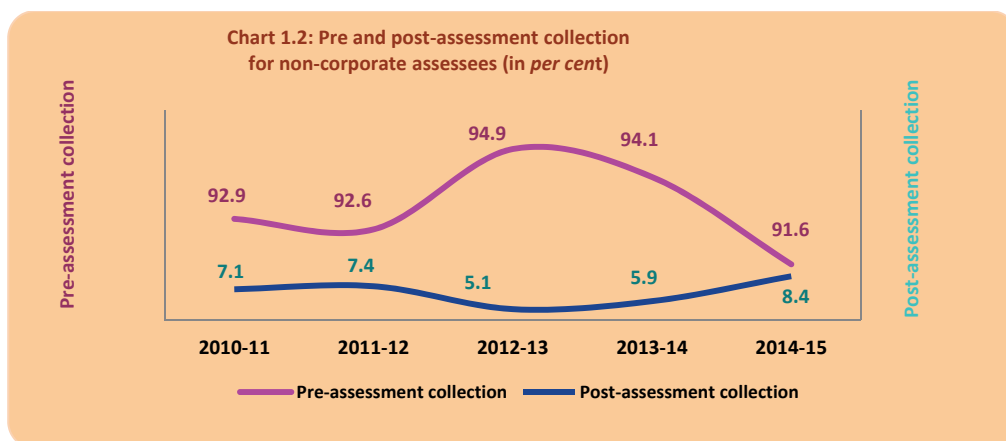
**1.5.9** TDS collections and regular assessment tax decreased from 63.6 *per cent* and 4.7 *per cent* of total non-corporate collection in FY 2013-14 to 59.8 *per cent* and 4.0 *per cent* in FY 2014-15 respectively. However, advance tax increased marginally from 18.2 *per cent* of total non-corporate collection in FY 2013-14 to 19.0 *per cent* in FY 2014-15.

**1.5.10** Chart 1.1 below shows the pre-assessment<sup>11</sup> and post assessment collection in respect of corporate assessee during FY 2010-11 to 2014-15.



**1.5.11** Chart 1.2 below shows the pre-assessment<sup>11</sup> and post assessment collection in respect of non-corporate assessee during FY 2010-11 to 2014-15.

<sup>11</sup> TDS, advance tax, self assessment tax and proportionate surcharge and cess levied there against.



**1.5.12** Voluntary compliance in respect of corporate assessees declined continuously from FY 2011-12 whereas in respect of non-corporate assessees it increased during FY 2010-11 to FY 2012-13 and declined thereafter.

## 1.6 Revenue Foregone

**1.6.1** The main objective of any tax system is to raise revenues necessary to fund government expenditures. The amount of revenue raised is determined to a large extent by tax base and tax rates. It is also a function of a range of measures - special tax rates, exemptions, deductions, rebates, deferrals and credits that affect the level and distribution of tax. These measures are collectively called “tax preferences” (revenue foregone).

**1.6.2** The Income-tax Act, *inter alia*, provides for tax preferences to promote savings by individuals, exports, balanced regional development, creation of infrastructure facilities, scientific research and development, cooperative sector and accelerated depreciation for capital investment. 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 foregone in respect of major taxes only based on returns filed electronically by corporate and non-corporate assessees. The table 1.8 below shows the revenue foregone on account of tax exemptions for FY 2010-11 to FY 2014-15.

Table 1.8: Revenue Foregone (₹ in crore)				
Financial Year	Total Revenue Foregone	Revenue Foregone as per cent of		
		GDP	DT	GTR
2010-11	94,738	1.2	21.2	11.9
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	1,02,833	0.8	14.8	8.3

Note: The figures of revenue foregone except FY 2014-15 are actuals as per Receipt Budget and do not cover Charitable Institutions. For FY 2014-15, figure of revenue foregone are projected. However, as per Receipt Budget 2015-16, the total number of electronically filed returns in respect of Charitable Institutions till November 2014 is 99,076 and amount applied by these entities for charitable and religious purposes is ₹ 2,25,472 crores.

**1.6.4** The revenue forgone on account of tax exemptions 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. In the Action Taken Report, the DOR/CBDT stated that the Finance Minister in his Budget speech of 2015 had announced that exemption for corporate would be rationalized and removed over the next four years.

## **1.7 Widening and deepening 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 2014-15 of ITD, key result areas for widening of tax base are:

- a. Ensuring that all the authorities/entities obligated to AIR returns are identified properly and within time;
- b. Taking effective steps to improve the quality of data being collected under AIR & CIB mechanism;
- c. Taking steps to enhance the capabilities of populating PAN in non-PAN information and its timely utilization by the field formations;
- d. Ensuring necessary action in the case of defaulting Cooperative banks/Credit Societies, disseminating PAN information through Systems Directorate and processing non-PAN information;
- e. Taking up appropriate pilot projects for focused widening and deepening of tax base;
- f. Timely action and dissemination of data received under Automatic Exchange of information.

**1.7.2** Table 1.9 below gives the details of non-corporate assessees<sup>12</sup> in different categories.

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

Table 1.9: Non-Corporate Assesseees						(Figures in lakh)
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
2010-11	271.29	38.36	17.78	4.49	0.12	332.04
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

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

**1.7.3** The number of non-corporate assesseees increased from 304.03 lakh in FY 2013-14 to 360.55 lakh in FY 2014-15 registering an increase of 18.6 per cent.

**1.7.4** Table 1.10 below gives the details of corporate assesseees in different categories.

Table 1.10: Corporate Assesseees							(Figures in lakh)	
Financial Year	A <sup>18</sup>	B <sub>1</sub> <sup>19</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
2010-11	1.69	0.76	0.67	0.62	0.02	3.76	0.22	7.20
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

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

**1.7.5** The number of corporate assesseees has increased from 6.36 lakh in FY 2013-14 to 6.75 lakh in FY 2014-15 registering an increase of 6.1 per cent. The number of corporate assesseees (6.75 lakh) is different from the number of working companies (9.52 lakh) registered with Registrar of Companies (ROCs)<sup>20</sup> in FY 2013-14. Since all working companies (whether profit earning or loss incurring) has to file their return of income, 41 per cent of such working companies did not file their return of income in FY 2014-15. The ITD needs to reconcile the differences.

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

14 Category 'B<sub>1</sub>' assesseees (lower income group) - Assessments with income/loss above ₹ two lakh 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;

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

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

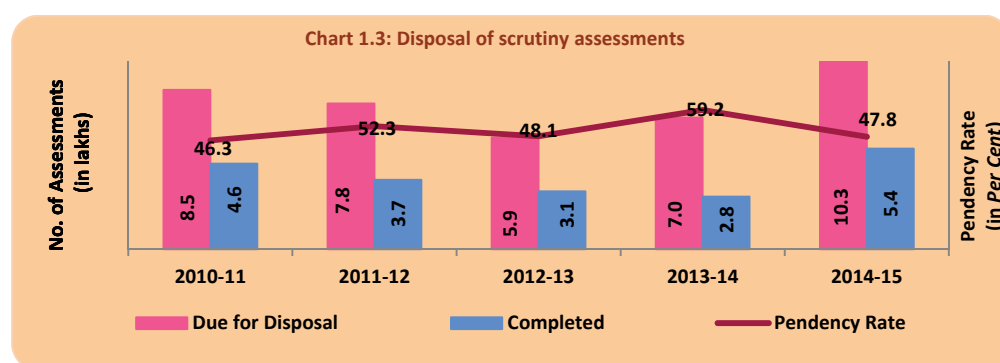
20 Source: Ministry of Corporate Affairs (Statistics Division).



**1.7.6** The number of non-corporate assessees and corporate assessees as given in Table 1.9 and Table 1.10 respectively does not reconcile with the total number of assessees on record (excluding 169.35 lakh cases where non-zero 26AS exist but no ITR entered in the record) as mentioned in Table 1.2. However, it has been mentioned in the Quarterly progress report (Statement 3-Income-wise analysis of assessees) for the quarter ending March 2015 made available by Directorate General of Income Tax (Logistics), Research & Statistics Wing, New Delhi, that these figures do not match due to the difference in methodology of recording the number of assessees on record and income-wise analysis of assessees. However, the ITD needs to adopt similar methodology for recording the number of assessees to avoid the differences.

## 1.8 Disposal of Scrutiny assessments

**1.8.1** Chart 1.3 gives the trend of disposal and pendency of scrutiny assessments during FY 2010-11 to FY 2014-15.



**1.8.2** The disposal of scrutiny assessment cases has increased from 2.8 lakh in FY 2013-14 to 5.4 lakh in FY 2014-15 resulting in decrease in pendency rate.

## 1.9 Disposal of Refund claims

**1.9.1** Table 1.11 below gives the trend of disposal and pendency of direct refund claims during FY 2010-11 to FY 2014-15.

Table 1.11: Disposal of Direct Refund Claims				(Number in lakh)
Financial Year	Direct Refunds due for disposal	Direct Refunds disposed of	Direct Refunds pending	Pendency in percentage
2010-11	59.9	40.4	19.5	32.6
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

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

**1.9.2** The Citizen Charter 2014 of the ITD stated that refund alongwith interest would be issued within the prescribed time limits<sup>21</sup>. However, the numbers of direct refunds pending for disposal remain constant during FY 2014-15.

**1.9.3** The Government has refunded ₹ 1,12,163 crore which includes interest of ₹ 5,332 crore (4.8 per cent) in FY 2014-15. The interest paid on refunds in FY 2013-14 was ₹ 6,598 crore (7.4 per cent of ₹ 89,060 crore, the amount refunded).

### 1.10 Uncollected demand

**1.10.1** Table 1.12 below gives the trend of uncollected demand<sup>22</sup> pending during the period FY 2010-11 to FY 2014-15.

Table 1.12: Position of Uncollected Demand				(₹ in crore)
Financial Year	Demand of earlier year's pending collection	Current year's demand pending collection	Total demand pending	Demand difficult to recover (in per cent)
2010-11	2,02,859	88,770	2,91,629	2,71,143 (93.0)
2011-12	2,65,040	1,43,378	4,08,418	3,87,614 (94.9)
2012-13	4,09,456	76,724	4,86,180	4,66,854 (96.0)
2013-14	4,80,066	95,274	5,75,340	5,52,538 (96.0)
2014-15	5,68,724	1,31,424	7,00,148	6,73,032 (96.1)

Source: CAP I Demand & Collection Statement alongwith Analysis for the month of March 2015

**1.10.2** The uncollected demand is rising despite clear provisions in the Act to enforce collection and recovery of outstanding demand viz. attachment and sale of assessee's movable and immovable property, appointment of a receiver for the management of assessee's properties and imprisonment. Pending demands at the end of the year increased more than 2.4 times during FY 2010-11 to FY 2014-15. Out of total pending demand, the ITD indicated that more than 96 per cent is difficult to recover in FY 2014-15. Demand & Collection Statement for the month of March 2015 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.

**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 recovery mechanism is deficient as certified demand remaining uncollected increased to ₹ 2.4 lakh crore in FY 2014-15 from ₹ 2.2 lakh crore in FY 2013-14.

21 Six months for e-return and nine months for other returns processed under section 143(1); and within one month in cases assessed other than section 143(1).

22 Source: CAP-I for the month of March of respective year.

### 1.11 Disposal of Appeal cases

**1.11.1** Table 1.13 below gives the trend of disposal and pendency of appeal cases before CIT(Appeals) during FY 2010-11 to FY 2014-15.

Table 1.13: Disposal of Appeal Cases by CIT(A)					(₹ in crore)
Financial Year	Appeals due for disposal	Appeals disposed of	Appeals pending	Pendency in percentage	Amount locked up in Appeals
	(Number in lakh)				
2010-11	2.58	0.70	1.88	72.6	1,98,088
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

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

**1.11.2** The disposal of appeal cases pending with CIT(A) has come down in FY 2014-15 as compared to FY 2013-14 resulting in increase in pendency. The amount locked up in appeal cases with CIT(Appeals) is equivalent to 1.1 times approximately of the revised revenue deficit of Government of India in FY 2014-15.

**1.11.3** Table 1.14 below gives the position of Appeals/Writs and other matters pending with Income Tax Appellate Tribunal (ITAT)/High Courts and Supreme Court as on 31 March 2015.

Table 1.14: Appeals/Writs and other matters pending with ITAT/High Courts/Supreme Court		
Authority with whom pending	Cases pending (Numbers)	Amount locked up (₹ in crore)
ITAT	37,506	1,45,534.70
High Court	34,281	37,684.00
Supreme Court	5,661	4,654.50
<b>Total</b>	<b>77,448</b>	<b>1,87,873.20</b>

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

**1.11.4** The amount locked up at higher levels (ITAT/High Courts/Supreme Court) was increased to ₹ 1.9 lakh crore (77,448 cases) as on 31 March 2015 in comparison to ₹ 1.8 lakh crore (76,922 cases) as on 31 March 2014.

### 1.12 Status of prosecution

**1.12.1** Table 1.15 below shows the status of prosecutions launched, cases decided viz. convicted, compounded and acquitted from FY 2010-11 to FY 2014-15.

Table 1.15: Status of Prosecution cases					(Number)
Financial Year	Prosecution launched	Cases decided	Convictions	Compounded	Acquitted (in per cent)
2010-11	244	356	51	83	222 (62.4)
2011-12	209	593	14	397	182 (30.7)
2012-13	283	265	10	205	50 (18.9)
2013-14	641	664	41	561	62 (9.3)
2014-15	669	976	34	900	42 (4.3)

Source: Investigation Wing, CBDT

**1.12.2** The above table shows that the number of compounded cases increased substantially from 23.3 *per cent* in FY 2010-11 to 92.2 *per cent* in FY 2014-15 and acquittals in prosecution cases decreased sharply from 62.4 *per cent* in FY 2010-11 to 4.3 *per cent* in FY 2014-15. Further, as on 31 March 2015, the total number of outstanding prosecution cases was 4,156.

### 1.13 Results Framework Document

The Results Framework Document (RFD) for the ITD for the FY 2014-15 under the objectives 'Communication with Taxpayers' includes as one of its action points 'Display of Citizen's Charter in all the buildings of the Department'. The Citizen's Charter for 2014 was revised and approved in April 2014. The posters of Citizen's Charter 2014 were supplied for display in various office buildings all over the country.

### 1.14 ITD's IT Initiatives

**1.14.1** With a view to improve the efficiency and effectiveness of the tax administration and 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. The ITD initiatives towards uploading of scrutiny orders in the AST system were made mandatory from FY 2011-12. ITD established a Central Processing Centre (CPC) at Bengaluru to process e-filed returns of all India and paper returns of Karnataka and Goa.

**1.14.2** 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. The ITD has also designed an Integrated Taxpayer Data Management System (ITDMS) as a data mining software to profile a 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.

**1.14.3** 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.

### 1.15 Effectiveness of Internal Audit

**1.15.1** 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 1,66,229 cases in FY 2014-15.

**1.15.2** Table 1.16 shows details of internal audit observations raised, settled and pending for each of the five years from FY 2010-11 to FY 2014-15:

Financial Year	Addition during the year		Settled during the year		Pending during the year	
	Number	Amount	Number	Amount	Number	Amount
2010-11	13,494	5,466.88	7,996	921.85	34,940	8,516.40
2011-12	13,771	1,879.85	14,148	1,118.49	34,563	9,277.80
2012-13	18,275	4,135.48	16,626	2,736.12	36,212	10,677.10
2013-14	14,423	8,950.66	26,322	8,610.12	24,313#	11,017.7#
2014-15	9,927	2,292.50	15,586	3,805.37	15,175	6,854.70

# Subsequent to submission of Quarterly Statement for the quarter ended on 31 March 2014, the figures of outstanding audit objections as on 31.3.2014 were revised by the respective CsIT(Audit) to 20,834 cases amounting to ₹ 8,367.6 crore.

Source: Directorate of Income Tax (Income Tax & Audit), New Delhi

**1.15.3** The pendency of internal audit observations decreased from FY 2012-13 onwards. In FY 2014-15, the AOs acted upon in 4,973 cases (46.8 per cent) having tax effect of ₹ 3,767.5 crore (35.6 per cent) out of 10,624 cases having tax effect of ₹ 10,565.90 crore of the major findings<sup>23</sup> raised by internal audit.

23 Audit objection above ₹ two lakh in Income tax and above ₹ 30,000 in other taxes.