

STATUS OF TARC RECOMMENDATIONS

The Tax Administration Reforms Commission (TARC) was constituted with a view to review the application of Tax Policies & Tax Laws in context of global best practices and recommend measure for reforms required in Tax Administration to enhance its effectiveness and efficiency. TARC headed by Dr. Parthasarathi Shome have made 385 recommendations out of which 291 recommendations are relating to CBDT and 253 to CBEC. Out of 291 recommendations, 86 recommendations have been implemented, 176 are under implementation and 29 were found not acceptable by CBDT. Similar for CBEC out of 253 recommendations 114 have been accepted and implemented, whereas 88 recommendations are still under implementation/ examination/ consideration and 51 have not been found acceptable.

Direct Tax:

Recommendations accepted and implemented (CBDT)

27 Recommendations from First and Second Reports of TARC which are Implemented

Sl.No.	Recommendation of TARC	Comments
1. Chapter III Structure & Governance	(o) There should be one Knowledge, Analysis and Intelligence (KAI) centre for both the Boards and its role should be recognised and used for policy and operational effectiveness.	Implemented
2. Chapter II Customer Focus	vii) <u>Prefilled Tax Returns</u> Pre-filled tax returns should be provided to all individuals. The taxpayer will have the option to accept the tax return as it is or modify it. In either event, the filing process would be completed with the submission of the tax return electronically	Implemented
3.	x) <u>Online tracking of dak/ grievance/ applications for refund</u> There should be a system for online tracking of dak/grievances/applications for refund etc. It should be made mandatory to receive all dak through a central system generating a unique ID. The ASK software implemented by CBDT provides such a mechanism in a limited manner. This needs to be extended to all offices. The functionality to enable the taxpayer to track the status of his application/grievance online should be added to the ASK system. Similar system for online receipt of application should be enabled on the indirect tax side.	Implemented
4.	xi) <u>Continuous benchmarking of tax administration vis-à-vis TPS</u> Continuous benchmarking of the tax administration, particularly in relation to delivery of taxpayer services, with that of other tax administrations should be done to highlight the area of focus.	Implemented
5. Chapter IV People Function	Recommendation 1: Both the Departments should shift all the key operations to the digital platform so that performance can be reliably measured.	Implemented
6.	Recommendation 6: A comprehensive performance management system needs to be set up for tax administrations by revisiting and reconstructing the RFD.	Implemented
7.	Recommendation 8: The performance appraisal process needs to be made more wholesome and reliable by making it more open and by introducing a mid- year review.	Implemented
8.	Recommendation 10: The outcome of discussion during the performance appraisal process should result in the superior taking responsibility for juniors by putting in place and improvement plan to overcome their weaknesses.	Implemented
9.	Recommendation 15: A formal mentorship programme may be set up, with carefully selected mentors.	Implemented
10.	Recommendations 21: Code of ethics needs to be developed congruent with the values in the vision and mission statement.	Implemented

11.	Recommendation 23: The provisions of Rule 56(j) of the Fundamental Rules should be effectively utilised for weeding out officers who are inefficient or of doubtful integrity. The criterion for review should be changed to completion of 20 years of service.	Implemented
12.	Recommendation 25: No cognizance should be taken of anonymous complaint as laid down in the existing DOPT instruction.	Implemented
13. Chapter-V Dispute Managemen t	1. Dispute management should be a functionally independent structure with adequate infrastructural support. (Section V.4.a)	Implemented
14.	1. To minimize the potential for disputes, clear and lucid interpretative statements on contentious issues should be issued regularly. These would be binding on the tax department. (Section V.4.b)	Implemented
15.	2. For clarity in law and procedures, a process based on best practices outlined in Section V.4.b should be followed. (Section V.4.b)	Implemented
16.	3. Fundamental approach should be collaborative and solution oriented. (Section V.3.d)	Implemented
17.	6. To minimize the potential for disputes, clear and lucid interpretative statements on contentious issues should be issued regularly. These would be binding on the tax department. (Section V.4.b)	Implemented
18.	4. The process of pre-dispute consultation before issuing a tax demand notice should be put into practice.(Section V.4.b)	Implemented
19.	5. Disputes must get resolved in time as the time lines are mentioned for decisions in the respective enactments. The law should also prescribe the consequences of not adhering to the time lines, which would be that the case in question would lapse in favour of the taxpayer. (Section V.5)	Implemented
20.	14. The jurisdiction of AAR should be made available for domestic cases also. More benches of AAR should be established at Mumbai, Bangalore, Chennai and Kolkata, with the principal bench at Delhi. (Section V.4.c)	Implemented
21.	15. The Settlement Commission should act as part of taxpayer services, and be made available to the taxpayer to settle disputes at any stage. There should also be an increase in the number of benches of the Settlement Commission. It should be manned by serving officers to enhance its accountability. (Section V.5)	Implemented
22.	16. Appeals to high courts and the Supreme Court should only be on a substantial question of law. (Section V.5)	Implemented
23.	9. Retrospective amendment should be avoided as a principle. (Section V.3.e)	Implemented
24. Chapter VI Key Internal	5. Promote e-payment. Electronic methods often used are direct debit and internet banking. India has also started encouraging electronic payments. Going forward, the use of multiple platforms for payment of taxes needs to be	Implemented

processes	encouraged. These channels can be payments using credit/debit cards, e-banking as well as mobile platforms. (para VI.2.c.)	
25.	8. Single return for IT and WT.(VI.3.a)	Implemented
26.	44.At present, there is a separate on-going project of data-warehousing and business intelligence (DW&BI). Further, a separate directorate of risk management is also proposed to be established under the approved schemes of restructuring. The functions and activities of the DW&BI project and the directorate of intelligence are closely integrated and linked, which may provide vital inputs to the directorate of risk management. In this context, the issue relating to the merging of the activities of DW&BI project with the Directorate of Intelligence and Criminal Investigation needs to be considered. (VI.15)	Implemented
27.	29.Credit System. Credit is available only in the year the relevant income is declared. This leads to anomalous situations because there is a difference in the treatment of a transaction by a deductor and taxpayer if the taxpayer follows a cash basis of accounting. A passbook scheme for TDS may be adopted with some safeguards. Once TDS is deducted from a payment, TDS should get credited to the taxpayer's account. This should be like an account with running balance to be utilized by the taxpayer at his option to set off his tax liabilities. Advance-tax should not be tax liability minus TDS but should be calculated over all after taking all taxes paid. The taxpayer may settle an instalment of advance-tax by debiting this account. (VI.7)	Implemented

39 Recommendations of Third Report of TARC which are Implemented

Sr. No.		Recommendation of TARC	Comments
	Chapter- XI Expanding the Base	<i>i)</i> Number of taxpayers	
1	51	a) There has been a gradual increase in the number of non-corporate taxpayers for the categories Rs.2 lakh-Rs.5 lakh and Rs.5 lakh-Rs.10 lakh over the period FY2007-12 but only a moderate fluctuation in the category below Rs.2 lakh over the same period. The department should ascertain the reasons by analysing the data it is collecting and use the results to enhance the expansion of tax payer base. (Section XI.2.g)	Implemented
2	52	b) There is a gap in the number of corporate tax payers registered with the I-T department vis-à-vis the number of working companies registered with the Registrar of Companies (ROC), even though all of them are legally required to file returns mandatorily. The department should pursue this lead to identify corporates that are registered but have not filed returns. (Section XI.2.g)	Implemented
3	55	e) The tax base is not commensurate with the growth in both corporate and individual incomes in recent years that reflect the growth in the economy. An effective mechanism for collecting information from varied sources should be put in place to identify potential taxpayers and bring them into the tax net, broadening the tax base. (Section XI.2.g)	Implemented
4	56	f) The number of tax payers should be considerably more than it is at present. (Section XI.2.g)	Implemented
5	57	g) The number of income taxpayers should be doubled, from slightly more than 3 crore to 6 crore in three years, which would entail commensurate staff and financial resources to administer them. (Section XI.2.g)	Implemented
6	58	h) The CBDT should comprehensively identify reasons for the widening gap between PAN card holders and actual number of taxpayers as also between number of entities to whom TAN has been allotted via-a-vis number of deductors filing TDS returns. The result obtained should be used to enhance the taxpayer base. (Section XI.2.g)	Implemented

7	59	i) The compliance system should be made simple and more user friendly to encourage voluntary compliance, thereby broadening the tax base. (Section XI.2.g)	Implemented
		ii) Collection, dissemination and effective use	
8	60	j) There is at present no structured mechanism for matching PAN with non-PAN data. More data based investigation is required to develop such a mechanism as this would contribute to deepening and widening of the tax base. (Section XI.3.a)	Implemented
		iii) Tax deducted at source (TDS)	
9	61	k) TDS leaves an audit trail that acts as a deterrent to tax evasion and in early collection of tax as soon as a transaction takes place. It is a non-intrusive method of expanding the base. Regular monitoring of the tax deduction transactions should be made and compared with the tax return data to identify whether deductees file tax returns. (Section XI.5.j)	Implemented
10	62	l) TDS deductors must file the TDS returns on time, each quarter and must include the details of name of the deductees, their PAN and amount of transaction. (Section XI.5.j)	Implemented
11	64	n) The taxpayer base may not necessarily increase merely by introduction of TDS unless deductees and deductors file correct returns. To ensure that correct returns are filed, TDS needs to be supplemented by enhanced enforcement methods. (Section XI.5.j)	Implemented
		vi) Presumptive taxation	
12	67	q) There is still a large number of individuals in businesses, trade, services and professions, (especially in the unorganised informal sector and sectors where large scale transactions take place in cash) who are outside the tax net. Therefore, the presumptive profit estimation scheme should be reviewed based on appropriate analysis and its scope enlarged. (Section XI.3.i)	Implemented
13	68	r) Many small businesses in the informal economy elude the tax net and remain untaxed. For these groups, the tax administration should design, promote, and establish simple, optional presumptive tax schemes, including those based on turnover or a compounding (turnover) basis, in service tax below a threshold. (Section XI.5.b)	Implemented

14	69	s) Since there is some scope for presumptive taxation in the I-T Act, which is applicable to only some business sectors with a turnover below a threshold limit, data mining remains crucial for analysis based strategies to examine if its scope should be expanded. (Section XI.5.b)	Implemented
15	71	u) In the ultimate analysis, under no circumstance should a taxpayer be allowed to hide for his entire productive life as a non-filer or in the comforting embrace of an unduly favourable presumptive taxation system. Progressive assimilation should be not only through education, but also through increased risk perception regarding the likelihood of penalties being imposed. (Section XI.5.a)	Implemented
16	72	v) It is equally important to ensure that large and medium enterprises which are in the normal system or should be there should not be allowed to migrate into the simplified system to avoid paying tax. (Section XI.5.a)	Implemented
17	74	<p>x) High tax rates, the inability to understand a complex tax system and procedures, and lack of confidence in government efficiency in the use of revenues are added reasons for low voluntary compliance. Therefore, tax administration measures to improve SMEs tax compliance should include</p> <ul style="list-style-type: none"> • quick and easy processes for registration and PAN issuance • clear and easily available information on tax registration, filing and payment obligations and procedures, and a turnover based regime • targeted risk selection and audit activities taking into account the specific characteristics of different groups of SMEs • once compliance behaviour is understood, raising compliance is likely to again call for simplified returns, with simple profit and loss statement and simplified capital allowance so that whichever SME is selected, their audit remains fair and transparent and not prone to disputes • setting up of at least 8 call centres for responding to, and resolving basic queries and • visit by specialised officers in a group for SME support. <p>(Section XI.5.b)</p>	Implemented

18	75	y) Unorganised retailers often have a tendency not to pay taxes and most are not even registered for VAT at the state level or income tax and service tax at the central level. There is a distinct aversion to paying taxes. A conducive environment and tax culture should be created to encourage them to pay their tax dues voluntarily. (Section XI.5.d)	Implemented
19	89	mm) Exemptions/deductions based on area and industry should be minimised, if not done away with. If at all, investment incentives could receive a tax preference since they directly affect growth; even such incentives should be for a specific period of time and a sunset clause should be introduced to ensure a review of the benefit arising from a lower rate of tax or development of an industry/area. For all other categories, including SSIs, every attempt should be made to reduce tax preferences even if the likelihood of success in curbing the incentives may be expected to remain low. (Section XI.5.h)	Implemented
20	149	ss) In selected cases, teams led by senior officers should undertake on-site visits in complex cases, scheduled in consultation with the taxpayer. A move should also be made from multi-year audits rather from the current single-year audits, to include all pending assessments so that repeated visits to the same assessee are avoided. (Section XII.4.e)	Implemented
		x) Cash economy	
21	79	cc) The cash economy is a major problem in the Indian economic system as large scale transactions reportedly take place in cash, especially in land dealings and the construction sector. A non-intrusive verification system should be designed so that more cases of capital gains liability are detected. (Section XI.5.c)	Implemented
22	80	dd) Certain measures should be put in place to discourage cash transactions. For example, municipalities should be encouraged to bridge the gap between the circle rate that is used by them for property valuation for tax imposition, and the market value of properties (even allowing for a lower property tax rate), and increase the digital footprint of transactions. Mandatory mention of PAN should be made more prevalent, backed by robust information exchange between tax authorities and banks and other financial institutions (as detailed in Chapter IX of the TARC report) and the adoption of a common business	Implemented

		identification number (CBIN). Indeed, the PAN should be used as a CBIN as recommended in Chapter VI of the TARC report. (Section XI.5.c)	
23	85	ii) There should be a comprehensive review of exemptions. Both the Boards should consider measures to phase out unwarranted tax exemptions that continue in the form of various tax preferences. (Section XI.2.e)	Implemented
		<i>xiv</i>) Survey, search and seizure	
24	97	uu) Enforcement should be strengthened to heighten the perception of the risk of being caught and of penalty for non-compliance being high. (Section XI.5.k)	Implemented
		<i>xvi</i>) Tax amnesty	
25	100	xx) Taxpayers keep waiting for amnesty schemes to be announced and take advantage of these schemes to build their capital. Amnesty schemes also cause inequity among taxpayers, and there is no proof that they improve taxpayer behaviour among evaders. They, therefore, should not be encouraged through amnesties. (Section XI.5.l)	Implemented
26	103	aaa) Generating an environment and tax organisational ethos that encourages maximum voluntary compliance is the direction in which the two Boards should move. (Section XI.5.o)	Implemented
		<i>xix</i>) Tax Forum	
27	104	Bbb) A permanent body should be set to analyse procedural issues and solve them quickly, on an on-going basis. Analysis should consider administrative as well as policy obstacles. The recommendations of this permanent body on policy and administrative procedures should be sent to the Boards for consideration and comments within a specific time frame, say a maximum of 2-3 months. In case the response of the Boards is not received within the specified time frame, such recommendations may be placed directly before the Finance Minister for consideration. The operation of such a Tax Forum was extremely successful in the previous government, although it has not continued thereafter. Considering the extent of customer satisfaction it generated, it needs to be revived urgently. (Section XI.5.q)	Implemented

	XII Compliance Management		
28	105	<p>a) Timely clarificatory circulars can substantially reduce disputes and litigation. The TARC found very little proactive use of the statutory provisions that enable the Boards to issue such circulars. The TARC therefore recommends that:</p> <ul style="list-style-type: none"> <input type="checkbox"/> The two Boards must proactively issue clarificatory circulars. <input type="checkbox"/> Such circulars should invariably invoke the relevant statutory provisions under which they are issued. They should be expressed in simple and lucid language, avoiding jargon. <input type="checkbox"/> The Boards must ensure that all officers adhere to these circulars and avoid taking legal positions in disputes contrary to the circulars. (Section XII.4.a) 	Implemented
29	106	<p>b) The TARC found that the success rate of the Departments in litigation was very low. This is on account of the poor quality of orders and aggressive revenue target-oriented decisions. The TARC recommends that:</p> <ul style="list-style-type: none"> <input type="checkbox"/> The Boards should ensure avoidance of such decisions by reviewing and improving the quality of orders from the perspective of fairness, legality and propriety, irrespective of the revenue consequences. <input type="checkbox"/> They should desist from filing of appeals against well-reasoned and sound orders passed by their officers simply because they are pro-taxpayer. <input type="checkbox"/> They should take notice of capricious orders, irrespective of revenue consequence and discipline the errant officers - even by meting out punishment where required. (Section XII.4.a) 	Implemented
30	107	<p>c) At present, there is lack of trust and mutual suspicion between the taxpayers and the administration, which impedes the promotion of voluntary compliance. Therefore, the Boards must strive actively to create a trust-based administration. (Section XII.4.a)</p>	Implemented
31	112	<p>h) The values of taxpayer service should be imbibed not only in the taxpayer services function, but across the whole organisation. (Section XII.4.a)</p>	Implemented

32	113	i) A code of ethics containing the delineation of the standards of behaviour and conduct should be jointly developed by the Boards in order to give concrete shape to values such as professionalism, objectivity, courtesy and helpfulness and be actionable where deviance is noticed. This code could supplement the Conduct Rules governing the conduct of civil servants. (Section XII.4.a)	Implemented
33	114	j) A coherent and clearly articulated framework should be developed by the two Boards that would weave the different aspects of the Departments' functioning together into a well-directed movement towards the goal of compliance maximisation. This would enable an assessment of the overall performance against goalposts on that journey. (Section XII.4.a)	Implemented
34	115	k) The strategic goal of the tax administration should be to exert such influence on the compliance environment as would maximise voluntary compliance and minimise non-compliance. All decisions, whether strategic or operational, should be tested against the touchstone of whether they promote such movement or not. (Section XII.4.a)	Implemented
35	116	l) Both the Boards need to develop and implement an effective communication policy intended to eliminate asymmetry of information between the taxpayer and the tax administration and ensure that taxpayers have access to all information that is relevant to compliance. (Section XII.4.c)	Implemented
		<i>iii) Cultivating a culture of compliance</i>	
36	119	o) In order to engender a sound tax compliance culture among the youth at an early stage, a tax awareness programme directed at undergraduate students should be considered for implementation in co-ordination with the Ministry of Human Resource Development and the University Grants Commission. (Section XII.4.d)	Implemented
		<i>vi) Transfer pricing audits</i>	
37	144	nn) The CBDT should issue standard positions on specific issues as guidance to the TPOs for TP disputes to help ease uncertainty and litigation for the taxpayers. (Section XII.4.e)	Implemented
38	145	oo) The CBDT should also develop detailed guidelines for developing comparability adjustment. (Section XII.4.e)	Implemented

39	148	rr) The workload across all TPOs should be rationalised. (Section XII.4.e)	Implemented
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20 Recommendations of Fourth Report which are Implemented

Chapter	Observation/Recommendation of TARC	Comments
XIV	Predictive Analysis	
	<i>i) Increasing data pool for analytics</i>	
1	a) Both the Boards need to take urgent steps to integrate the data across the two tax administrations and begin working jointly on the analysis of the pooled data so that their efforts are synergised and the combined talent in both organisations is brought to bear on the task. This will pave the way for mutual understanding that will lay the foundation for sustained collaboration and co-operation. And this should be only the first step leading to eventual integration of the databases as recommended by TARC earlier. (Section XIV.5.a)	Implemented
2	d) As recommended in VII.6 of the TARC's report, both the Boards need to commence the journey to the "digital by default" status in order to reach a level of maturity in the use of data analytics comparable to the best international peers. (Section XIV.5.a)	Implemented
3	e) Data analytics should be made an integral part of the strategic planning process and the analytical efforts should to be integrated with the programme and project management. (Section XIV.5.b.iii)	Implemented
4	f) Based on such strategic plans, analytics plans needs to be developed in a project mode – setting out the resources needed, defining the business goals and the expected business outcomes. (Section XIV.5.b.iii)	Implemented
	<i>ii) Leadership and culture</i>	
5	h) The leadership of the two Boards needs to play a critical role in laying the foundation of analytics in organisations' culture through visible actions to move the ICT functions to the core of the organisations. They need to do this by <ul style="list-style-type: none"> ➔ Imbibing a data driven approach, acquiring a working knowledge of data analytics and learning the value of information as a key asset. ➔ Embracing the idea that data are central to the organisation's business and seeking areas where data analytics could deliver quantum leaps in performance. ➔ Ensuring that the use of ICT and data analytics become a core ingredient of the strategic and operational plans in the different functional domains. (Section XIV.5.b.i) 	Implemented
6	i) Frontline employees' buy in needs to be secured by <ul style="list-style-type: none"> ➔ Improving the quality and accuracy of communication and improving the reliability of the system and user friendliness of the interface. ➔ An ongoing programme of user training and education including hands-on guidance. ➔ Investments in user friendly "self-service" tools that can increase business users' confidence in analytics. 	Implemented

	<p>➔ regressive automation of routine processes, for example, as its risk management system matures and is made more potent and effective through advanced analytical models and tools, customs can explore the option of “machine release” that will lead to release of certain types of cargo without human intervention. Similarly, with improved CASS supported by advanced analytics, the income tax department can vastly sharpen the selection of returns for scrutiny and avoid unproductive workload on their assessing officers, leaving them with a scrutiny basket that is more challenging and productive. (Section XIV.5.b.ii)</p>	
7	<p>j) Analytics-based selection for audit or scrutiny need to be designed to ensure that the probability of a productive outcome is high so that officers do not go after the cases predicted not to win. This will enhance audit or scrutiny productivity and infuse confidence amongst officers and taxpayers. (Section XIV.5.b.ii)</p>	Implemented
	<p><i>iii) Strategic plans and delivery</i></p>	
8	<p>k) Analytical capacity needs to be developed on the basis of clearly laid out plans with defined business outcomes. (Section XIV.5.b.iii)</p>	Implemented
9	<p>l) Recognising that progress towards maturity is a painstaking journey, there are benefits in starting small, launching pilots and capturing low hanging fruit along the way to build confidence and then scaling up. (Section XIV.5.b.iii)</p>	Implemented
10	<p>m) The planning, however, should factor in the requirements of scaling up. (Section XIV.5.b.iii)</p>	Implemented
11	<p>n) The implementation should be accompanied by regular programme and project evaluation. (Section XIV.5.b.iii)</p>	Implemented
	<p><i>iv) Role of KAIC</i></p>	
12	<p>o) The KAIC needs to be made a hotbed of learning and innovation with continuously increasing R & D capabilities to achieve breakthrough insights and should be staffed by an adequate strength of multidisciplinary expertise, including domain experts with strong ICT/analytics skills. (Section XIV.5.b.iv)</p>	Implemented
13	<p>p) It should also support the analytical efforts with the different functional verticals through collaboration and guidance to projects that they may on their own undertake. (Section XIV.5.b.iv)</p>	Implemented
14	<p>q) It should also support training and skill building in the organisation. (Section XIV.5.b.iv)</p>	Implemented
	<p><i>v) Training</i></p>	
15	<p>r) A cadre of data analysts should be groomed within the organisation to service analytical needs in both the KAIC and the functional verticals. They can also act as “translators” who interpret technology for business leaders and operational staff. (Section XIV.5.b.v)</p>	Implemented

16	s) Focused and well-structured training courses should be designed and mandatorily implemented for all levels in the organisation to equip them with the necessary knowledge and skills. (Section XIV.5.b.v)	Implemented
17	v) Partnerships need to be built with industry, academic and research institutions to build and sustain highly specialised skills and to promote research in KAIC. (Section XIV.5.b.v)	Implemented
XV	Research for Tax Governance	
	<i>i) Role of research in improving tax governance</i>	
18	a) The requirements of the tax administration are not static; they have a dynamic character, requiring constant evaluation and assessment to enable the tax administration to seamlessly modernise itself and look into its future needs. These demands require continuous, on-going research in tax governance so that there is sufficient and modern thinking available to improve processes, structures, and people functions in the tax administration, leading to better tax governance. (Section XV.1)	Implemented
19	b) Many with a traditional mind set in the tax department may not consider developing research as being part of the core work of the tax administration. Traditional mind sets, however, need to be transformed to develop processes, taking into account human, organisational and institutional considerations, which encourage research to provide the inputs needed to improve tax administration. (Section XV.5)	Implemented
20	c) Research in tax administration needs to include international comparisons by identifying good practices adopted by different tax administrations, understanding them and drawing lessons from them to raise the standards of tax governance. (Section XV.1)	Implemented

Recommendations acceptable with modification and at various stages of implementation.

89 Recommendations from First and Second Reports of TARC – Acceptable or Acceptable with modification – Under Implementation (CBDT)

Sl.No.	Recommendation of TARC	Comments
Chapter III Structure & Governance		
1	(b) The convergence can begin for large business segment by setting up of a large business service (LBS) which will be integrated and operated jointly by both the Boards. This will be a taxpayer segmentation by the tax administration, and joining LBS will not be at the option of the taxpayer. All the core tax functions will be managed jointly by officers of both the Boards	Under Implementation
2	(h) Common Tax Policy and Analysis (TPA) unit comprising tax administrators, economists and other specialists such as statisticians, tax law experts, operation research specialists, social researchers should be set up for both Boards. The existing TPL in CBDT and TRU in CBEC should be subsumed in the common TPA. TPA will report to the Tax Council through the concerned member of each Board. TPA will be responsible for all three major components of tax policy formulation – policy development, technical analysis, and statutory drafting.	Under Implementation
3.	(i) Each rule, regulation and other tax policy measure such as exemptions should be reviewed periodically to see whether they remain relevant to the contemporary socio-economic conditions and meet the changing requirements. For this, a robust process should be institutionalized. As a first step, a thorough review of the existing rules, regulations and notifications should be undertaken. Going forward, it should be a standard practice to build sunset clause in each rule, regulation and notification.	Under Implementation
4.	<p>(c) The tax administration needs to have greater functional and financial autonomy and independence from governmental structures, given their special needs.</p> <p>j) The present Boards are not aligned to various needs nor are they geared to respond to emerging and future challenges in an effective and efficacious manner. Keeping that in mind, the two Boards should be expanded to have ten Members, apart from the Chairperson.</p> <p>k) The two Boards would be responsible only for policy dimensions of tax administration, while the directorates under them would be responsible for operations in the field formations. These directorates would have a vertical and horizontal alignment with functions, and would interact with each other in a matrix-like structure of responsibilities and accountability.</p>	Under Implementation

5.	(l) The field formations are currently organized to handle all key functions in a particular geographic region. In order to bring about a functional orientation, field offices will need to be restructured along the core functions of taxpayer services, compliance, audit, dispute management, enforcement and recovery, et0c.	Under Implementation
6.	(m) A functional orientation would promote specialization in the respective area of tax administration. For these reasons, specialization should be encouraged by selecting suitable officers an providing them sufficient tenures to develop specialized knowledge in key sectors.	Under Implementation
7.	(n) A common approach for developing robust and comprehensive risk management framework should be adopted by the two Boards. This should be approved by the Governing Council to bring coherence.	Under Implementation
Chapter II Customer Focus		
8.	i) <u>Dedicated Organisation for Tax Payer Services (TPS)</u> There should be a dedicated organisation for delivery of taxpayer services with customer focus for each of the Boards. There should be an exclusive Member in each Board for the taxpayer services. The taxpayer services vertical under each Board would be headed by an officer of the rank of Principal Chief Commissioner, who would be responsible for delivery of taxpayer services. This implies dedicated resources and personnel for this vertical.	Under Implementation
9.	ii) <u>TPS under one umbrella through Large Business Service (LBS)</u> Taxpayer service delivery will be located under one umbrella for large taxpayers, i.e., the CBDT and CBEC will jointly function for large taxpayers through Principal DG (LBS). For other taxpayers, i.e., medium and small, the operations of the CBDT and CBEC will continue in separate chains.	Under Implementation
10.	iii) <u>Training needs</u> Officers and staff at all levels of tax administration should be trained for customer orientation. Further for people posted in this vertical, the training in customer focus need to be more specialized and intensive. This training should be appropriate to the areas in which such officers are deployed such as customer relationship, measurement of customer satisfaction, taxpayer education, etc.	Under Implementation
11.	iv) <u>Budget for Taxpayer Services</u> In line with the international practice of spending 10-15 per cent of the administration's budget, a minimum of 10 per cent of the tax administration's budget must be spent on taxpayer services. At least 10 per cent of the budget for tax administration should be allocated and spent for ICT-based taxpayer services.	Under Implementation

12.	v) <u>Customer Research & Surveys</u> Sufficient funds must be allocated to conduct customer research including, in particular, on customer surveys	Under Implementation
13.	viii) <u>Revisit the present Citizen's Charter</u> There is an urgent need to revisit the present citizen's charter to make it more meaningful and customer focused. The citizen's charter should be renamed the taxpayer's charter to focus on all categories of taxpayers.	Under Implementation
14.	ix) <u>Consultations with stakeholders on disagreements & changes in tax laws</u> There should be a regular stakeholder consultations on the issues of tax disagreements and tax law changes. The Commission recommends a permanent body for stakeholder engagement. The recent experience of the Forum through which many issues were resolved between stakeholders and the tax departments should become a continuing activity.	Under Implementation
Chapter IV Peoples Function		
15.	Recommendation 3: Recruitment needs to be made on the basis of carefully drawn recruitment plans that balance the short and long term needs and career aspiration of the officers.	Under Implementation
16.	Recommendation 5: The CBEC needs to develop a human resource management system, as has been done by the CBDT; collaboration and knowledge exchange between the two DGs(HRD) will enable CBEC to get such a system going in shorter time.	Under Implementation
17.	Recommendation 7: Key performance indicators, detailing the performance areas, objectives, key initiatives, performance indicators and performance targets, should be arrived at using the Balanced Scorecard methodology.	Under Implementation
18.	Recommendation 11: To facilitate renewal of talent and professional growth, officers should be allowed to move outside the department for defined period of time.	Under Implementation
19.	Recommendation 12: The career of IRS officers should be into three phases: <ul style="list-style-type: none"> • The first 9-10 years should be spent through different functional areas to gain familiarity. • The next 8-9 years should be in two or more specialist areas. • Persons showing the ability for top leadership will go into the third phase and constitute the pool from which selection will be made for top positions. 	Under Implementation
20.	Recommendation 16: The transfer & posting policy should be recast to	Under Implementation

	promote specialisation and accommodation of individual choices in professional growth and should bring about predictability, stability and certainty to placement sought. Personal difficulties of officers should receive due consideration.	
21.	Recommendation 17:DG(HRD) should assist the Board in transfers and postings and they should be Member Secretaries of the Placement Committee. The administration section should have no role to play.	Under Implementation
22.	Recommendation 18: Learning and development should occupy a central place in people advancement and all officers must undergo a minimum 10 days of training every year.	Under Implementation
23.	Recommendation 19: NADT and NACEN infrastructure should be substantially upgraded and the academies need to keep themselves updated in terms of the contemporariness of course content, pedagogy and use of ICT in training and they should be treated on par with LBSNAA. Their budgets should match the stipulation of the National Training Policy, i.e. 2.5 per cent of the salary budget of the departments should be earmarked for training and should be treated as plan expenditure.	Under Implementation
24.	Recommendation 20: More emphasis in training needs to be given on customer focus and value education.	Under Implementation
25.	Recommendation 22: There should be more proactive approach to preventive vigilance.	Under Implementation
26.	Recommendation 24: CVC should have a Member who has been an officer of either of the IRSs and there should at least one Joint Secretary/Additional Secretary level officer posted in the secretariat of CVC.	Under Implementation
	Chapter V Dispute Management	

27.	4. Both the Boards must immediately launch a special drive for review and liquidation of cases currently clogging the system by setting up dedicated task forces for that purpose. The review and liquidation should be completed within one year and the objective should be to decide all cases pending in departmental channels for longer than a year as on the start date of the action plan. (Section V.6)	Under Implementation
28.	12 The DRP in income tax should be made full-time panels. Their mandate should be expanded to include corporate cases of resident cases as well. Same mechanism should be introduced in indirect taxes also, where collegium of three Commissioners would be deciding complex cases involving extended period of limitation, related party transactions and taxability of services. (Section V.4.e)	Under Implementation
29.	17. Authorized representatives from the departments should be carefully selected and given sufficient incentives and necessary infrastructural support to perform their duties effectively. They should also be given specialized training before they are asked to appear for the department. The administration of the DR function should also be in the dispute management vertical. (Section V.5)	Under Implementation
30.	18. On disposal of a case by Supreme Court/High Court and if the judgment is accepted by the Department, an instruction should be issued to all authorities to withdraw appeal in any pending case involving the same issue. (Section V.6)	Under Implementation
	Chapter VI Key internal Processes	
31.	1.PAN as CBIN should be continued and made mandatory for all categories of taxpayers including for Government departments, regulatory bodies etc., to obtain central excise and service tax registration. Further, registration by all other Government Departments such as State VAT Departments and DGFT should also be based on PAN(VI.1.c)	Under Implementation
32.	2. There is urgent need to develop a more robust regulatory framework for careful and constant monitoring of PANs. (VI.1.c)	Under Implementation
33.	3.Partner-user should also participate in developing a robust regulatory mechanism. Increasing the reliability of PAN and the move towards creating a reliable CBIN, however, would require a better validation and verification mechanism(VI.1.c)	Under Implementation
34.	4. (i)By leveraging the regulatory framework for PAN allotment and its	Under Implementation

	delivery system, we can move towards PAN being a single point of reference for all business transactions as in Australia and US. (VI.1.c)	
35.	4(ii) The CBDT should continue to be responsible for issuing PAN to entities and organizations to ensure uniformity among different classes of taxpayers.(VI.1.c)	Under Implementation
36.	4(iii) Quoting of PAN in all transaction documents be made mandatory under law. (VI.1.c)	Under Implementation
37.	4(iv) As PAN is used as CBIN by other departments having varied requirements, it is essential for the Income-tax Department to re-visit the existing verification mechanism. For e.g. to issue registration under central excise and service tax, verification of the address where the business premises are located, the identity of the business, the bank account details, the directors of the company, the nature of business etc is also very essential. Such verification could be made as an integral part of verification before the issue of PAN. But these additional verifications should not delay the issue of PAN (VI.1.c)	Under Implementation
38.	4(v) The system of jurisdiction-based PAN has many problems. Even though the present system is elaborate, the transfer of PAN from one jurisdiction to another does not happen within a reasonable time frame. Although efforts have been made by the I-T department to make such transfers online within its PAN system the process continues to be elaborate and not time bound. (para VI.I.c, para 284) (VI.1.c)	Under Implementation
39.	4(vii) In case of change in the information provided earlier by a taxpayer for obtaining the registration, it should be the responsibility of the registered person to carry out the amendments within a stipulated time-period. Sensitive changes such as amendments to the name of business/taxable person, principal place of business uploaded by the taxpayer etc., may need affirmation by the tax administration and should be dealt with in a more elaborate manner. (paraVI.I.c,)	Under Implementation
40.	4(viii) Other sensitive changes such as addition/deletion of premises, bank details, particulars of authorized persons, particulars of goods/services dealt, details of proprietors/partners/directors may also require prior intimation and affirmation by the department. But in all other cases, the taxpayer may upload the change on his own within 30 days of making the change.(paraVI.I.c,)	Under Implementation
41	6. Since the use of banking channels is a pre-condition, the number of banks authorized to collect taxes would need to be increased to provide better access to tax payers for internet banking services. Currently, the authorization is separately required for branches of an authorized bank. This should be dispensed with by enabling the banks themselves to start tax collection in any new branch. This would be a customer friendly	Under Implementation

	measure as there would be a wider network of collecting banks.(para VI.2.c,)	
42.	7. A payment gateway facilitates the transfer of information between a payment portal (such as a website, mobile phone printer active voice response service) and the front end processor or acquiring bank. There is good reason to increase payment gateways for better customer convenience. (para VI.2.c)	Under Implementation
43	10. In order to avoid unnecessary litigation, it is imperative that taxpayers should be allowed to make relevant disclosure in the tax return itself. At present, if the taxpayer and tax officer differ on deductibles, the tax officer adds the disputed amount to the income of the taxpayer and penalty proceedings are initiated. This often puts a burden on both taxpayers as well on the tax administration as avoidable penalty proceedings are initiated. To obviate such situations, we recommend that the format of the tax return should be amended and space be made available for the taxpayer to state its position on transactions, which have the potential to create disputes of a legal nature and arise from a difference in opinion between the taxpayer and the tax administration. (para VI.3.a)	Under Implementation
44.	11. Jurisdiction free as far as possible under Income tax. Each taxpayer is attached to a specific AO. It is widely felt that there are significant disadvantages in such an arrangement as the AO may not have specific industry knowledge or subject knowledge with the result the taxpayer is put to undue hardship. It is thus felt that geographical jurisdiction should be dispensed with and industry based assessment should be introduced in line with the recommendation made in Chapter III of this report.(para VI.3.a)	Under Implementation
45.	12. Personal presence for hearings in all tax cases should also be avoided; data can be sought through an e-system, where it can be uploaded by the taxpayer. Personal hearing should be sought only in complex cases. A facility like an e-room can be developed for larger taxpayers to upload data. This data can be suitably protected. If required, video conferencing can be used to hear the taxpayers' or their representative's views. (para VI.3.a)	Under Implementation
46.	13. Developing specialization for AOs. (VI.4.a)	Under Implementation
47.	14.No transaction based audit. Audit should be system based. (para VI.4.a)	Under Implementation
48.	15. The assessment team could comprise more than one AO in complex cases. In cases where the tax assessed by the AO is higher than what the taxpayer considers is due and the addition proposed is more than a specified amount, the amount should be approved by a team of superiors	Under Implementation

	from outside the AO's jurisdiction. This would bring quality to the assessment orders, as there would be a peer review. The taxpayer should be allowed to explain his position to the team of superiors and the draft order should be finalized based on the final directions.(para VI.4.a)	
49.	16. Develop audit protocols.(para VI.4.a)	Under Implementation
50.	17. Co-ordination between audits of CBEC and CBDT (para VI.4.a)	Under Implementation
51.	18. Quantitative filters for CASS: The pre-requisites for a robust risk-assessment system is collection of data/information from external and internal sources, data cleansing and system-based checks and analysis. There is also a need to make sure that when CASS is run, data for all taxpayers, including those who filed manual returns, is available in the database. (VI.5)	Under Implementation
52.	19. There is also a need to set up a standard operating procedure, which recognizes an iterative method, testing it ex-post, to develop effective and efficacious parameters in the risk assessment matrix. (VI.5)	Under Implementation
53.	20. Increasing the number of audits in non-corporate and small corporate segment. Non-corporate business entities, comprising small and medium size enterprises, form a big part of the tax gap in India. These non-corporate entities, as also small or shell companies, are often used for round-tripping, and hence, fake capital building. These entities are often used to provide accommodation entries. Since the overall scrutiny is taken up in less than 1 per cent cases, some of these companies escape the tax net and are used as safe conduits. (VI.5)	Under Implementation
54.	21. More and more tax returns are being filed electronically. Even TDS returns are being e-filed. Despite that, refunds by the I-T department remain tardy. There is no time limit within which an AO is supposed to process the refund in case the refund could not be issued from CPC. (VI.6)	Under Implementation
55.	22.The AO normally waits for the file to be transferred from the CPC and even after the file is transferred, the AO goes through manual verification and withholds the amount due to non-availability of the TDS certificate. This process, therefore, needs to be changed. The recommendation in this regard is that there should be a time limit in which refunds should be processed after filing the income tax returns. Since the CPC issues refunds through the refund-banker scheme, the refunds should be based on taxpayer data and deductor data which is already available in ITD system. The insistence on manual filing of TDS certificates before the AO for verification of refund claims should be done away with. If required, the tax payer should be allowed to upload all TDS certificates in the electronic format. (VI.6)	Under Implementation

56.	23.Refunds due to taxpayer on relief from ITAT/CIT (A) order: Sometimes, the taxpayer is eligible to get refunds based on relief obtained from ITAT/CIT (A)/HC/SC orders. Under the present provisions, there is no time limit by which the AO should give effect to the orders passed and issue refunds. Many times, the taxpayer is coerced into paying tax for the current year as self-assessment tax or advance tax. This process needs to be changed. There should be a time limit by which the AO should pass the orders giving effect to CIT (Appeals)/ITAT orders. (VI.6)	Under Implementation
57.	25.Strict adherence to timelines: A taxpayer should not be denied refunds if it is due. In fact, both the Boards have time and again issued instructions that in case there is delay in issuing refunds, the taxpayer should be granted interest on delayed refunds, unless it is caused by the fault of the assessees. (VI.6)	Under Implementation
58.	30.Reduction of errors. The TDS deductor is obliged under Section 206 of I-T Act to file an e-TDS return in form no. 24, 26 or 27 or quarterly statements and submit them to CPC-TDS. TDS return typically contains the TDS Account Number (TAN) of the deductor, PAN of the deductor, PAN of all the deductees and particulars of tax paid to the central government including book identification number or challan identification number as the case may be. Errors can occur in reporting any of the above information. This impacts the deductee, often small taxpayers, as they are unable to claim refund, particularly if they are below the taxable limit. Attention should be paid to reducing errors and if errors occur, to their early rectification. The rectification of errors should be a key taxpayer service, and should be delivered with a clear customer focus. (VI.7)	Under Implementation
59.	31. Improvement in rectification process: Although the CPC-TDS has provided an interface to the deductors for online error rectification of e-TDS returns, it permits only two types of corrections, namely, PAN correction and challan correction. For all other type of corrections, users have to go through the regular process of generating a correction return file and submit it to the CPC-TDS. Even a single error requires the deductor to submit the entire return afresh. The process of uploading the entire file for one or two corrections is cumbersome and disproportionate to the gravity of the error. This adversely impacts taxpayer services.(VI.7)	Under Implementation
60.	32.Help for small deductors: The compliance cost for small deductors in filing TDS returns and fulfilling various obligations is high. This often discourages small deductors. The government, therefore, should ask tax return preparers (TRPs) to also assist small and marginal tax deductors to prepare and file their TDS returns. Or else, a separate TDS return preparers (TDS TRPs) programme should be initiated on the same lines as TRPs. (VI.7)	Under Implementation

61.	33.Rules on FTC: No guidelines for FTC exist in India. CBDT should introduce FTC rules and specify the compliance requirements in clear and lucid detail to reduce the scope for interpretation and litigations. (VI.8)	Under Implementation
62.	34. Timing for claim of FTC: Tax jurisdictions have different fiscal years. Difficulties are often encountered by taxpayers in claiming FTC for taxes paid in the US between January and March as those taxes are accounted for in a different fiscal year, whereas in India that tax claim would fall under the same fiscal year. An FTC rule to cover such timing differences would bring relief to eligible taxpayers. VI.9	Under Implementation
63.	35. Collection & Recovery. Separate vertical for this function: Currently, the function of recovery and collection is largely carried out by the AOs whose primary job is assessment of taxes. Due to operational constraints and institutional barriers, this function often takes a backseat. The institution of a recovery cell has also not worked well, because of inadequate staff support, lack of resources, lack of training in recovery work and lack of motivation. All these have resulted in no or very little focus on tax collection. Considering all these, a separate vertical has been recommended in Chapter III of this report. (VI.9)	Under Implementation
64.	36. Building compliance profile of taxpayers. To improve the efficiency of debt collection activities, many tax administrations have used risk assessment models for segmenting taxpayers according to size, sector, and past behavior etc. This approach, apart from helping to establish the predicted tax revenue for each group, also enables effective monitoring of revenue collection. (VI.9)	Under Implementation
65.	37. Use of Information and Communication Technology (ICT): The use of ICT in reporting, compiling and collating information about tax arrears and their recovery is a must and will go a long way in saving time and effort. (VI.9)	Under Implementation
66.	38. Tracking of tax demands stayed by courts and tribunals: Currently, a large portion of total arrears cannot be collected due to stay orders in operation. There is no institutional method of keeping track of such stay orders, which would allow the AOs to recover tax upon the expiry of stay orders. This information needs to be uploaded electronically on the ICT system of the departments so that the tax collectors can have system generated prior intimations regarding the expiry of stay orders. (VI.9)	Under Implementation
67.	39.Write-offs: The identification of tax demands that cannot be collected, either on account of taxpayers having gone bankrupt or having become indigent, has to be carried out for the purpose of speedy write- offs. Currently, the process of write-off is quite lengthy and cumbersome.	Under Implementation

	Besides, most officers do not consider it to be a priority work. No doubt, the department's main job is to collect tax revenue, but in case a demand becomes unrecoverable, it is imperative to write them off so that due attention can be given to cases where chances of recovery are high. It is, therefore, important to identify the right cases for write off and for that, due diligence needs to be carried out before writing them off. (VI.9)	
68.	40. In both the cases – TP or special valuation in customs – adequate documentation is required: It is often felt that adequate documentation makes it easier for tax authorities to review a taxpayer's analysis, contributes to dispute avoidance and ensuring timely resolution of cases. It is recommended that both Boards should frame detailed documentation requirement for TP as well as customs valuation, keeping in view that such documentation should be reasonable. This would bring certainty and predictability for taxpayers. (VI.10)	Under Implementation
69.	INTERNATIONAL TAXATION 41. Documentation requirement for issue of reduced or no TDS: It is imperative to inform non-resident taxpayers a priori about the documents required and the time that it would take subsequently to issue a certificate under Section 197. There should also be a facility for filing these papers on the system electronically so that to the extent possible, the physical presence of the taxpayer is not required. Similarly, documentation requirements should be made known to non-resident taxpayers for the issue of the Tax Clearance Certificate u/s 230 of the I-T Act. (VI.13)	Under Implementation
70.	PROSECUTION FOR TAX FRAUDS 42. There is a need to set up a dedicated structure for prosecution matters in the enforcement vertical for both the departments so that due and more focused attention is given to this important area. This dedicated structure can be a separate vertical, assisted by lawyers embedded in the organization (may be through a deputation or appointment) so that the drafting of prosecutable issues, and highlighting the offence and the evidence to be adduced, is done in a professional manner. This wing should also be responsible for initiating prosecution in the courts and for coordinating the appearance of officers before courts along with the maintenance of case records and other logistical requirements. The recommended structure is given in Diagram 6.1. (VI.14)	Under Implementation
71.	I&CI 43. At present, the work of this directorate is not properly delineated. Further, there is need to improve the overall capacity of the directorate to gather intelligence and information, improve the completeness and accuracy of information, and unify the information for developing actionable cases for appropriate action by the jurisdictional officers. The overall strategy should be to develop this into an intelligence hub for the I-T department and develop the ability to take action on a real-time basis.	Under Implementation

	This will enhance the impact of investigation and detection of tax frauds. (VI.15)	
72.	45. Officers will also need to have the ability to trace flows of money through complex financial arrangements and use sophisticated techniques to identify links between suspects and illicit financial activities. We suggest that customized training modules, both at the domestic level and the international level be introduced to ensure exposure to international best practices. (VI.15)	Under Implementation
73.	46. The working of the directorate has to be ICT-based; therefore the directorate would need to have a good complement of personnel from the ICT vertical. (VI.15)	Under Implementation
74.	NON PROFIT SECTOR 47.The CAG made the following recommendations: (a) quoting PAN to be made a pre- requisite for registration for claiming exemption under the act (b) e-filing of returns by tax exempt entities (c) development of a reliable, comprehensive and usable database/register of tax-exempt entities (d) verification and monitoring of donations received by such entities under Section 80G of the IT Act (e) extension of TDS provisions to such entities and (f) audit reports submitted by tax-exempt entities to include clauses on proper disclosures. (VI.16)	Under Implementation
75.	48.The I.T. department does not have a national database of the non-profit sector. It is, therefore, imperative that a database is prepared and made available to the public. Their activities should also be indicated. This would create grass-roots pressure on non-functioning entities or those entities, which are exempted but not fulfilling their objectives, and provide an opportunity to remove those entities. (VI.16)	Under Implementation
76.	DEPARTMENTAL MANUALS 49.The Commission recommends that there should be one basic manual for all direct taxes. Departmental manuals should be annually updated and put up on the website for easy downloading by both taxpayers and tax officers. (VI.17)	Under Implementation
	Chapter –VII Information & Communication Technology	
77.	1.Strategic Vision The recommendations of the TARC under this category are: i. For full realization of the potential of ICT, it must get embedded in the DNA of the organization. Both the design of policies and implementation should make full use of ICT (Section VII.3.a) ii. All decisions should be taken with ICT compatibility in mind. Similarly, all legislation should be ICT-compatible (Section VII.3.b)	Under Implementation
78.	2 .Business Process Re-engineering The recommendations of the TARC under this category are: i. Automation should follow business process re-engineering to avoid the danger of getting trapped in an outdated mode of	Under Implementation

	<p>governance (Section VII.3.a)</p> <ul style="list-style-type: none"> ii. The Boards must create structures and processes to enhance working relationships between business owners and DG (Systems) to ensure that ICT initiatives are aligned with business needs, priorities and capabilities (Section VII.3.b and d) iii. Both Boards must commit themselves to achieve a fully digitized environment and work towards comprehensive ICT system(s) in which everyone from the top leader to the last person on the frontline works in a digital environment (Section VII.3.a) iv. The leadership must ensure that where systems are available, employees should not have the option to work in a paper environment (Section VII.3.a) v. The Boards must regularly use maturity frameworks to assess their ICT maturity and map out the path towards greater maturity (Section VII.3.a) 	
79.	<p>3. Project Implementation</p> <p>The recommendations of the TARC under this category are:</p> <ul style="list-style-type: none"> i. A service oriented architecture and approach should be adopted to promote integrated systems, greater “value for money” and customer focus (Section VII.3.b) ii. Boards should adopt a robust ICT governance framework and practices, and rigorous programme and project management frameworks (Section VII.3.b) iii. Project planning and approvals must include the required number and quality of human resources (Section VII.1.b) iv. Movement of personnel should have a linkage with project implementation and there should be a process of knowledge transfer (Section VII.1.b) v. HR policies must be aligned with the need for specialization and officers should be allowed to grow in the areas in which they specialize. Routine transfers should be avoided (Section VII.3.d) 	Under Implementation
80.	<p>4. Human Resources and Training</p> <p>The recommendations of the TARC under this category are:</p> <ul style="list-style-type: none"> i. Special training for officers in key areas of ICT should be arranged for officers of DG (Systems) (Section VII.3.e) ii. DG (Systems) should have authority and funding to depute officers for specialized courses, seminars and events and engage with professional networks and academic institutions (Section VII.3.e) 	Under Implementation
81.	<p>5. Information Utilization</p> <p>The recommendations of the TARC under this category are:</p> <ul style="list-style-type: none"> i. The discussions for data sharing between CBDT and CBEC should be speeded up and sharing must begin quickly (Section VII.4) ii. A shared knowledge, analysis and intelligence centre, headed by an expert professional, should be set up for advanced data 	Under Implementation

	analytics and research. The SPV can support it by providing the platform, tools and technologies, and expertise (Section VII.4)	
82.	<p>6.Special Purpose Vehicle (SPV)</p> <p>The recommendations of the TARC under this category are:</p> <ol style="list-style-type: none"> i. A common special purpose vehicle (SPV) should be set up for servicing the ICT needs of the Boards (Section VII.5.a) ii. It should be incorporated as a company with limited liability under the Companies Act and should have a private ownership of 51 per cent and government ownership of at least 26 per cent. It should have operational independence and institutional flexibility even as government retains strategic control (Section VII.5.c) iii. The SPV should preferably have a net worth of around Rs.300 crore. This will ensure that the SPV is well-capitalized, can hire the best people at competitive salaries, and invest adequately in infrastructure to manage large-scale national projects. iv. The relationship between the departments and the SPV should be a complementary one. v. The tax administration would develop an overall strategy with the ICT inputs provided by the DG (Systems). The SPV will develop the ICT strategy within the framework of the overall strategy, which will be approved by the Boards. The DG (Systems) of the two Boards will continue to exist, and will perform more strategic roles and be the Boards’ interface with the SPV (Section VII.5.e) vi. It should aim to be financially self-sustaining through an appropriate business model (Section VII.5.f) vii. It should be operationally aligned and maintain relationships with the concerned entities in DG (Systems) to ensure effective ICT service delivery (Section VII.5.h) <p>The Boards, DG (Systems) and the SPV together should work out the plan for the transformation to “digital by default” status. The plan should begin with a visioning exercise to define the end state and should be programme, as opposed to project, oriented.</p>	Under Implementation
	Chapter IX Information Exchange	
83.	<p>1.Common Framework</p> <p>The TARC suggests the following aspects of exchange mechanism:</p> <ol style="list-style-type: none"> a)Process for a request based exchange of data and information. b)Specific legislation for providing general rules for exchange of information. c)Common framework to get rid of the silo structure. d)Collaborating organizations – CBDT, CBEC, FIU, CEIB, RBI and SEBI to create a common catalogue of data and information. e)Organizing data within its own inventory and thereafter having a common database. 	Under Implementation

	f) Openness and willingness to share information.	
84.	<p>2. Common Standards & Taxonomy</p> <p>The TARC mainly discuss the following aspects:</p> <p>a) A consistent approach on data across agencies for better collation of data and information making its use easy.</p> <p>b) Common taxonomy to include minimum standardization of data description, data context and data sharing.</p> <p>c) A common standard for data sharing/exchange with third party.</p> <p>d) A steering committee to decide the rules of exchange.</p> <p>e) A common business identification number (CBIN) for integrating data across all sources.</p> <p>f) A regulatory mechanism to oversee that data collection is coherent and accurate.</p>	Under Implementation
85.	<p>3. Third Party Exchange</p> <p>The TARC mainly discusses the following aspects:</p> <p>a) Collaborating organization to categorize data into three classes -</p> <p>i) Data for general access</p> <p>ii) Data for limited sharing</p> <p>iii) Data for Spontaneous sharing</p> <p>b) The categorization of data to be known to other organizations.</p> <p>c) Information exchange on a digital platform.</p> <p>d) SLAs/MoUs to be entered to develop a common framework.</p> <p>e) Information exchange through a common utility.</p> <p>f) Nodal contact person to be nominated by every organization for responding to the request.</p> <p>g) A steering committee to sort out organizational difficulties in exchange of information.</p>	Under Implementation
86.	<p>4. Data Storage</p> <p>The TARC mainly discuss the following aspects:</p> <p>a) Development of algorithm to understand amorphous data</p> <p>b) Service oriented architecture to reuse process and technology.</p> <p>c) Authorized access to portal of SPV for exchange of information.</p> <p>d) SLAs/MoUs between collaborating organizations to contain procedure for making request, response time, reason for refusing data, mechanism for audit etc.</p> <p>e) Creation of an SPV to facilitate sharing and utilization of data with common standard and taxonomy.</p> <p>f) Creation of an integrated enterprise data warehouse to provide a single view of inflow and outflow of data to enable cross functional analysis.</p>	Under Implementation
87.	<p>5. Data Usage</p> <p>The TARC mainly discuss the following aspects:</p> <p>a) Establish mechanism to process and structure data for a meaningful analysis.</p> <p>b) Promote re-use of data with the objective of 'Collect once, use many times'.</p>	Under Implementation

	c)Joint steering committee to work out details of data lifecycle.	
88.	<p>6.Safeguard and Security</p> <p>The TARC mainly discuss the following aspects:</p> <p>a)Safeguards to ensure confidentiality of data and prevent unauthorized access or use of data.</p> <p>b) Access to data or information on need to know basis.</p> <p>c) Effective access control.</p> <p>d) Additional checks in the form of layered authorizations.</p> <p>e) Maintain data integrity and privacy, prevent fraudulent use and allow easy and efficient use of data</p>	Under Implementation
89.	<p>8.Personnel Management</p> <p>The TARC mainly discuss the following aspects:</p> <p>a) Specialized Personnel to be engaged to manage data for information exchange.</p> <p>b) Chief Information Officer to provide an overarching regulatory function.</p> <p>c) Specialized data scientist to be engaged to explore and examine hidden insights from data from disparate sources.</p> <p>d) Dedicated full time team for sharing data or information.</p> <p>e) Special emphasis on skill upgradation of the team members through training, seminars and deputations.</p> <p>f) Specialized training on use of data comprising visual analytical techniques, advance pattern analysis, entity profiling, data mining, etc., to widen tax base and identify revenue leakages/cases of tax evasion.</p>	Under Implementation

32 Recommendations of TARC Third Report -Acceptable/Acceptable with modification- Under Implementation (CBDT)

Sr. No		Recommendation of TARC	Comments
	Chapter X Impact Assessment	Why impact assessment	Under Implementation
1	1.	a) Impact assessment process aids decision making and increases the involvement and accountability of decision makers at all levels, including the ministerial level, and demonstrates how the decisions of the government will benefit society at large. It should be initiated at the earliest. (Section X.4)	Under Implementation
2	7.	g) Proper capacity will have to be built in the Tax policy and Legislation unit of CBDT and the Tax Research Unit of CBEC (and in the recommended Tax Policy and Analysis Unit) as well as at the field level (in the directorates) so that vertical and horizontal integration of the overall capacity and accountability of the two organisations – the CBDT and the CBEC – increase and impact assessment before taking any initiative becomes part of the basic working process at all levels. The entire process has to be seen as a management tool for any tax action, legislative or administrative. (Section X.4)	Under Implementation
3	8.	Stakeholder engagement h) Stakeholder consultation enhances the transparency of any decision making process, provides quality control on any tax action and improves the information on which decisions are based. Stakeholder consultation should not only form part of the decision	Under Implementation

		making process, but should be considered an independent tool for decision making in its own right. (Section X.4.b)	
4	30	dd) ICT systems already generate a considerable amount of data. These data or information need to be evaluated for their immediate suitability or suitability after some changes. Storage and protection of existing data, and enabling data creation through data mining are crucial at this stage in both the CBDT and CBEC. External data may also be gathered through general surveys, secondary data sources or archival data and interviews or stakeholder consultations during seminars and conferences. (Section X.4.e)	Under Implementation
		v) Communicating results	
5	34	hh) It should be mandated that the CBDT or CBEC estimate the impact of proposed legislation on the costs to be borne by the taxpayers. This should be with a view to reducing the compliance burden which, of late, has increased due to regulatory creep. It is important that the impact assessment captures the expected impact in qualitative and quantitative terms. (Section X.5)	Under Implementation
6	35	vii) Role of KAIC in implementation	Under Implementation
7	45	rr) Regular training programmes will need to be instituted to support the preparation of impact assessment programmes to familiarise officials with the scope of, and the work involved in, impact assessment, and their obligations during the impact assessment process. (Section X.4.i)	Under Implementation

	Chapter- XI Expanding the Base		
		<i>ii)</i> Collection, dissemination and effective use	
8	63	m) TDS coverage should be expanded to capture more and more transactions, especially those that involve large amounts of cash but remain outside the tax net. (Section XI.5.j)	Under Implementation
9	70	t) The presumptive taxation scheme should be backed by taxpayer education programmes to bring taxpayers up to the point at which they can enter the regular tax system. This should be an important goal of the scheme. (Section XI.5.b)	Under Implementation

		<i>viii</i>) Retail sector	
10	81	ee) There is a need to develop better assessment of the underground economy both in terms of its size and the economic and behavioural factors that motivate the players in that economy. There is no recent study on the issue. Therefore, there is an urgent need to promote research in this area within the expanded, analysis-oriented Knowledge, Analysis and Intelligence Centre (KAIC) as recommended in Chapter III of the TARC report. That would provide much needed insight into the functioning of the black economy and how to harness it with appropriate revenue yielding administrative measures. (Section XI.5.b)	Under Implementation
		<i>xi</i>) Services sector	
11	82	ff) The services sector has been growing over the years but has not been taxed in an optimal manner due to the tax administration's incapacity to determine the actual potential of individuals working in these sectors, as well as over estimation and obvious errors in estimation in some sectors. The tax administration needs to be fully equipped with data and understanding of the business processes to be able to work out the correct business volumes, expenses, receipts and profitability of the business sector being reviewed in conjunction with information gathered from, and consultations with, chambers of industry and commerce. These parameters should also be well documented and circulated so that the taxpayer has a fair idea about parameters used to determine his tax liability. This will curtail the discretion of the tax administration and increase the transparency of implementation of tax laws in question. (Section XI.5.j)	Under Implementation
		<i>xii</i>) High net worth individuals (HNWI)	
12	84	hh) Following international practices, the CBDT should also exclusively focus on HNWIs. Administratively there is need for a separate cell for HNWIs with a view to improving the understanding of different customer needs and behaviours in order to respond to them appropriately, assisting them to get their affairs right and pursuing those who bend or break the rules. (Section XI.5.g)	Under Implementation

13	88	ll) Specific economic parameters like growth rates of specific sectors, and growth of businesses and households should be identified and analysed for increasing the taxpayer base. The economic parameters, once selected, should be periodically verified, improved and modified. Schemes based on specific economic parameters should never be dropped midway without a critical evaluation of the effectiveness of the parameters selected and possible modification to suit revenue needs. Broad parameters should be narrowed down into more specific ones as experience in parameter analytics is gathered and consolidated. (Section XI.5.h)	Under Implementation
		<i>xiv</i>) Survey, search and seizure	
14	93	qq) Surveys and technology based information and intelligence systems should be used to identify potential taxpayers. Action needs to be taken jointly by the direct and indirect tax administrations in an integrated and co-ordinated manner to get better results. Databases of different agencies like the Medical Council of India and AADHAAR should be used to locate non-filers and stop filers. (Section XI.5.k)	Under Implementation
15	94	rr) Surveys should be based on growth trend in sectors and industries especially clusters of business units known for use of undocumented and cash transactions; expenditure and opulent life style etc. Tax administration should develop/use software to zero in on such behavioural indicators. (Section XI.5.k)	Under Implementation
16	96	tt) Search and seizure mechanisms should be used in a co-ordinated manner in limited cases. To achieve better results information should be shared in a structured and integrated manner as discussed in detail in Chapter IX of the TARC report. (Section XI.5.k)	Under Implementation
17	98	vv) Anti-avoidance provisions should be incorporated in tax laws to be implemented with great care and sensitivity. (Section XI.5.k)	Under Implementation
		<i>xvii</i>) Research and analysis	
18	102	zz) The TARC recommends that sanitised macro data on taxpayers, returns filed, tax collected, etc., should be made available in the public domain, so that research bodies are able to analyse them and provide their findings to the tax department from time-to-time. This will help in developing research input for decision	Under Implementation

		making.	
	XII Compliance Management		
19	108	d) Both the Boards will need to infuse life in their Vision and Mission statements to create a value-based administration by strengthening their internal governance supported by an effective performance management framework. This would require the development of performance measures and indicators that would bring about coherence between organisational goals and individual behaviour. (Section XII.4.a)	Under Implementation
20	109	e) The NADT and NACEN must give the highest priority to shaping of leadership and inculcation of the code of ethics. This should be done through structured leadership programmes, designed with the help of national and international institutions of repute. (Section XII.4.a)	Under Implementation
		ii) Customer focus	
21	117	m) A scheme similar to <i>Samman</i> but based on more sophisticated parameters should be jointly developed with suitable incentives including public recognition. (Section XII.4.b)	Under Implementation
22	118	n) Customer convenience and compliance cost should form a central aspect of any planning for change, whether in law or procedures. (Section XII.4.c)	Under Implementation
		iv) Compliance risk management	
23	121	q) A common compliance risk management framework should be developed by both the Boards to manage strategic as well as operational risks using a structured risk management process. This should be based on: <input type="checkbox"/> Extensive research and analysis <input type="checkbox"/> A robust segmentation strategy for addressing compliance risks based on the relevant structural, economic and behavioural factors <input type="checkbox"/> The use of all compliance tools, namely taxpayer services, compliance verification and enforcement, in a	Under Implementation

		<p>manner that is calibrated according to behavioural segmentation of taxpayers</p> <ul style="list-style-type: none"> <input type="checkbox"/> Continuous review of the effectiveness of risk treatment actions <input type="checkbox"/> Rewarding highly compliant behaviour by launching a scheme similar to <i>Samman</i> but based on more sophisticated parameters and providing more attractive incentives, besides public recognition. (Section XII.4.b) 	
24	122	r) Both the Boards should develop a robust compliance measurement framework to enable robust compliance risk management. (Section XII.4.b)	Under Implementation
25	123	s) A high degree of coordination between the Boards as well as between different functional verticals within each Board needs to be ensured through coordination committees. This process needs to be a structured, formal one. (Section XII.4.b)	Under Implementation
26	124	t) While the organisation-wide risk management should be the responsibility of the Strategic Planning and Risk Management (SPRM), the responsibility for risk management for functions such as compliance verification and enforcement would be with the relevant vertical. (Section XII.4.b)	Under Implementation
27	135	ee) On the CBDT side, the ITD-MS should be used for audit selection. (Section XII.4.e)	Under Implementation
28	137	gg) The mandatory selection criteria for audit/scrutiny selection in both the Boards should be dispensed with. Both Boards should move towards multi-year audits from the current single year audits and the frequency of audits should be determined by risk assessment and compliance behaviour of the taxpayers and the availability of resources for audit. (Section XII.4.e)	Under Implementation
29	143	mm) Audit officers in both Boards should encourage voluntary disclosures and refrain from resorting to penal actions in the case of <i>bona fide</i> disclosures. (Section XII.4.e)	Under Implementation
		vi) Transfer pricing audits	

30	146	pp) The present accounting data does not provide gross profit and so the databases used for TP analysis provide only net profit of a company or entity, and not gross profit. The CBDT needs to work with the ICAI on changing the existing accounting rules so that gross profit is available in a uniform manner to undertake better comparisons. (Section XII.4.e)	Under Implementation
31	147	qq) The APA team should have trained economists embedded for making economic analysis on advance prices. (Section XII.4.e)	Under Implementation
		vii) Enforcement	
32	154	xx) Provisions for publication of details of tax offenders should be used for giving wide publicity so that a deterrent effect is created. (Section XII.4.f)	Under Implementation

55 Recommendations of TARC Fourth Report- Acceptable or Acceptable with modification – Under Implementation (CBDT)		
Chapter	Observation/Recommendation of TARC	Comments
XIII	Revenue Forecasting	
	<i>i) Approaches to revenue forecasting</i>	
1	a) It is important that the budget forecasting processes are balanced, transparent, and trusted. (Section XIII.5.a)	Under Implementation
2	b) It is also important that the revenue forecasting process involves expertise and experience, so that its dynamic character is properly harnessed, to understand far-reaching policy implications. (Section XIII.5.a)	Under Implementation
3	c) The revenue forecasting process should observe three key elements – transparency, formality and organisational simplicity.(Section XIII.5.a)	Under Implementation
4	d) All macroeconomic assumptions or other assumptions in the forecasts should be properly explained and made public to ensure transparency. Such detailed information in the public domain will have the salutary effect of improving data quality and accountability in the tax forecasting process. This should result in increased accuracy, and possibly a reduction in ad hoc or discretionary adjustments during the fiscal year. Transparency will also enhance the credibility of the forecasts, which so far has been sadly missing. (Section XIII.5.a)	Under Implementation
5	e) Budget preparation practices in the TPL and TRU are to a large extent unstructured and the existence of formal rules on issues, such as forecasting responsibilities, time table and documentation, will establish a well-structured process leading to more timely forecasts and will reduce the scope for covert interference. (Section XIII.5.a)	Under Implementation
6	f) There is need for organisational simplicity, so that there is coherence in the result with less time spent on sparring over each competing model and more on improving forecast results,based on detailing the model itself. (Section XIII.5.a)	Under Implementation
	<i>ii) Revenue forecasting methods</i>	
7	g) Tax revenue forecasting has many models with a separate model for each tax type. There is no commonly accepted, standard practice or model for revenue forecasts. Tax administrations generally draw upon a combination of models, consumer and business surveys and expert opinions to arrive at tax forecasts and analysis. Both the Boards should also adopt a bouquet of methods and not rely on only one method. (Section XIII.5.a)	Under Implementation
8	h) The two Boards should maintain the two forecasting systems – the first one focusing on the short-term forecasting horizon (say, up to six months), and the second focusing on longer time horizons (greater than six months). (Section XIII.5.a)	Under Implementation
	<i>iii) Tax debt collection</i>	

9	q) Cluster analysis, based on characteristics, such as tax debt size, taxpayer status, underpaid tax, etc., can be employed as one of the methods. The characteristics of taxpayers in a cluster will require risk assignment on the basis of inputs from field formations as well as on the basis of data or information from the data warehouse to tailor taxpayer treatments on the basis of individual circumstances and behaviour. (Section XIII.5.a)	Under Implementation
10	r) It will be useful to carry out the tax debt analysis using combined data with the CBDT and CBEC. This will be in line with the TARC recommendation in Chapter IX of “one data, many users”. The combined data based on common standards and taxonomy will facilitate data exchange between the two Boards, enabling better data analysis to track the taxpayer’s tax liabilities, payments and balances using the basic data in one system. (Section XIII.5.a)	Under Implementation
11	s) The combined data can be structured to form a data layer that contains every tax debt and tax debtor, making it possible to follow them throughout the collection lifecycle in a united manner, as ultimately there is only one taxpayer. This chain of collection can identify where the tax debtor is in the chain at a certain time. Such a system to monitor the development of each tax debt, whether in the CBDT or the CBEC, will improve the overall tax collection process. (Section XIII.5.a)	Under Implementation
	<i>iv) Reviewing and reporting of forecasts and monitoring of taxes</i>	
12	t) It is important that tax forecasts are revisited on a regular basis as key economic variables, such as the gross domestic product, inflation, short- and long-term interest rates, employment growth, etc., are changing constantly, and that may affect forecast results. Due to change in economic indicators, there are chances that the structural relationship(s) may also change. (Section XIII.5.b)	Under Implementation
13	u) It is important that tax collections are monitored and reviewed to enhance the accuracy of the forecast. This may involve a series of consultations with the macroeconomists in the economic division of the Department of Economic Affairs to understand changing economic indicators as they affect tax collections. These consultations will also help the CBDT and CBEC to assess whether the tax forecast will require to be revisited, and may help in preparing an assessment on whether the budget estimates are likely to be met or will require reduction. (Section XIII.5.b)	Under Implementation
14	v) The forecast process needs to be made more transparent. It is recommended, therefore, that a small unit, comprising TPL and TRU officials and officers from the economic division of the Department of Economic Affairs and the Reserve Bank of India, be set up within the TARC recommended Tax Policy and Analysis unit with a mandate to evaluate and prepare a report on the tax implications of macroeconomic changes. The report can be presented to the	Under Implementation

	Parliament as part of the FRBM Act. These reviews can be done twice in a fiscal year, one after 6 months of the start of the fiscal year and another after 10 months. (Section XIII.5.b)	
	v) Data requirements	
15	w) Data availability can impose constraints on the revenue forecasting process. The two Boards must develop a clear strategy to systematically clean the taxpayer master file and tax returns database. This activity may be beyond the scope of work of the existing TPL and TRU. However, inputs from them will be invaluable from the user's perspective since they have dealt extensively with cleaning up the taxpayer data. (Section XIII.5.c)	Under Implementation
16	x) Once the data is available, it can be examined for underlying pattern, rates of change, or trends, by making comparisons of data from different sources, linking data sets, comparing corresponding items, finding relationship and patterns, and constructing descriptive or hypothetical representational and/or functional relationships between the different variables of which the data is composed. (Section XIII.5.c)	Under Implementation
17	y) After projections have been made, the estimates need to be evaluated for their reliability and validity. To evaluate the validity of the estimates, the assumptions associated with the revenue source need to be re-examined. If the assumptions associated with the existing economic, administrative, and political environment are sound, the projections can be assumed to be valid. (Section XIII.5.c)	Under Implementation
18	z) Reliability can be assessed by conducting a sensitivity analysis. This involves varying key parameters used to create the estimates. If large changes in the estimates result, the projection is assumed to have a low degree of reliability. (Section XIII.5.c)	Under Implementation
19	aa) The TPL and TRU must be sufficiently equipped with computer hardware, database systems, and other office software including the most recent econometric and statistics software packages. These equipment and software systems are necessary to conduct the most demanding data analysis. (Section XIII.5.a)	Under Implementation
20	bb) The TPL and TRU should also have access to current, seminal publications on tax and fiscal research and a database of journal articles for the continuous upgrading of the skills and knowledge of the officers working there. (Section XIII.5.a)	Under Implementation
	vi) Partnering non-government bodies and research institutions	
21	cc) Maintaining a regular dialogue with academia and business communities is valuable for identifying emerging trends in the economy. For these interactions, the academia and business communities must be provided data, albeit encrypted data, so that they have the requisite data for a more meaningful engagement. The CBDT and CBEC, for the purpose, should identify academic institutions of national repute and business or professional associations having all-	Under Implementation

	India membership that can collaborate for the dialogue. (Section XIII.5.d)	
	<i>vii) Integrating revenue forecasting with policy</i>	
22	dd) It is important to integrate tax forecasting results, particularly relating to tax analysis such as distributional impact out of the micro-simulation model or tariff impact on commodities from the trade tax calculator, to estimate how much each tax policy will cost taxpayers and the tax that it will raise. This can be used as a tool to inform decision makers, including ministers, of the likely benefits and costs, identifying key factors that should affect the decision, strengthening the quality of analysis and making the policy inclusive. (Section XIII.5.e)	Under Implementation
	<i>viii) Organisational/institutional arrangements</i>	
23	ee) In line with the recommendation in Chapter III of the TARC report, it is reiterated that the existing TPL and TRU wings of the CBEC and CBDT should be subsumed in the TPA wing. The TPA wing should be expanded to include specialists, such as economists, tax law experts, statisticians, operations researchers and social researchers to form a multidisciplinary team. (Section XIII.5.f)	Under Implementation
24	ff) An important task of this unit will be to publish results from the analytical models it develops. These publications should contain objective and impartial analyses and should be helpful in guiding broad policy debates, so that the knowledge can be shared with peers and the policy community for discussion and feedback. (Section XIII.5.f)	Under Implementation
	<i>ix) Staff resources</i>	
25	hh) The officers and staff of the TPL and TRU need to be selected on the basis of specified qualifications. The officers and staff of the TPL and TRU should include trained personnel with specialised skills and knowledge in the fields of revenue forecasting, analysis and monitoring. (Section XIII.5.g)	Under Implementation
26	ii) IRS officers at the levels of Joint Secretary and Director in the TPL and TRU should have wide knowledge of tax policy and macroeconomic issues and deep understanding of revenue estimation and forecasting. (Section XIII.5.g)	Under Implementation
27	jj) For officers below the level of Joint Secretary and Director, knowledge and skill to gather data from different agencies, perform routine analytics for forecasting revenue, and prepare results that could be used for drafting tax memoranda will be useful. These officers and staff can be from the disciplines of statistics, economics, and social science. Duties of these personnel will be to conduct macroeconomic analysis for revenue and tax debt forecasting, monitoring, and analysing tax receipts on a regular basis, and to evaluate the economic and revenue impact of introducing new and/or maintaining existing tax policies on the tax base and tax revenues. (Section XIII.5.g)	Under Implementation

28	kk) Officers below the level of Joint Secretary and Director need to have some knowledge of taxation policies, and direct and indirect tax laws, knowledge of technical report writing, and skills in handling computer databases and statistical packages, and econometrics software, such as SAS, EViews, STATA, etc. (Section XIII.5.g)	Under Implementation
29	ll) On-the-job training should be considered the most important route to developing and deepening the necessary skills required to perform such functions. A university-level education in economics, public policy, statistics and other related disciplines should be considered necessary. Actual strengthening of their capacity can be attained through regular internal seminars, workshops and specialised short courses. (Section XIII.5.g)	Under Implementation
30	mm) These capacity building exercises, particularly internal seminars and workshops will have to be organised on a monthly or quarterly basis so that officers and staff get adequate opportunity to present his/her work on a particular issue to the rest of the unit. (Section XIII.5.g)	Under Implementation
31	nn) Customised and specialised short courses on revenue forecasting can also be organised for staff and officers of the TPL and TRU so that they gain up-to-date knowledge on the subject, and are aware of new developments. These courses should invariably be graded to ensure that the learning is imbibed and can be immediately utilised in the work. Long-term training can also be considered on the subject for the long-run viability of the analytic unit of the TPL and TRU. (Section XIII.5.g)	Under Implementation
XIV	Predictive Analysis	
	<i>i) Increasing data pool for analytics</i>	
32	b) With regard to third party data, the “silo” approach should be avoided and the “one data many users” principle must be adopted as recommended in Chapter IX of the TARC’s report. (Section XIV.5.a)	Under Implementation
33	c) To enable reliable predictive analysis, the offence data base needs to be made robust, reliable and shared. Besides data sharing, there should also be proper data publication. As is the case with several countries, there is also a need to publish consolidated watch lists such as lists of tax defaulters, international fugitives and known offenders. (Section XIV.5.a)	Under Implementation
34	g) An important responsibility of the CIO will be to expand the data pool for analytics by continuous scan of the environment for identifying new and emerging sources of data and securing data access from them, in line with recommendations in Chapter IX of the TARC report. (Section XIV.5.a)	Under Implementation
	<i>v) Training</i>	
35	t) This should include the top and middle-level management who must be imparted broad knowledge of analytics and its potential. (Section XIV.5.b.v)	Under Implementation

36	u) A well designed course on ICT and analytics should be made a part of IRS officers' induction training in the two academies. (Section XIV.5.b.v)	Under Implementation
XV	Research for Tax Governance	
	<i>i) Role of research in improving tax governance</i>	
37	d) The Indian tax administration is attempting to enhance delivery. Research in tax governance, with a multi-disciplinary approach involving disciplines such as economics, accounting, finance, law, management, behavioural science, ICT, and statistics, can help review current practices and design new approaches to expand the tax base and increase tax revenue, while remaining cognizant of the government's aim to promote economic development and tax justice. (Section XV.1)	Under Implementation
38	e) Research needs to be evidence-based and needs to be meticulously designed, implemented, and executed so that the output is relevant to and usable to the tax administration. This will require an organisational framework, finance, staff, the development of linkages for collaboration – internal-governmental mechanism or with outside agencies – and the building of skills needed to evaluate outputs to assess their practical utility. (Section XV.1)	Under Implementation
39	f) Research cannot be a one-off exercise; it has to be embedded in the tax administration so that there is two-way movement, top-down as well as bottom-up, within the various tax departments to build an ecosystem to undertake meaningful research. (Section XV.1)	Under Implementation
	<i>ii) Areas of research</i>	
40	g) Important areas of research, only indicative by enumeration and by no means exhaustive, can be as follows: <ul style="list-style-type: none"> • Compliance tracking • Identifying the rich and wealthy • Measuring voluntary compliance • Identifying audit/scrutiny risk elements • Impact analysis • Taxpayer surveys • Trade and customs • Taxing hard-to-tax sectors • Tax effects on investment • Tax incentives for R & D • Taxing natural resources • Taxation of the insurance sector • Performance management • Technology scan in SPV/DG (Systems) • Fairness in tax disputes • Corruption in tax administration (Section XV.4.a) 	Under Implementation
41	h) Some of the research work can be carried out jointly by the CBDT and CBEC. (Section XV.4.a)	Under Implementation

	<i>iii) External research collaboration</i>	
42	i) Research work, on short-term or long-term basis, can be carried out by external research organisations. This will be in addition to in-house research on topics that need to be worked on only within the tax administration. (Section XV.4.b)	Under Implementation
43	j) The CBDT and CBEC will have to put in place an arrangement for partnering with external research organisations on a long-term basis for research and analysis on topics requiring external assistance. (Section XV.4.b)	Under Implementation
44	n) The expectations of the tax administration on the deliverables by external research organisations will have to be clearly spelt out and communicated so that they are not misunderstood. (Section XV.4.b)	Under Implementation
45	o) Research collaboration should be demand-driven and there should be clear organisational intent on the part of the tax administration to requisition the research input, with full ownership of the demand. (Section XV.4.b)	Under Implementation
46	p) It is also important that research collaborations are made not only with reputed national organisations, like NIPFP, NCAER, NIFM, ICRIER, etc but are made broad-based to include other regional institutes so that there is a larger pool of research institutes available for collaboration. Although geographical distribution cannot be the sole basis for enlarging the base, it needs to be taken into account to ensure that the capacity of these institutes also get upgraded over a period of time. (Section XV.4.b)	Under Implementation
47	q) The tax administration should consider engaging external research organisations for taxpayer surveys, evaluation of the effectiveness of the tax administration's policies, suggestions on ways to improve policy and administration and identifying lessons learnt. Apart from the fact that such research requires large manpower and are time-consuming, these are also areas in which the tax administration does not have any expertise. (Section XV.4.b)	Under Implementation
	<i>iv) Dissemination of research</i>	
48	r) Dissemination of research and the associated knowledge management can play an important role in building intellectual capital to improve the effectiveness of the tax administration. (Section XV.4.c)	Under Implementation
49	s) As part of research dissemination, the TPA (Tax Policy and Analysis) unit can bring out annual or biannual reports on revenue trends and forecasts and monthly supplements to such forecasts; the KAI centre could do the same on the operational needs of the tax departments. (Section XV.4.c)	Under Implementation
50	t) The TPA unit and KAI centre, along with NADT and NACEN, can also conduct seminars and conferences and bring out reports on the deliberations in those seminars. These conferences and seminars will provide officers an opportunity to interact with tax experts from the private sector and academia. (Section XV.4.c)	Under Implementation
	<i>v) Human resources for research</i>	

51	u) In line with the recommendations in Chapter III of the TARC report, both TPA and KAI centre should undertake high level research. People posted in these units need to have highly developed skills in data handling and carrying out detailed analysis. Research work undertaken needs to adopt a multi-disciplinary approach. (Section XV.4.d)	Under Implementation
52	v) People working and involved in research in the TPA and KAI centre should have university level education in the field of economics, psychology, statistics, management, or law, with adequate experience in public policy formulation. But this in no way suggests that those with other educational backgrounds cannot work in the TPA and KAI. (Section XV.4.d)	Under Implementation
53	y) There should be intense training, either in-house at NADT or NACEN or at reputed research institutions, of officers involved in research. They should be trained on research methodologies, and be given practical training on data analysis. (Section XV.4.d)	Under Implementation
	<i>vi) Allocation of funds for research</i>	
54	cc) To give adequate emphasis and focus to research in tax administration, sufficient funds should be provided in the budget under a separate head. To sustain the focus and to establish continuity no re-appropriation of funds should be allowed from this head of research. (Section XV.4.e)	Under Implementation
55	dd) Participation in technical seminars and events in specialised areas will also add to the knowledge base of officers. Officers can be considered to be deputed to attend research seminars or courses, whether in India or abroad. Adequate funds will need to be allocated for this purpose to ensure that it is done on a regular basis. (Section XV.4.e)	Under Implementation

Recommendations Not found acceptable

16 Recommendations from First and Second Reports of TARC –Not acceptable		
Sl. No.	Recommendation of TARC	Comments
	Chapter-III - Structure & Governance	
1.	(a)The two Boards must embark on selective convergences immediately to achieve better tax governance, and, in next five years, move towards a unified management structure with a common Board for both direct and indirect taxes, called the Central Board of Direct and Indirect Taxes. For a unified management structure, apart from the common Board, the functions that can easily support the framework would be in the areas of human resource management and vigilance, finance, ICT, infrastructure and logistics, and compliance verification.	Not acceptable
2.	(e) A Governing Council, headed by chairperson of the two Boards, by rotation, and with participation from outside the government, should be setup at the apex level to oversee the functioning of the two Boards. (f) An Independent evaluation Office (IEO) should be set up. Its main work would be to monitor the performance of the tax administration, promote accountability, evaluate the impact of tax policies and assess all factors that affect tax administration. IEO will report to the governing council so as to ensure its independence.	Not acceptable
3.	(g) A Tax Council should be set up to develop a common tax policy, analysis and legislation for both direct and indirect taxes. The council will be headed by the Chief Economic Adviser of the Ministry of Finance.	Not acceptable
	Chapter II - Customer Focus	
4.	vi) <u>Functioning of Ombudsman</u> In redressing taxpayer grievances, the decision of the Ombudsman should be binding on tax officers. To bring independence and effectiveness to the office of the Ombudsman, non-government professionals should also be inducted in the post.	Not acceptable
	Chapter IV-People Function	
5.	Recommendation 2: A system of limited departmental competitive examination should be introduced by earmarking 33% of the vacancies in the promotions quota in Gr.B as well as Gr.A, so that relatively more meritorious and younger officers in the feeder grade can get fast track promotions.	Not acceptable

6.	Recommendation 4: Provision should be made for lateral entry of experts in key roles and specialised areas. While they may be on contract for 5 years, subject to their suitability and willingness they should be able to integrate with the organisation at the end of the contract period.	Not acceptable
7.	Recommendation 9: The tax administration should extend the performance appraisal system to elements of 360 degree appraisal to include feed back from subordinates.	Not acceptable
8.	Recommendation 13: A common assessment centre for the two Boards needs to be set up by the people function to make a thorough, all round assessment of officers at the first transition point.	Not acceptable
9.	Recommendation 14: In view of a different promotion system being recommended, the UPSC should be consulted for exempting these promotions in the IRS from their purview like some other services, e.g., the Indian Foreign Service, Indian Railway Services and Indian Audit and Accounts Services are exempted. However, if the UPSC is willing to be associated with the altered promotion scheme, that option should be considered.	Not acceptable
	Chapter V - Dispute Management	
10.	10. Ordinarily appeal should not be filed against orders of Commissioner (Appeals), except where the orders are ex-facie perverse. (Section V.5)	Not acceptable
11.	11. The present structure of Commissioner (Appeals) should be changed to two forums, namely, single Commissioner (Appeals) and 3-member Commissioner (Appeals) panel. If the case is not decided within the prescribed time frame, the taxpayer's appeal would be deemed to have been allowed. (Section V.5)	Not acceptable
	Chapter-VI - Key Internal Processes	
12.	9. CFO of a company be also enabled to file IT returns. (VI.3.a)	Not acceptable
13.	24.The necessary refunds arising on the orders should be paid or the taxpayer should be allowed to set-off the amount against the advance tax liability or self-assessment tax liability in subsequent years by giving the document identification number as the appeal effect order is issued through the ITD system. Further, it would only be equitable if the rate of interest on refunds is the same as that charged to taxpayers in the case of tax dues. (VI.6)	Not acceptable
14.	27.Separate budget for payment of refund or credit. In a different but related context, the Public Accounts Committee in its 96th report to the 14th Lok Sabha recommended that there should be a separate budgetary head for interest on delayed refunds. Taking a cue from	Not acceptable

	<p>this, it can be recommended that there should be a separate budget head for tax refunds to bring more transparency and to circumvent the general tendency to withhold refund, even if genuinely due. (VI.6)</p>	
15.	<p>28.Improving TDS compliance: I-T Rules provide that all sums deducted under the I-T Act are to be paid to the credit of the central government within a specified period. But despite these provisions, there have been instances of delayed credit of the TDS deducted. This calls for more effective enforcement of TDS.TARC is, therefore, inclined to recommend a small percentage of commission, say 0.005 per cent (for large and medium tax deductors) to 0.01 per cent (for small tax deductors) of the tax deducted and deposited in the government account, to be allowed as business expenses by them to fulfil their obligations. (VI.7)</p>	Not acceptable
	Chapter-IX - Information Exchange	
16.	<p>7.Audit and Accountability The TARC mainly discuss the following aspects: a) Develop a robust audit and accountability methodology. b) An independent evaluation office to evaluate the performance of the activity of exchange information and present its report to the governing council for successful implementation of data information exchange by collaborating organizations is recommended.</p>	Not acceptable

8 Recommendations of Third Report of TARC - Not Acceptable			
Sr. No.		Recommendation of TARC	Comments
Chapter X - Impact Assessment			
1	33	gg) A steering group for impact assessment should be set up for consulting interested parties, using expertise and collecting data, carrying out the impact assessment analysis, presenting the findings in a draft impact assessment report, scrutinising the report and framing possible recommendations based on the draft report, carrying out detailed stakeholder consultation, revising the draft report after taking suggestions into account, preparing the final impact assessment report, and submitting it to the concerned authority. (Section X.5)	Not Acceptable
Chapter XI - Expanding the Base			
iv) Fringe Benefit Tax			
2	65	o) Reintroducing FBT would be an effective measure to widen the direct tax base, while doing so no distinction, as was being made earlier, be kept for the levy. This is a good temporary administrative measure for enhancing tax collection. This is a good temporary administrative measure for enhancing tax collection, until rising income tax collection makes it unnecessary. (Section XI.3.j)	Not Acceptable
v) Banking cash transaction tax (BCTT)			
3	66	p) There is no instrument at present that captures details of cash withdrawals from bank accounts, other than savings accounts. The availability of such information would help the I-T department widen its information base on the use of black money since excessive cash withdrawal can help it understand the extent of the cash economy. Hence, Rule 114E of the IT Act should be suitably revised to include in its ambit cash withdrawals exceeding specified amounts in a day from bank accounts other than savings accounts. Alternatively, BCTT should be reinstated as an effective administrative measure. (Section XI.3.g)	Not Acceptable
vi) Presumptive taxation			
4	73	w) An effective method to monitor small enterprises that opt for presumptive taxation would be to insist on their filing declaration of their accounts annually and it should be made mandatory for them to issue sales/service bill for each transaction, with a serial number in a financial year. (Section XI.5.a)	Not Acceptable

ix) Agriculture income			
5	78	bb) Large farmers should be brought into the tax net. Against a tax free limit of Rs.5 lakhs on agricultural income, farmers having income above much higher threshold income, such as Rs.50 lakh, could be taxed. This will broaden the taxpayer base. (Section XI.5.e)	Not Acceptable
6	95	ss) A combined survey effort with the states should also be considered with reference to the National Population Registry database available at the state level. (Section XI.5.k)	Not Acceptable
xvii) Research and analysis			
7	101	yy) There is immediate need to set up an institutional mechanism to carry out research and analysis by the two Boards in various areas of tax administration. Thus, the setting up of KAIC is the most crucial at this point in time as a combined and consolidated instrument to analyse direct and indirect taxes. (Section XI.5.m)	Not Acceptable
Chapter XII - Compliance Management			
8	136	ff) The CBDT should <i>mutatis mutandis</i> adopt a process similar to EA 2000 as is prevalent in central excise and service tax, including on-site audits where required. (Section XII.4.e)	Not Acceptable

5 Recommendations of Fourth TARC Report - Not Acceptable (CBDT)		
Chapter	Observation/Recommendation of TARC	Comments
XV	Research & Governance	
	<i>iii) External research collaboration</i>	
1.	l) Collaboration with external research organisations will need to include a framework for dissemination of research results, as external researchers and academics will be interested in sharing research results and getting them published in refereed accredited journals. (Section XV.4.b)	Not Acceptable
2.	m) Partnership and collaboration with external research organisation will not only be useful to the tax administration, but will also be of significant advantage to external research organisations as they can leverage their research investment from seed-funding that this engagement will bring to more substantial opportunities. (Section XV.4.b)	Not Acceptable
	<i>v) Human resources for research</i>	
3.	x) The Chief Economist in both the TPL and TRU should play an important role in identifying, guiding, monitoring and evaluating research topics. He will have to provide quality assurance of the tax administration's analytical work. He should be responsible for presenting the analysis, examining the evidence, and using analytical input to support the formulation of tax policy change and for internal administrative decisions. (Section XV.4.d)	Not Acceptable
4.	z) All IRS officers must publish at least one peer-reviewed research paper on topics of tax administration or tax policy before promotion to the grade of Commissioner. (Section XV.4.d)	Not Acceptable
5.	aa) If the research paper is published in research journals of national or international repute, the officer should be incentivised, either through a one-time award or by allowing one extra increment, so as to encourage more people to do the same. (Section XV.4.d)	Not Acceptable

Indirect Taxes(CBEC)

Recommendations accepted and implemented.

FIRST REPORT

S.No.	RECOMMENDATIONS	STATUS
CHAPTER II (Customer Focus)		
1.	There should be a dedicated organization for delivery of tax payer services with customer focus for each of the Boards. There should be an exclusive Member in each Board for the taxpayer services. (Section II.6.c).	ACCEPTED &IMPLEMENTED
2.	Officers and staff at all levels of tax administration should be trained for customer orientation. Further for people posted in this vertical, the training in customer focus need to be more specialized and intensive. This training should be appropriate to the areas in which such officers are deployed such as customer relationship, measurement of customer satisfaction, taxpayer education etc. (Section II.6 a)	ACCEPTED &IMPLEMENTED
3.	In line with the international practice of spending 10-15 per cent of the administration's budget, a minimum of 10 percent of the tax administration's budget must be spent on taxpayer services. At least 10 percent of the budget for tax administration should be allocated and spent for ICT-based taxpayer services. (Section II.6.a)	ACCEPTED &IMPLEMENTED
4.	Sufficient funds must be allocated to conduct customer research including, in particular, on customer surveys. (Section II.6.b)	ACCEPTED &IMPLEMENTED
5.	There should be regular stakeholder consultations on the issues of tax disagreements and tax law charges. (Section II.6.b)	ACCEPTED &IMPLEMENTED
6.	There should be a system for online tracking of dak/grievances/ applications for refund etc. It should be made mandatory to receive all dak through a central system generating a unique ID. The ASK software implemented by CBDT provides such a mechanism in a limited manner. This needs to be extended to all offices. The functionality ⁷ to enable the taxpayer to track the status of his application/grievance online should be added to the ASK system. Similar system for online receipt of application should be enabled on the indirect tax side. (Section II.,6.c).	ACCEPTED &IMPLEMENTED
7.	Continuous benchmarking of the tax administration, particularly in relation to delivery of taxpayer services, with that of other tax	ACCEPTED &IMPLEMENTED

S.No.	RECOMMENDATIONS	STATUS
	administrations should be done to highlight the area of focus.(Section II.6.c)	
Chapter III (Structure & Governance)		
S.No.	RECOMMENDATIONS	STATUS
8.	A Tax Council should be set up to develop a common tax policy, analysis and legislation for both direct and indirect taxes. The council will be headed by the Chief Economic Adviser of the Ministry of Finance.	ACCEPTED &IMPLEMENTED
9.	Common Tax Policy and Analysis (TPA) unit comprising tax administrators, economists, and other specialists such as statisticians, tax law experts, operation research specialists and social researchers should be set up for both Boards. The existing TPL in CBDT and TRU in CBEC should be subsumed in the common TPA. TPA will report to the Tax Council through the concerned member of each Board. TPA will be responsible for all three major components of tax policy formulation – policy development, technical analysis, and statutory drafting.	ACCEPTED &IMPLEMENTED
10.	Each rule, regulation and other tax policy measure such as exemptions should be reviewed periodically to see whether they remain relevant to the contemporary socio-economic conditions and meet the changing requirements. For this, a robust process should be institutionalized. As a first step, a thorough review of the existing rules, regulations and notifications should be undertaken. Going forward, it should be a standard practice to build sunset clause in each rule, regulation and notification. (Section III.4.d)	ACCEPTED &IMPLEMENTED
CHAPTER IV (Peoples Function)		
<u>S.No</u>	<u>RECOMMENDATIONS</u>	<u>STATUS</u>
11.	Both the departments should shift all their key operations to the digital platform so that performance can be reliably measured. (Section IV.3.d)	ACCEPTED &IMPLEMENTED
12.	A comprehensive performance management system needs to be set up for both tax administrations by revisiting and reconstructing the RFD. (Section IV.3.d)	ACCEPTED &IMPLEMENTED
13.	A formal mentorship programme may be set up, with carefully selected mentors. (Section IV.3.d)	ACCEPTED &IMPLEMENTED

S.No.	RECOMMENDATIONS	STATUS
14.	DGs (HRD) should assist the Boards in transfers and postings and they should be member secretaries of the placement committees. The administration section should have no role to play. (Section IV.3.e)	ACCEPTED &IMPLEMENTED
15.	Learning and development should occupy a central place in people advancement and all officers must undergo a minimum 10 days of training every year. (Section IV.3.f)	ACCEPTED &IMPLEMENTED
16.	NADT and NACEN infrastructure should be substantially upgraded and the academies need to keep themselves updated in terms of the contemporariness of course content, pedagogy and use of ICT in training and they should be treated on par with LBSNAA. Their budgets should match the stipulation of the National Training Policy, i.e., 2.5 per cent of the salary budget of the departments should be earmarked for training and should be treated as plan expenditure.	ACCEPTED &IMPLEMENTED
17.	More emphasis in training needs to be given on customer focus and value education. (Section IV.3.f)	ACCEPTED &IMPLEMENTED
18.	There should be more proactive approach to preventive vigilance. (Section IV.4.b).	ACCEPTED &IMPLEMENTED
19.	The provisions of Rule 56(j) of the Fundamental Rules should be effectively utilized for weeding out officers who are inefficient or of doubtful integrity. The criterion for review should be changed to completion of 20 years of service. (Section IV.3.d)	ACCEPTED &IMPLEMENTED
20.	No cognizance should be taken of anonymous complaint as laid down in the existing DoPT instruction. (Section IV.4.d)	ACCEPTED &IMPLEMENTED
CHAPTER V (Dispute Resolution)		
<u>SL</u>	<u>RECOMMENDATIONS</u>	<u>STATUS</u>
21.	For clarity in law and procedures, a process based on best practices viz, Consultative Policy making should be followed. Need to do away with the impression that the taxpayers views are not taken into cognizance while framing the statute and the attendant rules (Section V.4.b).	ACCEPTED &IMPLEMENTED
22.	Retrospective amendment should be avoided as a principle. (Section V.3.e)	ACCEPTED &IMPLEMENTED
23.	Fundamental approach should be collaborative and solution oriented. (Section V.3.d)	ACCEPTED &IMPLEMENTED
24.	Both the Boards must immediately launch a special drive for review and liquidation of cases currently clogging the system by setting up dedicated task forces for that purpose. The review and liquidation	ACCEPTED &IMPLEMENTED

S.No.	RECOMMENDATIONS	STATUS
	should be completed within one year and the objective should be to decide all cases pending in departmental channels for longer than a year as on the start date of the action plan. (Section V.6)	
25.	Dispute management should be a functionally independent structure with adequate infrastructural support. (Section V.4.a)	ACCEPTED &IMPLEMENTED
26.	Officers posted in the dispute vertical must receive adequate induction training and on-the-job training on areas. (Section V.4.a)	ACCEPTED &IMPLEMENTED
27.	To minimize the potential for disputes, clear and lucid interpretative statements on contentious issues should be issued regularly. These would be binding on the tax department. (Section V.4.b)	ACCEPTED &IMPLEMENTED
28.	The process of pre-dispute consultation before issuing a tax demand notice should be put into practice.(Section V.4.b)	ACCEPTED &IMPLEMENTED
29.	Disputes must get resolved in the times lines as mentioned in the respective enactments. The law should also prescribe the consequences of not adhering to the time lines, which would be that the case in question would lapse in favor of the taxpayer. (Section V.5).	ACCEPTED &IMPLEMENTED
30.	Ordinarily appeal should not be filed against appeals of Commissioner (Appeals), except where the orders are ex-facie perverse. (Section V.5).	ACCEPTED &IMPLEMENTED
31.	The jurisdiction of AAR should be made available for domestic cases also. More benches of AAR should be established at Mumbai, Bangalore, Chennai and Kolkata, (Section V.4.c).	ACCEPTED &IMPLEMENTED
32.	Appeals to High Courts and the Supreme Court should only be on a substantial question of law. (Section V.5)	ACCEPTED &IMPLEMENTED
33.	Authorized representatives from the departments should be carefully selected and given sufficient incentives, necessary infrastructural support and specialized training. CDR function should also be in the dispute management vertical. (Section V.5).	ACCEPTED &IMPLEMENTED
34.	On disposal of a case by Supreme Court/High Court and if the judgment is accepted by the Department, an instruction should be issued to all authorities to withdraw appeal in any pending case involving the same issue. (Section V.6)	ACCEPTED &IMPLEMENTED
CHAPTER VI (Key Internal Process)		
SL	RECOMMENDATIONS	STATUS
	a) Registration	

S.No.	RECOMMENDATIONS	STATUS
35.	The present permanent account number (PAN) should be developed as a common business identification number (CBIN), to be used by other government departments such as customs, service tax, DGFT and EPFO. A better regulatory system should be put in place to enhance its robustness and reliability (section VI.1.c)	ACCEPTED &IMPLEMENTED
36.	Both central excise and service tax should be covered under a single registration as both the taxes are administered by the same department and cross utilization of credit is permitted between central excise and service tax under the CENVAT credit rules.	ACCEPTED &IMPLEMENTED
37.	It is necessary to provide for de-registration, cancellation or surrender of registration numbers and PAN.	ACCEPTED &IMPLEMENTED
	b) Tax payment	ACCEPTED &IMPLEMENTED
38.	Banks should be left to authorize their branches to collect taxes, and the present process of selection of banks needs to be purely standards-based and transparent.	
39.	Payment gateways should be increased for better customer convenience.	
	c) Filing of Tax Returns	
40.	Taxpayers should give information on their compliance experience at the time of filing returns; this information should be used to improve taxpayer service bringing in customer focus.	ACCEPTED &IMPLEMENTED
41.	CBEC should set up centralized processing units in line with the CPC, Bengaluru, and CPC-TDS at Ghaziabad for processing central excise and service tax returns.	ACCEPTED &IMPLEMENTED
42.	There should be common return for excise and service tax.	ACCEPTED &IMPLEMENTED
43.	The CBEC should set up an e-portal and all invoices should be issued from that portal. This portal should be linked and made compatible with SAP ERP systems, which a majority of the companies use for their own invoicing. E-invoice would simplify credit/refund procedures, which would become automatic.	ACCEPTED &IMPLEMENTED
	Scrutiny in Direct Taxes and Audit in Indirect taxes	
44.	Audit Commissionerates in the CBEC should undertake integrated audit covering central excise and service tax together and the onsite customs post clearance audit (OSPCA) in case of accredited clients (ACP), as the records and books to be verified are common to all the taxes administered by the CBEC. In major cities where exclusive Central Excise or Service Tax Commissionerates are functional, the	ACCEPTED &IMPLEMENTED

S.No.	RECOMMENDATIONS	STATUS
	audit function should be assigned to a specific Audit Commissionerate for carrying out integrated audit of customs, central excise and service tax.	
45.	Broad-based selection filters for the risk assessment matrix should be put in place. There is also a need to set up a standard operating procedure which recognizes the iterative method, testing them ex-post, to develop effective and efficacious parameters for the risk assessment matrix.	ACCEPTED &IMPLEMENTED
	e) Refunds	
46.	Refunds sanctioned should be paid along with the applicable interest automatically as is done in the case of income tax and not on demand by the taxpayers. As in the case of direct taxes and customs duty drawback, the refund and interest payment should be directly credited to the bank account of the taxpayer.	ACCEPTED &IMPLEMENTED
47.	Refund claim subjected to pre-audit verification should be issued within a specified time. The post-audit verification of refund claim should be risk-based.	ACCEPTED &IMPLEMENTED
48.	An easier and simplified scheme should be introduced for service exporters. The entire refund filing and processing mechanism should be online.	ACCEPTED &IMPLEMENTED
	g) Tax collections	
49.	There should be a separate vertical for tax collection as recommended in Chapter III of this report. To improve the efficiency of debt collection activities, both the Boards should work on setting up risk assessment models to compute risk scores for each new tax debt case that reflects the likelihood of the taxpayer paying their debt based on objective criteria.	ACCEPTED &IMPLEMENTED
50.	Stay of demand information should be uploaded electronically on the central server of the departments so that tax collectors can have system generated prior intimations regarding the expiry of stay orders.	ACCEPTED &IMPLEMENTED
	h) Related party transactions	
51.	Both Boards should frame detailed documentation requirements for transfer pricing as well as custom valuation, keeping in view that such documentation should be reasonable, to bring certainty and predictability for the taxpayers.	ACCEPTED &IMPLEMENTED
52.	There is a need to align the process in India with global best practices and to do away with the current process. With self-assessment in place, import transactions should only be subjected to post-clearance	ACCEPTED &IMPLEMENTED

S.No.	RECOMMENDATIONS	STATUS
	audit. Valuation risks would be an important component of the risk matrix for audit selection.	
	I) Manual of tax departments	ACCEPTED
53.	Departmental manuals should be annually updated and put up on the website for easy downloading by both taxpayers and tax officers.	&IMPLEMENTED

CHAPTER VII

S.NO	RECOMMENDATIONS	STATUS
(i)	Information and Communication Technology	
54	For full realization of the potential of ICT, it must get embedded in the DNA of the Organization. Both the design of policies and implementation should make full use of ICT	ACCEPTED &IMPLEMENTED
55.	The leadership must ensure that where systems are available, employees should not have the option to work in a paper environment	ACCEPTED &IMPLEMENTED
56.	Both Boards must commit themselves to achieve a fully digitized environment and work towards comprehensive ICT system(s) in which everyone from the top leader to the last person on the frontline works in a digital environment	ACCEPTED &IMPLEMENTED
57.	The Boards must regularly use maturity frameworks to assess their ICT maturity and map out the path towards greater maturity	ACCEPTED &IMPLEMENTED
58.	Automation should follow business process re-engineering to avoid the danger of getting trapped in an outdated mode of governance	ACCEPTED &IMPLEMENTED
59	The Boards must create structures and processes to enhance working relationships between business owners and DG (Systems) to ensure that ICT initiatives are aligned with business needs, priorities and capabilities	ACCEPTED &IMPLEMENTED
60	Boards should adopt a robust ICT governance framework and practices, and rigorous programme and project management frameworks	ACCEPTED &IMPLEMENTED
61	Movement of personnel should have a linkage with project implementation and there should be a process of knowledge transfer	ACCEPTED &IMPLEMENTED
62	A service oriented architecture and approach should be adopted to promote integrated systems, greater “value for money” and customer focus	ACCEPTED &IMPLEMENTED
63	Special training for officers in key areas of ICT should be arranged for officers of DG (Systems)	ACCEPTED &IMPLEMENTED

64	DG (Systems) should ensure proper training for operational staff at the roll out of any new application	ACCEPTED &IMPLEMENTED
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<u>SECOND REPORT – CHAPTER VIII</u>		
Customs Capacity Building		
S.no	Recommendations	Status
(i)	Governance	
65	The CBEC should immediately commence work on the development of a customs vision and strategic plan, setting out the strategic goals and the implementation strategy that will ensure its place among “best in class” customs administrations. The strategy must enhance customer focus and proactively promote voluntary compliance and should include measures like customer guidance in the form of self-assessment check-lists, manuals containing standard operating procedures and fully updated, user friendly and reliable website. Active guidance should be provided to importers through lucid and detailed publications furnishing detailed guidance about the valuation regime. (Section VIII.4.a)	ACCEPTED &IMPLEMENTED
66	The implementation will have to be backed by a robust performance management framework to enable the CBEC to measure the progress and benchmark itself with best international practices in the spirit of continuous improvement. (Section VIII.4.a)	ACCEPTED &IMPLEMENTED
67	The CBEC should aim at developing systems, structures and processes that ensure a consistent and uniform response across the organisation whether in the area of customer services or enforcement. The strategy should reflect the changing role of customs beyond exclusive revenue orientation and focus on capacity building in emerging areas of importance. (Section VIII.4.a)	ACCEPTED &IMPLEMENTED
68	The control paradigm must shift from high levels of pre-clearance interdictions to intelligence led, risk-based interventions by exception, supply chain management and post-clearance audit.(Section VIII.4.a)	ACCEPTED &IMPLEMENTED
69	The CBEC needs to develop an enterprise wide risk management framework in the context of which tools like the RMS need to be operated. The spirit of the compliance management philosophy that underlies the principle of self-assessment needs to be internalized in the	ACCEPTED &IMPLEMENTED

	organisation. (Sections VIII.4.a and VIII .4.b)	
70	In critical areas, identified on the basis of analysis and other evidence, the CBEC needs to undertake compliance improvement plans, implement them effectively, measure and evaluate results as feedback and continue the process in a cyclical manner. (Section VIII.4.a)	ACCEPTED &IMPLEMENTED

71	The CBEC needs to build capacity for more meaningful contribution to trade policy, based on credible research and analysis. (Section VIII.4.c)	ACCEPTED &IMPLEMENTED
(ii)	Customs Core Clearance Processes	
72	The CBEC should revamp its core clearance process and aim at aligning with the best international practices to ensure that cargo moves seamlessly through Indian ports and airports and build substantial capacities in the area of post-clearance audit. It should abandon the “gatekeeper” approach underlying the current control mechanism as it is ineffective and promotes rent seeking. (Section VIII.4.e)	ACCEPTED &IMPLEMENTED
73	Greater capacity in the form of adequate skilled and expert resources needs to be developed for the post-clearance audit. The results of audit need to be fed back into the risk management. Audit should also pay attention to data quality. (Section VIII.4.c)	ACCEPTED &IMPLEMENTED
74	Related party transactions should be handled as part of post-clearance audit and the Directorate of Valuation should be strengthened to become a centre of excellence in this area by building strong expertise. (Section VIII.4.e)	ACCEPTED &IMPLEMENTED
75	Development of advanced passenger information system (APIS) incorporating modern identity management and entity analytics solutions should be fast-tracked. (Section VIII.4.f)	ACCEPTED &IMPLEMENTED
76	Capacity building through extensive training and close engagement with the industry is also needed in the area of IPR. (Section VIII.4.r)	ACCEPTED &IMPLEMENTED
(v)	SAFE Framework and Trade Facilitation	

77	There should be clear ownership on the part of the CBEC of the facilitation programmes undertaken by it. It should undertake immediate steps to achieve the facilitation targets set out in its own circular dated September 2, 2011. (Section VIII.4.g)	ACCEPTED &IMPLEMENTED
78	The CBEC needs to take a robust and pragmatic view in relation to the denial of ACP status to clients on account of show-cause notices and should not deny such status to other-wise compliant clients where there is no willful fraud or evasion. (Section VIII.4.g)	ACCEPTED &IMPLEMENTED
79	The CBEC should follow best international practice by regularly undertaking and publishing time release studies. (Section VIII.4.g)	ACCEPTED &IMPLEMENTED
80	The CBEC should be enabled, through appropriate administrative and legal empowerment, to play a leadership role among the various border agencies to ensure proper co-ordination at the border. ensure trade facilitation, allow greater participation of all agencies in a common risk management framework and enable the development and implementation of a single window(Section VIII.4.h)	ACCEPTED &IMPLEMENTED
81	The SAFE and AEO programme need greater visible commitment from the CBEC and there needs to be much greater communication of the benefits of the programme among stakeholders to induce them to join the programme. (Sections VIII.4.j and VIII.4.k)	ACCEPTED &IMPLEMENTED
82	The CBEC needs to revisit the AEO programme to align it better with different needs of different players in the supply chain and create better incentives for improving compliance.(Section VIII.4.k)	ACCEPTED &IMPLEMENTED
83	The CBEC needs to create institutional mechanism for direct engagement with senior management in trade and industry. (Section VIII.4.g)	ACCEPTED &IMPLEMENTED
84	The CBEC needs to undertake review of key business processes in the spirit of continuous improvement to simplify and streamline them. (Section VIII.4.e)	ACCEPTED &IMPLEMENTED
(viii)	Capacity Building	

85	Urgent steps are required for bridging the skill gap of Groups B and C officials through effective training and competency building. (Section VIII.4.u)	ACCEPTED &IMPLEMENTED
86	NACEN should embark on e-training, virtual classes, webinars, etc so that the training coverage is enlarged and delivered at the place of work. Adequate infrastructure and allocation of financial resources will be part of this capacity building. (Section VIII.4.u)	ACCEPTED &IMPLEMENTED

SECOND REPORT – CHAPTER IX		
Information Exchange		
S. No.	Recommendation	Status
(i)	Common Framework	
87.	There is an imminent need to institute a robust framework which will address data and information exchange.	ACCEPTED &IMPLEMENTED
88.	While the adoption and use of a common framework may not be sufficient to solve all the present challenges facing data and information exchange by agencies in India, it will encourage agencies to develop a common, long-term vision for collection, use, storage, and disposal of data and information, thus getting rid of the silo structure	ACCEPTED &IMPLEMENTED
89.	Openness and willingness to share must be made the cornerstone for building the catalogue. The catalogues will be shared between the collaborating organisations. A common framework would promote the practice of “one data, many users”.	ACCEPTED &IMPLEMENTED
(iii)	Common Standards and Taxonomy	
90.	A common standard for data sharing/exchange with a third party is important. A steering committee should be formed to provide a common platform for all stakeholders. (Section IX.5.b)	ACCEPTED &IMPLEMENTED
91.	A common identification number (CBIN), as recommended in the first report of the TARC, will create a common platform and standard. A robust regulatory mechanism will be required to oversee that the data collection is coherent and relatively accurate. Further, a periodic evaluation of the database must be carried out to see that CBIN continues to provide a common standard and platform.	ACCEPTED &IMPLEMENTED
(iv)	Third Party Exchange	
92.	All collaborating organizations must categorise the data/information into what can be granted general accessibility/limited sharing/spontaneous sharing. (Section IX.5.g)	ACCEPTED &IMPLEMENTED
93.	The data or information exchange with third parties must be on a digital platform in a seamless manner & exchange of data/information on physical media should be avoided	ACCEPTED &IMPLEMENTED
94.	Data/information exchange to be governed by MoUs and each organization to inform other stakeholders about its contact person/s.	ACCEPTED &IMPLEMENTED
95.	SLAs/MoUs with third parties should be entered into to develop a common framework of data or information for exchange.	ACCEPTED &IMPLEMENTED
96.	For data or information exchange through SLAs/MoUs to be effective, each organization will have to inform other stakeholders about its contact person. Any request to that organization can be directed towards this person. If a change occurs in the contact person, this will have to be informed on a real-time basis so that stakeholders are not inconvenienced	ACCEPTED &IMPLEMENTED
(vi)	Data Usage	
97.	A joint Steering Committee, comprising officials of both the CBDT and	ACCEPTED

	CBEC and the Directorates of Systems of the two Boards, will have the mandate to work out details of the data life cycle – planning, collecting or creating, organising or storing, access, usage, maintenance, and re-use and sharing with a common vision and purpose. (Section IX.5.a)	&IMPLEMENTED
(vii)	Safeguard and Security	
98.	Safeguards must be instituted to ensure confidentiality of data or information exchanged and prevent unauthorized access or use of data or information. The agency receiving information and the agency providing information need to establish safeguard processes for evaluating the confidentiality and security related protocol of the data and information shared. This safeguard protocol will need to clearly articulate access rights and further sharing rights and be made available upfront to the other party. (Sections IX.5.d and IX.5.i)	ACCEPTED &IMPLEMENTED
99.	Data or information should not be open to everybody in the organization. Access to data or information should be layered depending on the job role, responsibility and the nature of information. (Section IX.5.f)	
100.	The agencies can enforce effective access control so that authorized personnel are equipped with the least privilege needed to perform their official duties. These access controls could be set up in the data warehouses based on personnel clearances and accordingly personnel can be given restricted or general access. (Section IX.5.f)	
101.	There should be additional checks in the form of layered authorizations. The receiving party must share the extent of information security tools and processes established. (Section IX.5.d)	ACCEPTED &IMPLEMENTED
102.	Key features for security of data will include policies on user authentication, access and policy control. Integrity checks needs to be performed before and after use, transfer or backup of data. Data integrity can be verified through one-way cryptographic hash functions, digital signatures and cryptographic binding. Adopting and incorporating best practices around data security is imperative to maintain data integrity and privacy, prevent fraudulent use and allow easy and efficient use of data and information. (Section IX.6.1)	ACCEPTED &IMPLEMENTED
(viii)	Audit and Accountability	
103.	A robust audit and accountability policy must be developed to address the purpose and scope of information sharing, roles and responsibilities of dedicated teams, authorization layers access to data, review of the safeguards put in place by an agency receiving information and the secure storage, disposal and confidentiality of the data and information. Along with the policy, sound processes are required to facilitate the implementation of the policy. These audits must be conducted by dedicated teams who should report the findings of the audit to the DG (Systems) of the two Boards for course correction. (Section IX.5.1)	ACCEPTED &IMPLEMENTED
(ix)	Personnel Management	

104.	The CIO's role in data and information exchange will be central to provide an overarching, regulatory function and will focus on security aspects of data or information exchange. Towards that, he will co-ordinate, develop, implement, and maintain an agency-wide information security programme. The CIO thus will be the overall in-charge for developing " <i>thought-leadership</i> " so that data and information is well-managed both within the tax department and for interagency transfers. (Section IX.6.h)	ACCEPTED &IMPLEMENTED
105.	Specialized data scientists must be engaged to explore and examine previously hidden insights from data or information from disparate sources. They will also look at the data from many angles and help inter-agency data or information sharing. They will work in the Knowledge, Analysis and Intelligence Centre (KAIC), recommended for creation in the first TARC report.	ACCEPTED &IMPLEMENTED
106.	There should be a dedicated, full-time team for sharing data or information. The suitability of the personnel should be considered based on their ability, aptitude, competencies and past experience. Their skills should be continuously sharpened through training, seminars, and deputations to other collaborating agencies. (Section IX.5.k)	ACCEPTED &IMPLEMENTED
107.	The training needs of officials should be identified, training plans developed and an all-out effort made to train personnel. Thereafter, evaluations must be made to find out whether training helped in honing the skills required for data or information sharing. (Section IX.5.k)	ACCEPTED &IMPLEMENTED
THIRD REPORT – CHAPTER X IMPACT ASSESSMENT		
S.No.	Recommendation	Status
108.	Why Impact Assessment (section X.4)	ACCEPTED & IMPLEMENTED
109.	How to do impact assessment (section X.4.b)	
110.	Timings of the process (X.4.d)	
111.	Data collection (X.4.e)	
112.	Communicating results (X.4.g)	
113.	Preparing implementation (X.5)	
114.	Role of Knowledge, Analysis and Intelligence Center (KAIC) (X.4.h, X.4.i)	

Recommendations acceptable and at various stages of implementation(88)

STATEMENTS SHOWING STATUS OF RECOMMENDATION OF TARC (ACCEPTED & UNDER IMLEMENTATION)

	Customer Focus	STATUS
1.	There is an urgent need to revisit the present citizen's charter to make it more meaningful and customer focused. The citizen's charter should be renamed the taxpayer's charger to focus on all categories of taxpayers. (Section II.6.c)	ACCEPTED & UNDER IMPLEMENTATION
	Structure and Governance	
2.	The tax administration needs to have greater functional and financial autonomy and independence from governmental structures, given their special needs. (Section III.7)	ACCEPTED & UNDER IMPLEMENTATION
3.	A functional orientation would promote specialization in the respective area of tax administration. For these reasons, specialization should be encouraged by selecting suitable officers and providing them sufficient tenures to develop specialized knowledge in key sectors. (Section III.5.d)	ACCEPTED & UNDER IMPLEMENTATION
	People Function	
4.	A system of limited departmental competitive examinations should be introduced by earmarking 33 per cent of the vacancies in the promotions quota in Group B as well as Group A, so that relatively more meritorious and younger officers in the feeder grades can get a fast track in promotions. (Section IV.3.c)	ACCEPTED & UNDER IMPLEMENTATION
5.	Recruitment needs to be made on the basis of carefully drawn recruitment plans that balance the short and long term needs and career aspirations of officers. (Section IV.3.c)	ACCEPTED & UNDER IMPLEMENTATION
6.	The CBEC needs to develop a human resource management system, as has been done by the CBDT; collaboration and knowledge exchange between the two DGs (HRD) will enable CBEC to get such a system going in shorter time. (Section IV.3.b)	ACCEPTED & UNDER IMPLEMENTATION
7.	To facilitate renewal of talent and professional growth, officers should be allowed to move outside the departments for defined periods of time. (Section IV.3.d).	ACCEPTED & UNDER IMPLEMENTATION
8.	In view of a different promotion system being recommended, the UPSC should be consulted for exempting these promotions in the IRS from their purview like some other services, e.g., the Indian Foreign Service, Indian Railway Services and Indian Audit and Accounts Services are exempted. However, if the UPSC is willing to be associated with the altered promotion scheme, that option should be considered. (Section IV.3.d)	ACCEPTED & UNDER IMPLEMENTATION
9.	The transfer and posting policy should be recast to promote specialization and accommodation of individuals' choices in professional growth and should bring about predictability, stability and certainty to placements. Personal difficulties of officers should receive due consideration. (Section	ACCEPTED & UNDER IMPLEMENTATION

	IV.3.e)	
10.	A code of ethics needs to be developed, congruent with the values in the vision and mission statement. (Section IV.4.a)	ACCEPTED & UNDER IMPLEMENTATION
11.	CVC should have a Member who has been an officer of either of the IRSs and there should at least one Joint Secretary/Additional Secretary level officer posted in the secretariat of CVC. (Section IV.4)	ACCEPTED & UNDER IMPLEMENTATION
	Dispute Resolution	
	Key Internal Process	
12.	Scrutiny in direct taxes and audit in indirect taxes There should be specialization in scrutiny/audit work as recommended in Chapters III and IV of the report. Capability should be developed through training and re-training. The two Boards should also develop a standard audit protocol, with clear emphasis that the AOs must follow the principles of natural justice and respect the taxpayer rights to privacy and dignity.	ACCEPTED & UNDER IMPLEMENTATION
13.	Refunds Refunds arising after a favourable appeal should be paid in time or the tax payer should be allowed to set-off the advance tax liability or self assessment tax liability of the subsequent years against the refund due. (Section VI.6.d)	ACCEPTED & UNDER IMPLEMENTATION
14.	Tax collections (VI.18 (g)) The power to write off dues should be raised at different levels of the organization and made uniform for both direct and indirect taxes. Full powers should be vested in the respective Principal DGs in charge of recovery in the respective Boards. Write off should be done in concurrence with the CFO at the headquarters level and his nominee at the regional/zonal level.	ACCEPTED & UNDER IMPLEMENTATION
15.	Trade and business facilitation (VI.18 i) As a trade facilitation measure, on-site post clearance audit should be developed fully to enable Indian customs to move closer to international best practices. Intervention in the cargo clearance should be made on the basis of a risk matrix.	ACCEPTED & UNDER IMPLEMENTATION
16.	Enforcement Administration (VI.18 j) There should be a dedicated structure for prosecution matters for more focused attention to this important area so that the unexploited potential for creating deterrence against tax evasion is realized.	ACCEPTED & UNDER IMPLEMENTATION
Information and Communication Technology		
17.	Project planning and approvals must include the required number and quality of human resources.	ACCEPTED & UNDER IMPLEMENTATION
18.	Movement of personnel should have a linkage with project implementation and there should be a process of knowledge transfer.	ACCEPTED & UNDER IMPLEMENTATION
19.	HR policies must be aligned with the need for specialization and officers should be allowed to grow in the areas in which they specialize. Routine transfers should be avoided.	ACCEPTED & UNDER IMPLEMENTATION

20.	DG (Systems) should have authority and funding to depute officers for specialized courses, seminars and events and engage with professional networks and academic institutions	ACCEPTED & UNDER IMPLEMENTATION
Second Report – Customs Capacity Building		
21	The Risk Management Division should be strengthened. The risk management module for container selection needs to be integrated with the CBEC's other operational systems. The CBEC should progressively move away from a local approach in risk management to a strong national approach and move towards setting up a national targeting facility such as the onesset up in the US, Australia and New Zealand. (Section VIII.4.d)	ACCEPTED & UNDER IMPLEMENTATION
22	The CBEC should move to a model of centralized assessment for compliance verification, adopting the centres of excellence concept. There needs to be a thrust on full digitisation of the processes, dematerialisation of the documents and documents management system. (Section VIII.4.e)	ACCEPTED & UNDER IMPLEMENTATION
23	The regime of advance filing needs to be effectively implemented ensuring high data quality.(Section VIII.4.e)	ACCEPTED & UNDER IMPLEMENTATION
24	The automation of international express cargo and international post-offices should be expedited. (Section VIII.4.e)	ACCEPTED & UNDER IMPLEMENTATION
25	Greater capacity needs to be built in customs to counter trade based money laundering by greater use of analytics and strong co-ordination among the DRI, RMD, FIU and Directorate of Enforcement. (Section VIII.4.e)	ACCEPTED & UNDER IMPLEMENTATION
26	To motivate officers in anti-smuggling operations in remote areas, a package of special facilities should be developed. (Section VIII.4.o)	ACCEPTED & UNDER IMPLEMENTATION
27	Specialised training facilities for anti-smuggling operations, tailored to specific requirements, should be created. (Section VIII.4.o)	ACCEPTED & UNDER IMPLEMENTATION
28	There is need for greater infusion technological and analytical capacities in enforcement functions. Stronger focus is required on prosecutions in cases of commercial frauds. (Section VIII.4.o)	ACCEPTED & UNDER IMPLEMENTATION
29	The CBEC should commence work on building a new generation system to replace the current ICT systems. There should be extensive reliance on service oriented architecture in designing the new system and it should ensure interoperability of customs and other agencies involved in border management, a fully distributed, open, wireless and mobile operational environment and solutions for structured and unstructured data. The system must enhance the ability of customs and other entities to work together. (Section VIII.4.1)	ACCEPTED & UNDER IMPLEMENTATION
30	Customs should leverage the adoption of the emerging “internet of things” by the logistics industry to real-time tracking of movement of goods across the supply chain, including to CFSs, ICDs, SEZs etc. and eliminate dilatory, costly and unreliable paper based processes.(Section VIII.4.1)	ACCEPTED & UNDER IMPLEMENTATION
31	The process of induction of non-intrusive inspection technologies such as container scanners, X-Ray scanners, etc., needs to be expedited. (Section	ACCEPTED & UNDER

	VIII.4.m)	IMPLEMENTATION
32	A strong capacity for an innovative adoption of latest technologies through experimentation and pilots needs to be created. (Section VIII.4.l)	ACCEPTED & UNDER IMPLEMENTATION
33	Recruitment of crew for the recent acquisition of 109 modern patrol craft needs to be expedited. Similarly, expedited action should be taken for operationalising the telecommunications setup. (Section VIII.4.n)	ACCEPTED & UNDER IMPLEMENTATION
34	The Directorate of Logistics needs to be strengthened and the required expertise in technology, procurement and contract management needs to be created and sustained in the directorate. It should regularly engage with industry and technical institutions to keep its knowledge current.(Section VIII.4.n)	ACCEPTED & UNDER IMPLEMENTATION
35	The Directorate of Safeguard needs to be strengthened and should be enabled to play a more proactive role in the propagation of safeguard measures in industry, particularly among SMEs.(Section VIII.4.q)	ACCEPTED & UNDER IMPLEMENTATION
36	There is need to develop non-preferential rules of origin to ensure proper application of antidumping and safeguard measures. (Section VIII.4.q)	ACCEPTED & UNDER IMPLEMENTATION
37	Directorate of International Co-operation should be created and adequately staffed in view of the high importance of international co-operation in customs functioning. A clear framework needs to be created for international data exchange and dedicated resources assigned. (SectionsVIII.4.s and VIII.4.t)	ACCEPTED & UNDER IMPLEMENTATION
38	In consultation with the relevant ministries, the CBEC should initiate a programme for cross border co-operation with India's neighbours, which can lead to joint border control as envisaged in the Revised Kyoto Convention. This can begin with an institutionalized arrangement for regular border meetings between designated customs officials to deal with day-to-day operational issues that create difficulties for trade. (Section VIII.4.i)	ACCEPTED & UNDER IMPLEMENTATION
39	The CBEC needs to revisit its transfer policies that presently prevents specialisation, dilutes accountability and affects its performance. It needs to address the issue of people development in a properly constructed competency framework. (Section VIII.4.u)	ACCEPTED & UNDER IMPLEMENTATION
40	NACEN needs to substantially upgrade its curricula and training methodology with greater infusion of technology and widening of its training coverage. It will also have to build capacity for delivery of training to all levels in emerging areas of customs administration. (SectionVIII.4.u)	ACCEPTED & UNDER IMPLEMENTATION
41	NACEN should embark on e-training, virtual classes, webinars, etc so that the training coverage is enlarged and delivered at the place of work. Adequate infrastructure and allocation of financial resources will be part of this capacity building. (Section VIII.4.u)	ACCEPTED & UNDER IMPLEMENTATION
Information Exchange		
42	To enable inter-agency data and information sharing in a systemic manner, a specific legislation should be enacted, providing for general rules for exchange of data and information, confidentiality, process of	ACCEPTED & UNDER IMPLEMENTATION

	sharing& making requests etc. (Section IX.6.b)	
43	All collaborating organisations – the CBDT, CBEC, FIU, CEIB, RBI and SEBI – need to create a common catalogue of data or information.	ACCEPTED & UNDER IMPLEMENTATION
44	A consistent approach on data across agencies will allow better collation of data and information, making its use easy. A common taxonomy will standardise data description, data context and data sharing. (Section IX.5.b)	ACCEPTED & UNDER IMPLEMENTATION
45	Key requirements for common taxonomy must include de minimis standardization of data description, data context and data sharing.(Section IX.5.b)	ACCEPTED & UNDER IMPLEMENTATION
46	Organisational difficulties in data or information exchange through this utility can be discussed in a Steering Committee, set up for the purpose, comprising all collaborating agencies. (Section IX.5.c)	ACCEPTED & UNDER IMPLEMENTATION
47	Algorithms must be developed to make sense of the amorphous data and information coming from various sources into structured data so as to execute and deliver the objectives and purpose of collecting the data. (Section IX.6.d)	ACCEPTED & UNDER IMPLEMENTATION
48	Key components for developing analytics and algorithms will include service oriented architecture to re-use processes and technology, thereby enforcing technology standards compliance. This architecture must be such as to allow organisations to seamlessly “plug in” additional technologies to meet future business needs. Other components of the technology will be master data management to provide a single source of reliable data to leverage across all business processes and business process management to build, test, deploy, and share workflows, as well as document and re-use across business processes.(Section IX.6.f)	ACCEPTED & UNDER IMPLEMENTATION
49	The most critical aspect of establishing a data analytics infrastructure is to establish a mechanism to process and structure data so that it is ready for analysis. Therefore, it will be imperative for all collaborating agencies to evaluate the quality of data available for a meaningful analysis. (Section IX.5.e)	ACCEPTED & UNDER IMPLEMENTATION
50	Information must be collected and managed in a way that promotes its re-use either by the same organisation or by some other organisation. This ‘collect once, use many times’ approach helps save valuable time and cost and avoids duplication of efforts by multiple agencies. (Section IX.5.h)	ACCEPTED & UNDER IMPLEMENTATION
51	For better re-use of data to be part of lifecycle management, all agencies must have an eye on the future use of data or information and not just on their immediate requirements.(Section IX.5.h)	ACCEPTED & UNDER IMPLEMENTATION
52	Specialized personnel must be engaged to manage data or information exchange. Their job will entail finding sources of data or information in a continuous manner to fulfill the ever increasing requirement for data or information, work out common standards, develop common taxonomy and develop sophisticated algorithms and software for analysis of the data. They will be part of the CIO/DG (Systems) in each Board. (Sections IX.5.k and IX.6.g)	ACCEPTED & UNDER IMPLEMENTATION

53	The training needs of officials should be identified, training plans developed and an all out effort made to train personnel. Thereafter, evaluations must be made to find out whether training helped in honing the skills required for data or information sharing. (SectionIX.5.k)	ACCEPTED & UNDER IMPLEMENTATION
54	Training of officials of all collaborating organisations must be organised on roles and rules for access, disclosure guidelines, and confidentiality framework to usher in transparency, openness and trust. The CBDT and CBEC should take the lead in this effort and provide the technical know-how for the preparation of datasets, contribution of datasets, explanation of metadata and the entire workflow of data publishing, feedback management etc. Such training will help in fostering a culture of willingness to share.	ACCEPTED & UNDER IMPLEMENTATION
Third Report – Expanding the Base		
55	Collection, dissemination and effective use of data	ACCEPTED & UNDER IMPLEMENTATION
56	Survey, Search and Seizure	ACCEPTED & UNDER IMPLEMENTATION
57	Risk Analysis	ACCEPTED & UNDER IMPLEMENTATION
58	Tax amnesty	ACCEPTED & UNDER IMPLEMENTATION
59	Research and Analysis	ACCEPTED & UNDER IMPLEMENTATION
60	Creation of Tax Culture and conducive environment	ACCEPTED & UNDER IMPLEMENTATION
61	Tax forum	ACCEPTED & UNDER IMPLEMENTATION
Compliance Management		
62	Governance- clarificatory circulars improving success rate in departmental litigation improving trust-create value based administration shaping leadership minimising tax gap	ACCEPTED & UNDER IMPLEMENTATION
63	Customer focus	ACCEPTED & UNDER IMPLEMENTATION
64	Cultivating a culture of compliance	ACCEPTED & UNDER

		IMPLEMENTATION
65	Compliance risk management	ACCEPTED & UNDER IMPLEMENTATION
66	Compliance verification	ACCEPTED & UNDER IMPLEMENTATION
67	Transfer pricing audits	ACCEPTED & UNDER IMPLEMENTATION
68	Enforcement	ACCEPTED & UNDER IMPLEMENTATION
Fourth Report – Revenue Forecasting		
69	Approaches to revenue forecasting (.XII.5.a)	ACCEPTED & UNDER IMPLEMENTATION
70	Revenue forecasting methods (XII.5.a)	ACCEPTED & UNDER IMPLEMENTATION
71	Improving methods for collection of tax debt (XII.5.a)	ACCEPTED & UNDER IMPLEMENTATION
72	Reviewing and reporting of forecasts and monitoring of taxes (XIII.5.b)	ACCEPTED & UNDER IMPLEMENTATION
73	Improving data requirement and availability (XIII.5.c)	ACCEPTED & UNDER IMPLEMENTATION
74	Partnering non-government bodies and research institutes (XII.5.d)	ACCEPTED & UNDER IMPLEMENTATION
75	Integrating revenue forecasting with policy (XIII.5.e)	ACCEPTED & UNDER IMPLEMENTATION
76	Organisational/Institutional arrangements (XIII.5.f)	ACCEPTED & UNDER IMPLEMENTATION
77	Staff resources (XIII.5.g)	ACCEPTED & UNDER IMPLEMENTATION
Predictive Analysis		
78	Increasing data pool for analytics– integration, collaboration and cooperation (XIV.5.a)	ACCEPTED & UNDER IMPLEMENTATION
79	Leadership & Culture– Laying foundation of analytics in organisations	ACCEPTED &

	(XIV.5.b)	UNDER IMPLEMENTATION
80	Strategic Plans and delivery– start small- launch pilots- capture low hanging fruits- build confidence and scale up (XIV.5.b.iii)	ACCEPTED & UNDER IMPLEMENTATION
81	Role of KAIC– A hotbed of learning and innovation with continuous increasing R&D capabilities (XIV.5.b.iii)	ACCEPTED & UNDER IMPLEMENTATION
82	Training – Focused well structured training courses at all levels (XIV.5.b.v)	ACCEPTED & UNDER IMPLEMENTATION
Research in Governance		
83	Role of research in improving tax governance (XV.1)	ACCEPTED & UNDER IMPLEMENTATION
84	Areas of Research (XV.4.b)	ACCEPTED & UNDER IMPLEMENTATION
85	External research Collaboration (XV.4.b)	ACCEPTED & UNDER IMPLEMENTATION
86	Dissemination of research (XV.4.c)	ACCEPTED & UNDER IMPLEMENTATION
87	Human Resources for research (XV.4.d)	ACCEPTED & UNDER IMPLEMENTATION
88	Allocation of funds for research (XV.4.e)	ACCEPTED & UNDER IMPLEMENTATION

Recommendations not Accepted

FIRST REPORT		
CUSTOMER FOCUS (CHAPTER II)		
SL	TARC's RECOMMENDATIONS	STATUS
1.	Taxpayer service delivery will be located under one umbrella for large tax payers, i.e., the CBDT and CBEC will jointly function for large taxpayers through Principal DG (LBS). For	NOT ACCEPTED

	other taxpayers, i.e., medium and small, the operations of the CBDT and CBEC will continue in separate chains.(Section 11.6c.)	
2.	In redressing taxpayer grievances, the decision of the Ombudsman should be binding on tax officers. To bring independence and effectiveness to the office of the Ombudsman, non-government professionals should also be inducted in the post (Section II.6.b)	NOT ACCEPTED
STRUCTURE AND GOVERNANCE (CHAPTER III)		
3.	The two Boards must embark on selective convergences immediately to achieve better tax governance, and, in next five years, move towards a unified management structure with a common Board for both direct and indirect taxes, called the Central Board of Direct and Indirect Taxes. For a unified management structure, apart from the common Board, the functions that can easily support the framework would be in the areas of human resource management and vigilance, finance, ICT, infrastructure and logistics, and compliance verification. (Section III.4.e)	NOT ACCEPTED
4.	The convergence can begin for large business segment by setting up of a large business service (LBS) which will be integrated and operated jointly by both the Boards. This will be a taxpayer segmentation by the tax administration, and joining LBS will not at the option of the taxpayer. All the core tax functions will be managed jointly by officers of both the Boards. (Section III.4.b)	NOT ACCEPTED
5.	The post of Revenue Secretary should be abolished. The present functions of the Department of Revenue should be allocated to the two Boards. This would empower the tax departments to carry out their assigned responsibilities efficiently. (Section III.7)	NOT ACCEPTED
6.	A Governing Council, headed by chairperson of the two Boards, by rotation, and with participation from outside the Government, should be set up at the apex level to oversee the functioning of the two Boards. (Section III.4.c)	NOT ACCEPTED
7.	An Independent Evaluation Office (IEO) should be set up. Its main work would be to monitor the performance of the tax administration, promote accountability, evaluate the impact of tax policies and assess all factors that affect tax administration. IEO will report to the Governing Council so as to ensure its independence. (Section III.4.c)	
8.	The two Boards would be responsible only for policy dimensions of tax administration, while the directorates under them would be responsible for operations in the field formations. These directorates would have a vertical and horizontal alignment with functions, and would interact with each other in a matrix-like structure of responsibilities and accountability. (Section III.5)	NOT ACCEPTED
9.	A common approach for developing robust and comprehensive enterprise risk management framework should be adopted by the two Boards. This should be approved by the Governing Council to bring coherence. (Section III.5.a.i)	NOT ACCEPTED
10.	There should be one Knowledge, Analysis and Intelligence (KAI) centre for both the Boards and its role should be recognized and used for policy and operational effectiveness. (Section III.6)	
11.	The present Boards are not aligned to various needs nor are they geared to respond to	

	emerging and future challenges in an effective and efficacious manner. Keeping that in mind, the two Boards should be expanded to have ten Members, apart from the Chairperson. (Sections III.5)	NOT ACCEPTED
12.	The field formations are currently organized to handle all key functions in a particular geographic region. In order to bring about a functional orientation, field offices will need to be restructured along the core functions of taxpayer services, compliance, audit, dispute management, enforcement and recovery, etc. (Section III.5)	NOT ACCEPTED
PEOPLE FUNCTION (CHAPTER IV)		
13.	Provision should be made for lateral entry of experts in key roles and specialized areas. While they may be on contract for 5 years, subject to their suitability and willingness they should be able to integrate with the organisation at the end of the contract period. (Section IV.3.c)	NOT ACCEPTED
14.	Key performance indicators, detailing the performance areas, objectives, key initiatives, performance indicators and performance targets, should be arrived at using the Balanced Scorecard methodology. (Section IV.3.d)	NOT ACCEPTED
15.	The performance appraisal process needs to be made more wholesome and reliable by making it more open and by introducing a mid-year review. (Section IV.3.d)	NOT ACCEPTED
16.	The tax administrations should extend the performance appraisal system to elements of 360° appraisal to include feedback from subordinates. (Section IV.3.d)	NOT ACCEPTED
17.	The outcome of discussions during the performance appraisal process should result in the superior taking responsibility for juniors by putting in place an improvement plan to overcome their weaknesses. (Section IV.3.d)	NOT ACCEPTED
18.	Performance needs to be recognized through non-pecuniary measures such as giving important assignments in chosen areas of work or specialization. (Section IV.3.d)	NOT ACCEPTED
19.	The career of IRS officers should be divided into three phases: <ul style="list-style-type: none"> • The first 9-10 years should be spent rotating through different functional areas to gain familiarity • The next 8-9 years should be in two or more specialist areas • Persons showing the ability for top leadership will go into the third phase and constitute the pool from which selection will be made for top positions (Section IV.3.d) 	NOT ACCEPTED
20.	A common assessment centre for the two Boards needs to be set up by the people function to make a thorough, all round assessment of officers at the first transition point. (Section IV.3.d)	NOT ACCEPTED
DISPUTE RESOLUTION (CHAPTER V)		
21.	Dispute management should be a functionally independent structure with adequate infrastructural support.	NOT ACCEPTED
22.	The present structure of Commissioner (Appeals) should be changed to two forums, namely, single Commissioner (Appeals) and 3-member Commissioner (Appeals) panel for significant cases (Section V.5)	NOT ACCEPTED

23.	The DRP in income tax should replicate in Indirect Taxes. Collegium of three Commissioners would be deciding complex cases involving extended period of limitation, related party transactions and taxability of services. (Section V.4.e)	NOT ACCEPTED
24.	ADR processes, Arbitration and Conciliation, should be statutorily introduced in both direct and indirect taxes legislations. (Section V.4.f)	NOT ACCEPTED
25.	The Settlement Commission should act as part of taxpayer services, and be made available to the taxpayer to settle disputes at any stage. There should also be an increase in the number of benches of the Settlement Commission. It should be manned by serving officers to enhance its accountability. (Section V.5).	NOT ACCEPTED
KEY INTERNAL PROCESS (CHAPTER VI)		
26.	Joint audits should be undertaken by field formations of the CBDT and the CBEC to shorten the examination processes and reduce costs, both the for tax administration and for taxpayers. This may require a change in procedures for the CBDT as at present, the I-T Act does not have a provision for open audit as is done in indirect taxes.	NOT ACCEPTED
27.	Refunds should be issued within a strict time frame. There should be a separate budgetary head for refund of direct tax and indirect taxes in the annual budget out of which refunds should be issued so that there is transparency. Adequate allocation should be made by the government under this head.	NOT ACCEPTED
28.	The rate of interest on refunds should be the same as the interest charged by the tax department. This would ensure equity between the two interests and would not disadvantage the taxpayer unduly.	NOT ACCEPTED
29.	The test to determine whether there is unjust enrichment in indirect taxes should be limited to cases of refunds where there is direct passing on of amounts claimed as refunds. In any other situation, this concept should not be applied.	NOT ACCEPTED
INFORMATION AND COMMUNICATION TECHNOLOGY (CHAPTER VII)		
30.	All decisions should be taken with ICT compatibility in mind. Similarly, all legislation should be ICT – compatible	NOT ACCEPTED
31.	A shared knowledge, analysis and intelligence centre, headed by an expert professional, should be set up for advanced data analytics and research. The SPV can support it by providing the platform, tools and technologies, and expertise	NOT ACCEPTED
32.	A common special purpose vehicle (SPV) should be set up for servicing the ICT needs of the Boards	
33.	It should be incorporated as a company with limited liability under the Companies Act and should have a private ownership of 51 per cent and government ownership of at least 26 percent. It should have operational independence and institutional flexibility even as government retains strategic control	
34.	The SPV should preferably have a net worth of around Rs.300 crore. This will ensure that the SPV is well-capitalized, can hire the best people at competitive salaries, and invest	

	adequately in infrastructure to manage large-scale national projects.	
35	The relationship between the departments and the SPV should be a complementary one. The tax administration would develop an overall strategy with the ICT inputs provided by the DG (Systems). The SPV will develop the ICT strategy within the framework of the overall strategy, which will be approved by the Boards. The DG (Systems) of the two Boards will continue to exist, and will perform more strategic roles and be the Boards' interface with the SPV	
36	It should aim to be financially self-sustaining through an appropriate business model	
37	It should be operationally aligned and maintain relationships with the concerned entities in DG (Systems) to ensure effective ICT service delivery	
38	The Boards, DG (Systems) and the SPV together should work out the plan for the transformation to "digital by default" status. The plan should begin with a visioning exercise to define the end state and should be programme, as opposed to project, oriented.	
2ND REPORT		
CUSTOMS CAPACITY BUILDING (CHAPTER VIII)		
39.	A Directorate of Origin should be set up in the CBEC to handle RTA related issues. It should develop specialised expertise on rules of origin and related areas. (Section VIII.4.p)	NOT ACCEPTED
40.	Posting of customs officers in the Directorate General of Anti-dumping will ensure enhanced co-ordination and better management of anti-dumping measures. (Section VIII.4.q).	NOT ACCEPTED
INFORMATION EXCHANGE (CHAPTER IX)		
41.	The focus of all collaborating organisations must be on organizing the data within its own inventory and thereafter having a common database. Section IX.4.a).	NOT ACCEPTED
42	Data or information exchange must necessarily be done through a common utility, tailored to the specific data availability or framework for data creation or collection by a particular organisation, so that data matching with the CBDT's and CBEC's existing data is seamless and the error percentage is minimal. (Section IX.C)	NOT ACCEPTED
43.	There will be portal of the SPV for access to data or information. Access to the SPV portal can be granted only to persons who are authorised and the portal will have a log of all such accesses. The terms of usage of the SPV portal will govern aspects relating to disclosure and authorisation. (Section IX.6.c).	NOT ACCEPTED
44	The SPV will also develop SLAs/MoUs for data or information exchange between different collaborating organisations. These SLAs/MoUs will be triggered when further information or data are required, in addition to what is accessible on the portal. SLAs/MoUs will normally contain procedures for making requests, response time for such requests, reasons for refusing data or information access, mechanisms for audit so as to assess data or information usage, safeguard mechanisms for access rights, storage and disposal, archiving of data or information to enable their re-use, frequency of requests and special provisions for time-critical responses to requests that have imminent bearing on national security, public safety,	NOT ACCEPTED

	etc. (Section IX.6.e)	
45	In line with the recommendations in the first report for the creation of an SPV, the SPV will facilitate sharing and utilisation of data or information from one portal with common standards and taxonomy so that the present disparate data assets can be leveraged. (Section IX.6.c)	NOT ACCEPTED
46	The consolidation of multiple data warehouses and other operational data stores that consolidates and integrates multiple sets of data and information will be an optimal approach to provide a single view of the inflow and outflow of data or information. An integrated enterprise data warehouse will also enable cross functional analysis. (Section IX.6.k)	
47	The Independent Evaluation Office will evaluate the performance of this activity and present its report and suggest course-correction, if required, to the Governing Council for the successful implementation of data and information exchange by collaborating organisations. (Section IX.6.j)	NOT ACCEPTED
48	The CEIB will work under the Governing Council, recommended in the first report, to play a strategic oversight advisory role to the Governing Council on data or information exchange. The Governing Council would thus play a key role in data and information exchange between the CBDT, CBEC, FIU, CEIB, SEBI and banks, and develop strategies to reduce the incidence of non-compliance and reduce the tax gap. (Section IX.6.i)	
49	Since the CEIB is the only agency carrying out such an oversight role even under the present dispensation and there is no parallel agency functioning at the state level, the term “Central” should be done away with as it is considered superfluous. CEIB will then be known as Economic Intelligence Bureau (EIB). The role of EIB will be to act as the nodal agency collecting, collating and disseminating information and intelligence to relevant agencies and to be the national repository of information on economic offences. (Section IX.6.i)	
50	The Independent Evaluation Office will evaluate the performance of this activity and present its report and suggest course-correction, if required, to the Governing Council for the successful implementation of data and information exchange by collaborating organisations. (Section IX.6.j)	NOT ACCEPTED
51	On the same lines, the FIU, while being placed under the CBDT as recommended in the first report of the TARC, will report for strategic purposes to the Governing Council through the CBDT. (Section IX.6.i).	NOT ACCEPTED