

## Chapter 4

### Implementation of e-TDS Scheme

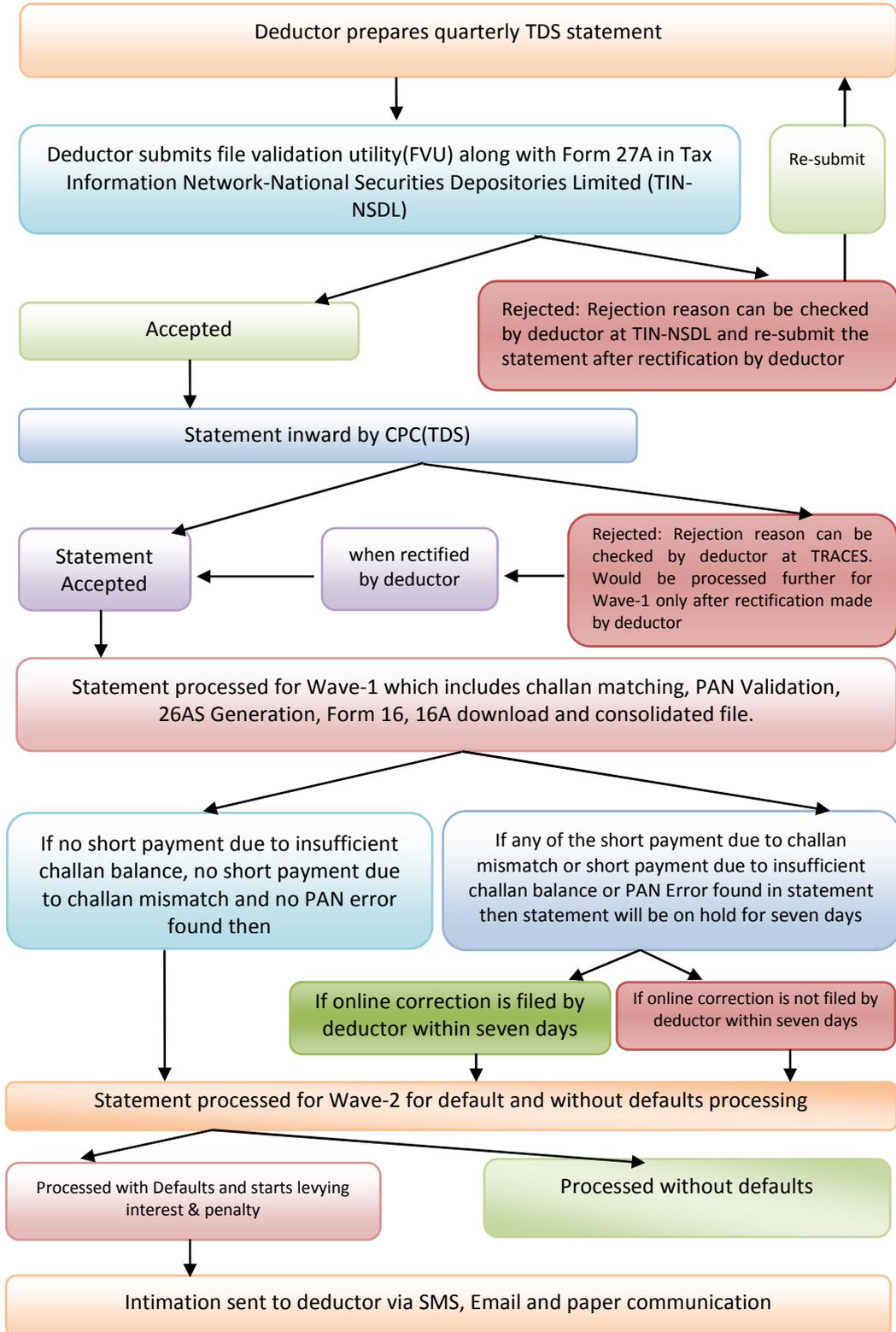
**4.1** The ITD had notified an ‘Electronic Filing of Returns of Tax Deducted at Source Scheme, 2003’ as a part of automation of collection, compilation and processing of TDS returns. As per the scheme, corporate and government deductors have to compulsorily furnish TDS returns in electronic form (e-TDS return) from FY 2004-05 onwards. The National Securities Depository Limited (NSDL), on behalf of ITD, receives the e-TDS returns from the deductors and OLTAS receives information of payment of taxes through banks. The taxpayers can enquire about the status of their challans through Tax Information Network (TIN), established by NSDL.

With the objective of automation of TDS processing and to provide a comprehensive technology platform to the tax deductors, taxpayers and the Assessing Officers (AOs), the ITD, in November 2012, launched a Centralised Processing Cell for TDS viz. CPC(TDS). The CPC(TDS) provides a wide range of online services related to TDS through a facility called ‘TRACES’ (TDS Reconciliation, Analysis and Correction Enabling System) to the tax deductors, taxpayers and the Assessing Officers (AOs). TRACES, through its portal provides services like viewing and downloading of Form 26AS by taxpayers. The deductors download TDS certificates (Form 16 and 16A) which facilitate proper reconciliation between credits of taxes deposited by deductors and claimed by deductees. Chart 4.1 shows the work flow process of CPC(TDS).

The processing of the quarterly returns filed by tax deductors/collectors are carried out through the TRACES and demand notices for discrepancies are also generated through system and served to the tax deductors/collectors directly. TDS units have the responsibility to facilitate and ensure compliance of their notices by the tax deductors/collectors. Various functionalities on the portal of CPC (TDS) for the use of AOs to monitor the functioning of TDS/ TCS systems and progress in revenue collection are available.

This chapter highlights the issues of utilization of functionalities available to the AO(TDS) through AO Portal.

**Chart 4.1: Work flow process of CPC(TDS)**



Source: CPC(TDS)

## 4.2 Unconsumed challans

The information on TDS received through branches of authorised banks and e-payment are uploaded to OLTAS by NSDL. There is a challan corresponding to each payment in the OLTAS and each payment is assigned a unique challan identification number called CIN. The quarterly TDS statements or e-TDS returns filed by the deductors are processed for challan matching, PAN validation, 26AS generation etc. If there is no PAN error and no short payment due to challan mismatch and no short payment due to insufficient challan balance, the statement is considered to be processed without default and challan is considered to be consumed. A challan may remain unconsumed in the system under the following circumstances:-

- i) In case of a deductor where demand has been raised due to short payment of tax or due to quoting of wrong challan particulars in TDS statement (e-TDS return); there might be a challan available in the account of such a deductor in the Online Tax Accounting System (OLTAS) module of ITD, which has not been utilized/claimed.
- ii) Where the deductor has paid the taxes deducted at source but has either not reported TDS transactions through TDS statement at all or; reported incomplete transactions in TDS statement. Challan against such transactions also remain unconsumed on the computer system.
- iii) There may be a case where the deductor has paid the demand on account of late filing fee or; interest including late payment interest or; late deduction interest, the same challan has not been reported through TDS statement for claim against such outstanding demand.

Unconsumed challans cannot be matched internally in the CPC(TDS) as only deductor can confirm the mapping of a particular challan to a particular demand; unconsumed challan may be lying in the tax deductor account due to wrong reporting by banks or otherwise.

Audit noticed in 19 CsIT(TDS) charges that number of unconsumed challans for the period FYs 2012-13 to 2014-15 disseminated at AO(TDS) portal was 7.90 lakh pertaining to ₹ 18500.06 crore. The details of unconsumed challans were communicated to 0.91 lakh deductors. Of the above, 0.09 lakh unconsumed challans were tagged by the field formations and outstanding demand of ₹ 280.07 crore was resolved. The details are shown in *Appendix 4*.

However, the data at All India level communicated by CPC (TDS) that 988 challans<sup>12</sup> out of 84.91 lakh unconsumed challans involving ₹ 752.47 crore were tagged and only 6.28 *per cent* of outstanding TDS amount pertaining to FYs 2012-13 to 2014-15 was resolved is not matching with the data collected by audit.

<b>FY</b>	<b>No. of Unconsumed challans</b>	<b>Amount involved ₹ in crore</b>	<b>No. of Unconsumed challans tagged by AOs(TDS)</b>	<b>Amount involved ₹ in crore</b>
<b>2012-13</b>	29,89,613	4,716.52	462	509.28
<b>2013-14</b>	27,48,291	3,585.70	285	197.62
<b>2014-15</b>	27,53,556	3,689.16	241	45.57
<b>Total</b>	<b>84,91,460</b>	<b>11,991.38</b>	<b>988</b>	<b>752.47</b>

Source: CPC(TDS)

Audit noticed from the data of CPC (TDS) that the facility of tagging of unconsumed challans was utilized by only 94 AOs out of a total of 474 AOs and the remaining 380 AOs were not using the system.

Failure of tagging of unconsumed challans by AOs lead to non mapping of more than 99 *per cent* of their respective demand, as a result of which tax payers were not able to verify their TDS credits causing them undue hardship.

### **4.3 Resolvable TDS demand**

The outstanding TDS demand which are recoverable immediately and free from any dispute or litigation or corrections can be clubbed in the category “resolvable TDS demand”. The outstanding resolvable TDS demand consist of short payment of TDS and interest thereon, interest on late payment of TDS and late filing fees due to late filing of TDS returns.

The TDS authorities<sup>13</sup> are required to identify resolvable demand to be recovered immediately by taking total demand informed by CPC(TDS) at AO-portal. The AO(TDS) after identifying the resolvable demand is required to issue letters to the assesseees for filing correction/revised statement, if demand is due to mismatch of challans, wrong PAN or any other reasons. If no action is taken by the assessee in respect of resolvable demand, AO may take recovery measures so that the demand is reduced to ‘Nil’.

12 As on 31 March 2016

13 Pr. CCIT/CCIT (TDS), CIT (TDS), Addl. CIT (TDS), AO (TDS)

The CPC(TDS) informed (September 2016) that there was resolvable demand of ₹ 17,798.12 crore<sup>14</sup> for FYs 2012-13 to 2014-15 which includes demands on account of short payment, interest on short payment, interest on late payment and late payment filing fees. Audit noticed that only 219 AOs out of a total of 474 AOs have been using the facilities available in the CPC (TDS) portal. The facility of outstanding resolvable tax demand at AO portal needs to be utilized by all AO(TDS) to monitor the status of outstanding resolvable tax demand and issue letters to the assesseees for filing correction/revised statement accordingly. Further, if no action is taken by the assessee in respect of resolvable demand, AO may take recovery measures so that the demand is reduced to 'Nil'.

#### **4.4 Non utilization of Defaulters report by AO (TDS)**

The CPC(TDS) modules have facility to generate report giving demand details of all the defaulter TANs for a selected year as well as across all the years under various categories of defaults viz. short payment, short deduction, late payment, late deduction, late filing, interest on short payment/late payment/short deduction, additional interest against processing of latest correction and interest under section 220(2). The defaults are identified during the processing stage and made available at AOs level. The AOs are required to take follow up action in this regard.

CPC (TDS) provided the data with regard to default of tax demand which shows that ₹ 20,381.14 crore was pending against various deductors for the FYs 2012-13 to 2014-15.

Audit noticed that out of 474 AOs, only 219 AOs had utilized the facility available for AO at CPC(TDS) portal for liquidation of tax default. Given the fact that there was huge demand pending against various tax deductors, non utilization of tax defaulters reports by AO (TDS) only aggravate the issue of non liquidation of tax demand for want of proper follow-up.

*During exit conference, the CBDT with reference to para 4.2 to 4.4 stated that for better utilization of the CPC(TDS) portal by AOs, they have imparted training programs and also conducted capacity building exercise for their field formation.*

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<sup>14</sup> As on 31 March 2016

Audit is of the view that in addition to imparting training to its cadres, CBDT may like to put in place a system consisting of certain actionable and verifiable steps in order to ensure use of the facilities available in the CPC(TDS) portal by all stakeholders including the AOs. Further, a system may be evolved where the trail of login/use of portal by the concerned AOs may be verifiable.

*The CBDT agreed on the suggestions and stated that proper action would be taken on the lines suggested by Audit.*

#### **4.5 Conclusion**

The extent of unconsumed challans is significant in terms of number of challans as well as TDS amount involved and the facility of tagging of unconsumed challans is not being utilized by all AOs. Non-utilization of facilities available for AO(TDS) at CPC(TDS) portal for realization of resolvable demand and resolving defaults from defaulters report of tax deductors is high.

#### **4.6 Recommendations**

Audit recommends that

- a. The CBDT may take steps to ensure that all AOs may utilize the facilities available in CPC(TDS) portal for addressing the issues of unconsumed challans, realization of resolvable demand and resolving defaults from defaulters report of tax deductors.

*The CBDT agreed (December 2016) with the suggestion and stated that proper action would be taken in this regard.*

- b. The CBDT may take effective steps for quick recovery of the resolvable demand as it is free from any dispute.

*The CBDT stated (December 2016) that CPC(TDS) has in its training programs for field formation imparted knowledge for quick recovery of demands by Assessing Officers. It has also imparted knowledge to deductors to resolve their demands.*