

TAX FLASH NEWS

13 August 2020



The Prime Minister unveils 'Transparent Taxation' Platform including the 'Taxpayers' Charter'

The Finance Minister in her Budget 2020 speech had stated that any tax system requires trust between taxpayers and the administration. This will be possible only when taxpayer's rights are clearly enumerated. With the objective of enhancing the efficiency of the delivery system of the income tax department, amendments were proposed in the provisions of the Income-tax Act, 1961 to mandate the Central Board of Direct Taxes (CBDT) to adopt a Taxpayers' Charter.

In order to impart greater efficiency, transparency and accountability to the assessment process, a new faceless assessment scheme was introduced in 2019. In order to take the reforms initiated by the tax department to the next level and to eliminate human interface, the Finance Minister in her Budget 2020 speech proposed an amendment so as to enable faceless appeal on the lines of faceless assessment.

Today, the Prime Minister (PM) has launched¹ 'Transparent Taxation' platform to honour the honest taxpayers. While unveiling the 'Transparent Taxation – Honouring the Honest' platform, the PM laid out the next phase of reforms of the direct taxes which is aimed at easing the tax compliance and also rewarding honest taxpayers in the midst of COVID-19 pandemic.

Highlights of PM press conference

Key highlights² of the PM press conference are as follows:

- The approach of this initiative is to move away from power centric towards people centric administration and focus on 'Honouring the Honest'.
- The faceless assessments/appeals will have technology driven interface (e.g. in case of scrutiny assessments, there will be random selection of cases and selection will not be limited to jurisdictional Assessing Officer).

- The taxpayers' charter will outline responsibilities and duties of tax officers and transfers/postings of officers will be done away with.
- While there has been a decrease in complexity/taxes/litigation and increase in transparency/compliance/trust, there is a need to introspect on low base of taxpayers despite growth in tax filers.

The Finance Minister stated that technology, data analytics and artificial intelligence will be the key drivers of the platform which will ease compliance burden, provide more certainty, bring in fair/ just system while removing physical interface between the tax department and taxpayers.

Taxpayer's charter

The Taxpayers' Charter was announced by the Finance Minister in her Budget 2020 Speech. The aim of introducing the charter is to build a trust between a taxpayer and the tax administration and reduce harassment. Unlike earlier Charters, which were largely administrative, the present charter is the first one having statutory backing. The Income-tax Act, 1961 was amended this year to introduce Section 119A which empowers the CBDT to adopt and declare a Taxpayer's Charter and issue orders, instructions, directions or guidelines for the administration of the Charter.

The structure of the 2020 Charter is also simpler and has only two parts – The tax departmental commitments and the taxpayer's expectations. There are 14 commitments from the tax department and 6 expectations from the taxpayer. Unlike the earlier Charters, there are no service delivery timelines set out in the Charter through one of the commitments made is to publish service delivery standards and report on them periodically.

¹ Source – Taxsutra.com

² CBDT has issued two orders (F No. 187/3/2020 -ITA-I, dated 13 August 2020) and a set of Notifications on amendment in E-assessment scheme (Notification No. 60 and 61 of 2020) (Amendments to E-assessment Scheme have been captured in a separate flash news)

The Charter provides that the Income-tax department is committed to:

- Provide prompt, courteous and professional assistance in all dealings with the taxpayer.
- Treat every taxpayer as honest unless there is a reason to believe otherwise.
- Provide fair and impartial appeal and review mechanism.
- Provide accurate information for fulfilling compliance obligations under the law.
- Take decisions in every income-tax proceeding within the time prescribed under law.
- Collect only the amount due as per the law.
- Follow due process of law and be no more intrusive than necessary in any inquiry, examination or enforcement action.
- Shall not disclose any information provided by taxpayer to the department unless authorised by law.
- Hold its authorities accountable for their actions.
- Allow every taxpayer to choose an authorised representative of his choice.
- Provide mechanism for lodging a complaint and prompt disposal thereof.
- Provide a fair and impartial system and resolve the tax issues in a time-bound manner.
- Publish standards for service delivery in a periodic manner.
- Duly take into account the cost of compliance when administering tax legislation.

The Charter also provides what is expected from a taxpayer. The taxpayer is expected to:

- Honestly disclose full information and fulfil his compliance obligations.
- To be aware of his compliance obligations under tax law and seek help of department if needed.
- Keep accurate records required as per law.
- Know what information and submissions are made by his authorised representatives.
- Make submissions as per tax law in a timely manner.
- Pay amount due as per law in a timely manner.

Our comments

The Taxpayer's Charter introduced by the government is a welcome move. The new Charter differs in many ways as compared to the earlier Charter. Taxpayers are now entitled to a presumption of honesty.

Taxpayer's right to privacy specifically highlighted, and it is mentioned that departmental actions will not be more intrusive than necessary. The newly issued CBDT orders limiting the power of field officers except investigation and TDS to initiate surveys, is a step in this direction. Further These points are internationally recognised and seem heavily influenced in particular by the US IRS Taxpayer Bill of Rights.

Another key commitment is to provide full information to the taxpayer to facilitate compliance. This is in line with the recent expansion in scope of Form 26AS to provide taxpayer with more information about property transactions, share transactions, etc. Further there is an interesting change with respect to accountability. Though 'Accountability' finds mention in the earlier charters as well, there is a difference in the way it is expressed. The earlier charter simply reiterated the Department's commitment to be accountable. This charter goes one step further and commits to holds its authorities accountable for their actions.

Taxpayer expectations are also more broad-based and simpler (to be honest, informed, to keep accurate records, and to respond and pay in time) unlike the 2014 one which seemed somewhat procedural (to obtain PAN/TAN, quote PAN/TAN, to ensure that the correct MICR/ IFSC number is quoted etc).

The Charter will boost the trust, reduce arbitrary harassment and, increase efficiency of the tax department. Making tax officers' accountable for the actions and performance of tax officers' linked to adherence to charter may significantly reduce litigation and promote transparency.

The Charter seeks to establish mutual trust between the tax-authorities and the taxpayer, and it would be interesting see the manner in which it evolves as India seeks to establish a stable and a tax friendly regime. Therefore, the Charter's implementation will be closely watched given the importance the law makers have accorded at the highest level.

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