STRATEGY FOR BUDGET COLLECTION

The following shall be the strategy for achieving the budget target for Financial Year **2008-09:**

(A) Improving Advance Tax Collection

Monitoring the advance tax payments with a view to improving collections under this head is an important strategy for budget collection. The following broad guidelines for increasing advance tax collections are to be followed by the field authorities:-

- The Chief Commissioners and Commissioners to personally monitor advance tax payments by top 100 taxpayers.
- The Quarterly Financial Statements of the large and medium corporations to be examined and co-related with the advance tax paid by them for the quarter.
- **The definition of charitable purpose has been amended vide Finance Bill, 2008. Hence some of the income of trusts will be taxable w.e.f. 1st April'09. The Advance Tax payments of such entities may be monitored.**
- Cases in which large amounts were paid by the Taxpayers as Self Assessment Tax should be taken from OLTAS and they should be persuaded to pay the same as Advance Tax. If needed, recourse to issue of notice U/s 210 the I.T. Act, 1961 may be taken.
- Cases where substantial additions were made and confirmed in appeals should be identified and the assesses should be persuaded to pay the additional tax burden on similar issue as Advance Tax. If needed, recourse to issue of notice U/s 210 of the I.T. Act 1961 may be taken.
- Industry wise sectoral analysis of the growth trend should be made from various sources to arrive at a bench-mark, and individual cases showing large variation should be monitored. If need be, suitable action u/s 133A may be under taken to ensure correct advance tax payment.
- The stop filers and non-filers should be identified, preferably after cross verification from AIR, STT or TDS data and steps should be taken to bring these prospective assesses under advance tax net.
- Surveys under section 133A should be carried out in selective cases to increase advance tax collections.
- Monitoring of advance tax payment on account of Minimum Alternate Tax (MAT)

in cases to which sections 10A and 10B apply should continue as in last year. The assessee's should be properly educated in such cases.

- Frequent interactions by CCsIT/CsIT with the industry/trade associations and professional bodies with a view to explaining the tax-policies of the Government and receiving feedbacks on the financial condition of various industries/trades should be continued.

- Payment of advance tax by taxable local authorities and educational institutions should be monitored.

- The CCIT/ CIT shall identify such companies in their charge, which are liable for tax on distributed dividend as per the provisions of section 115O and monitor its timely payment for the current year. Similarly, installments of FBT should be closely monitored.

Apart from the above general guidelines, the Chief Commissioners may devise their own strategy in view of the local factors. The feedback on the steps taken by the Chief Commissioners and the resultant gains would be taken by the Zonal Members of CBDT periodically through reports or while on a visit to the stations.

(B) Collection from Regular Assessment

1. The main purpose of assessment is to identify the quantum of Tax Gap in the case of assessees and to ensure collection of correct amount of tax from them. Collection on account of Regular Assessment is directly linked to the quality of investigation made and quality of assessment orders passed.

2. It is important that the assessing officers are informed of the major issues which may result in slippage of Revenue and are guided to conduct proper investigation to plug possible loop-holes. Some of the issues involving substantial revenue implication are as follows;

   (i) Cases of diversion of turnover from taxable units to units covered under section 10A, 10B, 80IA & 80IB;

   (ii) Cases where qualifying conditions for availing deductions under these sections are not fulfilled, e.g. contractors of infrastructure projects claiming deduction u/s 80 IA(4) even though it was meant for assesses who 'maintain and operate' infrastructure projects; **or** deductions claimed by assessees as SSI even when the company became large scale unit; or housing projects claiming deduction u/s 80IB(10) without construction being completed before 31.3.2008 etc;

   (iii) Cases where depreciation has been claimed without arriving at the actual cost of assets as per Sec 43(1) especially at the time of corporatization, amalgamation, demergers etc.;

(iv) Cases where arms length price was determined without applying correct variables;

(v) Cases were house property income shown as business income;

(vi) Cases of private limited companies where unaccounted income introduced in the companies in the form of share premium;

(vii) Cases of builders where the income has to be taxed on year-to-year basis but are shown on project completion basis etc.

(viii) Further, tools of investigation like analysis of trading results and ratio analysis of various sectors and gathering of information in cases of assessees dealing in shares and commodities from stock exchanges, NSE, BSE, MCX and NCDEX or there registered brokers may be frequently resorted to. **Obviously these examples are only demonstrative and not exhaustive. Each CCIT/CIT will have to identify issues relevant to his jurisdiction and circulate the same to his assessing officers to improve the quality of assessment and to prevent loss of revenue**

3. Surveys should be used as a tool for augmenting tax collections more frequently & effectively. The cases for conducting surveys should be selected with due diligence and these should be conducted professionally.

4. Study of data has revealed that the department collected 25% more revenue in cases referred to valuation cell. The officers are advised to refer high value cases to the valuation cell for estimating cost of investment u/s 142A and fair market value u/s 55A.

5. As indicated last year, the number of liaison officers maintained by foreign companies in India continues to be a cause of concern. Some of these liaison officers are carrying out business in India even while claiming themselves to be liaison officers. This aspect needs to be taken into account while evolving strategy for tax collection. Further, w.e.f. 1.4.2003 the definition of Local Authorities has been changed in Section 10(20) of the Income-tax Act. Assessing officers have to take action to take up these cases for scrutiny and determine correct tax in these cases.

6. As already stated, the purpose of a good addition is to collect additional revenue. In order to ensure collection of tax in good cases, it is imperative that the Assessing Officers also identify at the time of assessment, movable and immovable assets of the assesses that can be used for collection of tax. If required, action u/s 281 B should also be taken to safeguard the interest of Revenue.

7. It is noticed that disposal of scrutiny assessment slows down after December. Apart from large demand cases, current scrutiny cases requiring external enquiry

and investigation should be taken up in right earnest and disposed off during the year as far as possible.

8. It is the duty of the administrative Commissioners to ensure that proper assessments are made. For this purpose the CsIT should carry out review of the assessments and give specific findings whether it is a case of under assessment, proper assessment or over assessment. The CsIT should take remedial action immediately. CCIT should review the work of CsIT in this area. It will be the duty of each Member of the CBDT to monitor this work of CCsIT/CsIT during their visits.

9. Orders for remedial action in the cases where major audit objection has been accepted by the Department should be expeditiously passed and appropriate recovery be made within the year itself.

10. The policy in respect of **issue of refunds** of large amount shall continue to be that all large refunds (Rs.1 crore and above in the case of Delhi, Mumbai, Chennai, Kolkata, Bangalore, Hyderabad, Ahmadabad and Pune and Rs. 25 lakh and above for other stations) shall be issued by the assessing officers after obtaining prior administrative approval of the Commissioner of Income Tax concerned. Before according approval to issuance of refund in a case, the Commissioner of Income Tax would satisfy himself that there are no high demand scrutiny assessments in that case that can be quickly completed and the refund appropriated towards the demand so raised.

(C) Enhancing Collection by way of TDS

One of the most important and effective source of direct tax revenue is TDS. Through the non-intrusive mechanism of TDS, the Income Tax department can augment its revenue by leaps & bounds and also tap classes of person's hitherto escaping tax net. The collection from TDS during the last FY 2007-08 stood at around Rs 1,04,700 crore, contributing almost 30 percent of gross tax collection. In fact during last year the contribution from TDS grew by more than 50%, however there is still enough potential for more rapid growth in this field. There are several new economic activities that can be brought under the coverage of TDS. There is need for strengthening TDS administration to ensure that TDS is properly deducted and deposited. A number of measures is suggested below, which have been framed after taking feedback from the field.

i) Conducting effective surveys for augmenting collection on account of TDS.

ii) Speedier processing of TDS returns and conducting follow up action such as passing orders under section 201(1), 201(1A) of the I.T Act.

iii) Increase in use of ICE (Information Communication & Education) so that there is greater understanding of TDS/TCS provision by the tax deductors/collectors.

iv) Holding meetings, seminars and workshops with the trade/ industry associations, large deductors, tax practitioners, etc for educating them of their liabilities for deduction of tax at source.

v) Educating the Drawing and Disbursing Officers of large organizations and Government Departments/ organizations with a view to ensure proper deduction of tax on salaries inclusive of taxable perquisites. Ambit of Section 17 needs to be examined.

vi) Identification of non-filers of TDS return and taking of follow-up action against the defaulters.

vii) Loss-making companies to be checked for timely deposit of tax deducted as they have the tendency to default in matters of deposit of TDS due to lack of funds.

viii) Checking avoidance of TDS/ TCS liability in respect of the following payments/ transactions :

a) Payment for purchase of land under sale deed by project implementing authorities towards compulsory land acquisition for SEZs/public utilities implemented under Fast Track procedure where the implementation is not done directly by state government.

b) Payment of commission by cooperative banks to agents/daily deposit collectors.

c) Annual Maintenance Charges paid by the big Corporate/Banks Govt. Offices etc to the service providers for maintenance of computer systems which include hardware as well as software maintenance. TDS is to be generally made on such payments.

d) Payments made by companies operating Star Hotels to the owners of buildings in which such hotels are run camouflaged as profit sharing between them to avoid TDS u/s 194I.

e) Payments made for hiring of vehicles, hiring of aircrafts, helicopters on time charter basis on which tax is generally deducted u/s 194C as against 194I claiming it as contract for carriage of passengers.

f) Payments made for hiring of tugs/launches by the port operation for guiding ships for anchorage on which tax is generally deducted u/s 194C as against 194I.

g) Demurrage paid on goods to be loaded on the ship or unloaded there from which is not penalty but is in the nature of payment for

warehousing charges and, hence, tax is to be deducted on the same u/s 194I.

h) TCS on sale of timber in High Sea.

i) Payment by Third Party Agencies to hospitals for the treatment of the subscribers to Mediclaim policies in cashless system. These payments to doctors and hospitals are covered by 194J of IT Act.

j) Payments made to advertising companies on usage of hoardings outside panels, bus shelters etc.

k) Salary payments to doctors u/s 192 camouflaged as payment for professional services u/s 194J in corporate hospitals.

l) Payment of lease rentals in respect of transmission towers used by cellular phone operators.

m) TCS on sale of timber by traders where the purpose is further trade and not end use.

n) Payment of interest in respect of loans/funds taken from NBFCs and sister concern/companies by firms and companies.

o) Payment of hire charges in transport/travel agency business.

- Payment of hiring charges on vessel taken on rent u/s 194 I. The TDS is required to be made @ 20% (10% w.e.f. June'07)
- Payments made on acquiring satellite rights / TV rights on films u/s 194 J.
- Payment made towards hiring a plan / machinery / equipment u/s 194 I.
- Payments towards hiring of windows of showroom for displaying their products u/s 194 I.
- Payments of interest earned by builders on advance amount taken by them from the buyers of flat, which subsequently is adjusted against the sale consideration. (u/s 194 A).
- Payments of commission by the trading merchants to the credit card companies (such as MASTER / VISA).
- Payment by shopkeeper to mall owners camouflaged as profit sharing between them to avoid TDS u/s 194 I.

- Payment of rent by big business houses/airlines on the booking of hotel room for long duration.
- Payment made to authors, printing press, artists, models etc by book/magazines publishers.
- Payments such as hiring of earth moving machinery like cranes, storing machines, dumpers, tracks etc.
- Payments made for hiring out of cine equipment (sound, light etc) studios and allied services by film producers / tele serial makers.
- Payments made for hiring out of towing vehicles on wrong parking by traffic police.
- Payments made in huge amounts by municipal corporations for carrying out various contract work by them
- Payments made by big sari houses/garment house/jewelers to models who display their products at fabulous considerations as also to professional photographers dress designers, artists etc.
- Payments made by public libraries/universities, colleges, museums archives and such institutions to pest control companies for such treatment.
- Payments made by big business houses/mall owners to security service agency.
- Payments made by big builders to township planners, hand scrapers, architects and technical consultants etc.
- Payments made to players, coaches, managers, fitness experts etc. by sport bodies..
- Payments made on hiring out of vehicle platform for mounting big hoardings, cutouts, hire scenes for advertising of the products / services by big companies, such vehicles are parked at some conspicuous place at roadside.
- Payments made by large business house to land scrapers, gardening contractors on development and maintenance of green sites / road dividers for putting up their company's advertisement material.
- Payments made to studio owners for shooting purposes including use of floors/ locations, equipment, settings etc.
- Payments made to Jr. Artists Association for providing junior artists.

- Payments made towards film processing, graphic designs, special effects etc.,
- Distribution rights taken by top artists in lieu of remuneration, which amounts to 'royalty' (exploitation of exhibition rights).
- Commission payments retained by the distributors as a part of the producer-distributor agreement (in the nature of constructive payments).
- Payments made to referral doctors for referring their patients to the corporate hospitals (commission u/s. 194H).
- Payments made to outside labs for specialized diagnostic services such as D.N.A. printing, immunological assay.
- Constructive payments / Reimbursement of expenses:
- Franchisee Payments & Non – compete fee & fees for exclusivity rights:
- Payment on landing and parking charges rent for space used for cargo handling, work of cargo handling, navigation charges and other similar charges to the airport authorities by the airlines.
- Payment of Royalty to Author, Artists, Musicians etc.
- Payment of hire charges for machinery and equipments, especially in the construction sector.
- Payments in the nature of lucky dip, festival bonanza where the prizes are distributed by way of lottery among the eligible customers.
- Transfer of funds between group companies / firms is taking place and these payments fall within the purview of section 2 (22)(e) (deemed dividend). Tax needs to be deducted at source u/s 194, as this dividend is not covered under the provisions of dividend distribution tax .
- Payments made by clubs for construction of buildings / swimming pools and maintenance of the same.
- Payments of lease rentals / hire charges for machinery / equipments, especially between sister concerns of group companies.
- Payment by Multi – National companies and National companies on the lease rentals paid for their retail outlets (194 I).
- Payments made by State Government Departments for computer training and pre-examination training conducted by them for its personnel and for the public.

- Payment of compensation and additional compensation on acquisition of land, but tax not deducted u/s 194LA.
- Payment of interest by Electricity companies on the deposits made by subscribers.
- It is noticed in the case of some public sector banks that while the TDS is deducted from interest on fixed deposits annually, the interest is being calculated monthly/quarterly, and transferred to interest payable. It should be seen that the TDS is accounted on the basis of interest calculation.
- Payments of rent by splitting the lease agreement into two or more agreements for lease of the building, lease of the furniture and fixture, agreement for maintenance, etc.
- Payment of port/ inter-connectivity charges by mobile-telephone service providers to other telephone companies.
- Payment of interest on belated payment of compensation under Motor Vehicles Act.
- Accrued interest on term deposits/ cumulative deposits not maturing during the year.
- Commission paid by cellular companies to sellers of starter packs and recharge coupons for cell phones.
- Commission paid by airline companies to travel agents.
- Payment of salaries camouflaged as payments under professional contracts.
- Payment by banks for taking professional services for recovery of bad debts, loan-processing, credit- verification, etc.
- Contracts given by Municipal Bodies for installation of streetlights, etc.
- Payment of Airing Charges to TV channels for broadcast of programmes.
- Perquisites on account of concessional loans given by companies, especially PSUs, to their employees.
- TCS under section 206C on sale of liquor to excise contractors TCS on the sale of liquor by wholesalers to the retailers.
- Payment of Usance Interest in the ship-breaking business.
- Payment of Interest on term deposits maintained by banks as margin money/ collateral for issue of bank guarantees, NOCs, etc.

- Payment of charges for Internet Services, VSAT Charges, Bandwidth Charges, etc.
- Payment of fees by hospitals and medical institutes to consultant doctors.
- Payment of Upfront Commission to banks/ financial institutions for availing financial assistance.
- Distribution of service charges collected by hotels from the customers amongst the employees.
- Charges paid by oil companies for oil testing to outside agencies.
- TCS on payment received on account of grant of a contract or license or lease for mining and quarrying activities.
- TDS compliance by multi-national companies in respect of salary and allowances paid to expatriate employees.
- TDS compliance by entities whose income is exempt from tax.
- TDS compliance by Municipal Corporations and State Public Works Departments (P.W.D.s).
- TDS compliance by large Government Departments like Indian Armed Forces, Indian Railways, Department of Posts, etc in respect of TDS on payment for various contracts for works and for professional or technical services given out by them.
- TCS on contracts lease or license for parking lot and toll plaza and to sale of scrap. Large sellers of scrap like railways, steel plants, iron foundries, ship-breaking units, etc to be identified and the compliance of TCS on sale of scrap need to be verified.
- Common issues relating to companies having branches in various parts of the country to be taken up at the head office level so that directions are issued by the head office to all the branches for proper TDS compliance. Some illustrative common issues in respect of certain large companies are-
- TDS on value of perquisite on account of rent-free accommodation by SBI group of banks, BSNL and LIC as determined under rule 3(1) and not as per "Standard Rent".
- TDS on payments of conveyance & additional conveyance allowances, medical allowances, bonus and payments to pensioners by LIC and BSNL.

- TDS matters relating to companies outsourcing large part of their operations.
- Payment of post-sale incentives by companies to dealers/ distributors.
- Payment of interest by Chit Fund companies to their members/ subscribers.
- Contracts between cinema theatres or multiplexes and the film distributors for supply of prints of movies on collections-sharing basis.
- The above areas are only indicative and the Chief Commissioners may identify other areas of TDS avoidance in their region arising out of local conditions and take suitable action to ensure compliance of TDS provisions.

(D) Recovery of Arrear Demand:

The arrears of direct taxes have grown to Rs. **124273** crore as on 01.04.2008. Besides an amount of Rs. **6459** crore, which had not fallen due in the CAP-I Statement for March 2008, has become due for collection now.

A) A task force under each CCIT as Chairman of the task force has been created to examine the entire arrear of taxes including those in col 9 of CAP – I and classify them into:

(a) Cases of assessees who are available, visible and carrying on some business or activity even while avoiding/evading payment of taxes;

(b) Cases where the assessee is available but there are no assets or there are inadequate assets.

(c) Cases where the assessees are not traceable.

The task force is also required to verify the correctness of the arrears being so included in these three specific categories. Thereafter the task force is required to monitor the recovery on periodic basis in the high demand cases.

B) The targets for recovery of arrear demand have been given in the previous chapter. The strategy for recovery for 2008-09 would include the following:

- Identification of worthwhile cases where recovery of arrears can be made during the course of the financial year through special efforts.
- AOs be directed to keep track of transactions reported through AIR information for necessary follow up action.
- A special drive spanning over a month may be launched for voluntary payment of these arrears by the assessees. Necessary information campaign

may be carried out by way of press releases etc. It may be emphasized through these campaigns that in the event of failure to pay during this period, penalties and coercive action would follow.

- Attachments can be made of movable assets u/s 226(3) of I.T.Act 1961 and of immovable property under Rule 48 of Schedule II. TROs should be activated to dispose properties under attachment. The machinery of TRO should be strengthened by providing more infrastructure and manpower. The TROs should be further trained specifically for their work in order to increase their effectiveness. The CsIT should effectively monitor the work of TROs especially in the area of attachment and sale of property and ensure that all the attached properties are reviewed within a quarter and the attached properties are sold within one year of their review and the present existing attachments.

- Assets of partners/Directors of defaulter firm/companies may be ascertained and considered for attachment.

- Summons can be issued to assessees and their statements recorded regarding immovable and movable assets owned by them to examine possibility of collection.

- Recovery surveys should be conducted.

- Files may be examined for use of provisions of sections 281(1) of I.T.Act 1961 to declare transfers of properties as void if made to avoid claim in respect of taxes or sums payable on account of pendency of any proceeding under the I.T.Act or after completion thereof but before service of notice under Rule 2 of Second Schedule.

- Most stringent actions can be taken including use of provisions for prosecution u/s 276C (2).

- For tax defaulters who have expired, legal heirs be located and in case of firms/private companies partner/Directors to be traced for further recovery.

- Identification of high demand cases pending before the Commissioners (Appeals), particularly the ones where recovery of substantial demand is likely on disposal of appeal and requesting the Commissioners (Appeals) for early disposal of such cases.

- Similar exercise as above to be done in respect of appeals pending before ITAT and requesting Benches of ITAT for early disposal.

- Monitoring the progress of hearings in high demand cases before the ITAT and ensuring that Departmental Representatives do not seek adjournment in such cases without prior approval of the respective Chief Commissioners.

- Liaising with the Settlement Commission for early disposal of cases involving high demand and monitoring collection of resultant demand during the financial year itself.
- Demand to be recovered forthwith in cases where favorable Tribunal / Court orders are received.
- Investigation Wings at the important centers, to aid the recovery process by way of conducting surveys and/or secret enquiries to identify the assets for recovery in important cases.
- TROs to exercise the powers for appointment of receiver for business under the provisions of rule 69 Schedule II of the income tax Act for effecting recovery in suitable cases.
- In respect of non-compliant defaulters, the provisions of arrest and detention as per the provisions of rules 73 to 81 of Schedule II to be invoked by the TRO.
- TROs should be actively involved to trace assessees with the help of local police.
- Greater use of REIC(Regional Economic Intelligence Committee) meetings for gathering information about economic status of the defaulter. Coordination with district administration and local police may be initiated through this agency for gathering information about assets/activities of these assessees.
- Mechanism for making field enquiries, enquiries from the directors, partners, promoters, legal heirs, legal representatives, authorized representatives etc. should be activated. This practice should be effectively continued and enquiries made should cover office of ROC and sub registrar office also.

CENTRAL ACTION PLAN 2008-09

Sl. No.	KEY RESULT AREA	TARGET	
1.	Budget Collection	100% of the target fixed, as given at pages 1 & 2.	
2.	Recovery of Demand		
	(a) Arrear Demand	As per targets of cash collection out of arrear demand for 2008-09 given at pages 3 to 7	
	(b) Current Demand	Target for cash collection out of net current demand (i.e. after adjustment of pre-paid taxes and refunds) is **40%** of the demand raised during the year.	
3.	Widening of tax base	(i) The number of new assessees added should be 15% more than the number of new assessees added last year.	
		(ii) All cases of stop filers, other than those of salaried employees, should be identified and letters issued by 15.07.08.	
4.	Deepening of tax base	The number of assessees declaring total income above Rs.10 lakh is to be increased by **30%** over the number existing as on 31.03.08.	
5.	Disposal of Audit Objections	The targets for settlement of Receipt Audit Objections are as under:	
	A. [illegible] Audit Dabar	A. 100% by 31.12.08	
	B. Receipt Audit Major Objections (Arrear)	B. 90% of pendency	
	C. Receipt Audit Major Objections (Current)	C. 80% of pendency	
	D. Receipt Audit Minor Objections (Arrear & Current)	D. 100% of pendency	
6.	Assessment Work	(i) Corporate charge	5 per month
		(ii) Non corporate/Mixed charge	15 per month
		(iii) Salary Charge	20 per month

Sl. No.	KEY RESULT AREA	TARGET	
		(iv) Range Head (Corporate Charge)	20 per year
		(v) Range Head (Non Corporate/Mixed Charge)	30 per year
7.	Disposal of Appeals	(i) All brought forward High Demand Appeals** pending with CIT (Appeals) must be disposed of by 30th November 2008.	
		(ii) Current High Demand appeals must be disposed of within 6 months of filing of appeals.	
		(iii) Overall monthly disposal should meet 60 units.	
8.	Review/Inspection of work of officers by the Controlling Officer	As per instructions to be issued separately.	
9.	Computerization and Tax Payers' Services	Major areas of action for the F.Y 2008-09 are as per **"Annexure-A"** enclosed.	
10.	Launching of prosecution for non-technical offences	Every CIT Charge is expected to build up a case for launching prosecution and file at least one complaint in a court of Law during the financial year for a non-technical offence.	
11.	Disposal of Grievances	Every CCIT should ensure that	
		(i) All grievances received from the public and employees must be disposed off by the concerned officer within 60 days of receipt of the grievance by them.	
		(ii) All un-redressed grievances received before 01.04.2008 and pending for disposal must be disposed off, on or before 30th of June'2008.	

**A high demand appeal here will mean appeal involving disputed demand of Rs 10 lakh or above.

ANNEXURE 'A'

ACTION PLAN RELATING TO COMPUTERISATION AND TAX PAYERS SERVICES FOR FINANCIAL YEAR 2008-09

Sl. No.	Area	Action		Target to be completed by	Responsibility
1.	Computerised processing of returns	1.	On AST at the 103 stations on network, and on TMS at other stations	(a) Processing of brought forward returns by 31.12.2008 (b) Current returns-refunds to be issued within 6 months of filing.	CCIT/CIT
		2.	No manual processing of returns at any station.		
		3.	Issue of Computerised refund cheques/ECS through AST at the 103 stations on network.		
		4.	All post-processing actions to be completed on AST Software at the 103 stations on network.		
2.	Electronic filing of TDS returns	1.	Issue of notices to non filers of quarterly TDS returns	Within 1 month of due date	CCIT/CIT (TDS)
		2.	Widen base of Government deductors (specially State Govts.) by ensuring they apply for and obtain TAN	Allot TAN to 100% Govt. Deductors by 31.3.2009	CCIT/CIT (TDS)
		3.	Take appropriate action in cases where deductors do not quote PAN of deductees in TDS returns	100% TDS returns by 31.03.2009	CCIT/CIT (TDS)
3.	Refund Banker Scheme	1.	Reducing the time lag between issue of advice by AO and encashment of refund through ECS from 17 days to 5 days and through Paper Refund from 42 days to 15 days.	1. By 31.07.2008	DGIT(Systems)/ CCIT/AO

Sl. No.	Area	Action		Target to be completed by	Responsibility
4	OLTAS	1.	Populating A.O. codes in suspense entries of the month.	30th of the following month	Computer Centres
		2.	Populate PAN in Refunds lying in suspense	31.03.2009	Computer Centres & A.Os.
5	AIR	Issue of intimation to transacting parties for and up to F.Y. 2007-08 where PAN is not assigned after matching.		30.03.2009	DGIT (Inv)/CIB.
6.	PAN	Preparation of RFP and Techno-commercial evaluation of vendor for Biometric PAN.		31.03.2009	DGIT(Systems)
7.	System Integrator Project	Migration of Application and Consolidation of Database – Roll out of all 36 RCC		31.12.2008	DGIT(Systems)
8	Training and Change Management	Completion of ITD Application Training		31.03.2009	DGIT(Systems)

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GUIDELINES FOR SELECTION OF CASES FOR SCRUTINY DURING 2008-09

1. Selection of cases for scrutiny will continue to be made through CASS as well as manually. For selection through CASS, necessary guidelines have been issued to the Directorate of Systems. Criteria for manual selection are given below in three parts: Part-A contains common selection criteria applicable to all returns at *network* as well as *non network* stations; Part-B lists ITR wise selection criteria applicable at *Non Network* stations; and Part-C enumerates ITR wise selection criteria applicable at *Network* stations.

2. Lists of cases selected during each month in accordance with the selection criteria mentioned below shall be submitted by the Assessing officers to their respective Range heads by the 15th of the following month, and also displayed on the Notice Board of their Office.

3. These guidelines are meant only for the use of officers of the Income tax Department. These are not to be disclosed even if a request is made under the Right to Information Act, in view of the decision of the Central Information Commission in the case of Sh. Kamal Anand vs. Director (ITA-II), CBDT [Order No. CIC/AT/A/2007/00617 dated 21.2.2008]

PART-A
COMMON SELECTION CRITERIA APPLICABLE TO ALL RETURNS AT *NETWORK* AS WELL AS *NON NETWORK* STATIONS

1. Value of international transactions as defined u/s 92B exceeds Rs.15 Cr.

2. Cases involving addition in an earlier assessment year in excess of Rs.10 lacs on a substantial and recurring question of law or fact which is confirmed in appeal or is pending before an appellate authority.

3. Cases involving addition in an earlier assessment year on the issue of transfer pricing in excess of Rs.10 lacs or more.

4. Assessments in survey cases for the financial year in which survey was carried out. Exclude if all of the following conditions are fulfilled:

   (a) There are no impounded books or documents.

   (b) There is no retraction of disclosure, if any, made during the survey.

(c) Declared income, excluding any disclosure made during the survey, is not less than the declared income of the preceding assessment year.

5. Assessments to be made under sections 158BC, 158BD & 153A in search cases.

6. Assessments initiated under section 147/148

7. Assessing officer may select any return for scrutiny after recording the reasons and obtaining approval of the CCCT/DGIT.

PART-B
SELECTION CRITERIA APPLICABLE AT *NON NETWORK* STATIONS ONLY

ITR-1

1. Cash deposits in the savings bank account of the assessee in the relevant financial year as per AIR information (code 001) exceed Rs.10 lacs.

2. Sale consideration of property sold by the assessee in the relevant financial year as per AIR information (code 007) exceeds Rs.30 lacs.

3. Investment in property by the assessee during the relevant financial year as per AIR information (code 006) exceeds Rs.30 lacs and also exceeds 8 times his 'Gross Total Income + Exempt Income - Total Tax Paid'.

ITR-2-3

1. Cash deposits in the savings bank account of the assessee in the relevant financial year as per AIR information (code 001) exceed Rs.10 lacs.

2. Sale consideration of property sold by the assessee in the relevant financial year as per AIR information (code 007) exceeds Rs.30 lacs and this information is not disclosed in Schedule AIR of assessee's return.

3. Investment in property by the assessee during the relevant financial year as per AIR information (code 006) exceeds Rs.30 lacs and this information is not disclosed in Schedule AIR of assessee's return.

4. Agricultural income exceeds Rs.10 lacs.

5. Short term capital gain u/s 111A exceeds Rs.25 lacs.

6. Loss under the head 'Income from House Property' exceeds Rs.2.5 lacs.

7. Total deduction claimed under sections 54B/54D/54E/C/54G/54GA exceeds Rs.25 lacs.

8. Refund claimed exceeds Rs.5 lacs and also exceeds 15% of total advance tax paid.

9. Refund claimed exceeds Rs.5 lacs and also exceeds 15 % of self assessment tax paid.

10. Refund claimed by a non resident exceeds Rs.5 lacs.

ITR 4, 5

1. Sales turnover or gross receipts of business exceed Rs.20 Cr.

2. Sundry creditors exceed Rs.30 lacs and also exceed 30% of sales turnover.

3. Expenditure on account of commission exceeds Rs.10 lacs. Exclude if the first business code of the assessee is 707 or 708 or 713.

4. Total of 'commission' and 'any other income' credited to P&L A/c exceeds Rs.10 lacs, and net profit as per Profit & Loss A/c is less than Rs.2 lac.

5. Total of items not credited to P&L A/c, effect of deviations from prescribed accounting standards, and effect of deviation from prescribed method of valuation of closing stock, exceeds Rs.20 lacs.

6. Depreciation claimed @ 80% and 100% exceeds Rs.25 lacs.

7. Agricultural income exceeds Rs.10 lacs.

8. Unsecured loans exceed Rs.50 lacs and they also exceed 30% of total capital employed (share capital + reserves & surplus + loan funds).

9. Cases of contractors (business codes 501 to 505) where (a) gross contract receipts exceed Rs.5 Cr and net profit before other income but after interest and depreciation is less than 5% of gross contract receipts; or (b) the assessee follows contract completion method.

10. Cases of business codes 401 to 404 (real estate developers) where (a) sales turnover exceeds Rs.5 Cr; or (b) total of sundry creditors and unsecured loans exceeds Rs.5 Cr.

11. Cases of professionals (business codes 601 to 607) where gross receipts from profession exceed Rs.40 lacs and net profit (from profession) is less than 30% of gross receipts.

12. Cases of commodity & share brokers & sub brokers (business code 808) where (a) Gross receipts from brokerage exceeds Rs.2 Cr; or (b) bad debts exceed Rs.10 lacs.

13. Short term capital gain u/s 111A exceeds Rs.25 lacs.

14. Loss under the head 'Income from House Property' exceeds Rs.2.5 lacs.

15. Total deduction claimed under sections 54B/54D/54E/C/54G/54GA exceeds Rs.25 lacs.

16. Exemption claimed under section 10A/10AA/10BA/10B exceeds Rs.25 lacs.

17. Deduction claimed under Chapter VI-A exceeds Rs.25 lacs.

18. Brought forward loss set off or current year's loss carried forward exceeds Rs.25 lacs.

19. Fresh capital introduced during the year exceeds Rs.30 lacs.

20. Cases in which exemption or deduction is claimed for the first time under section 10(21), 10(22B), 10(23A), 10(23B), 10(23C), 10(23D), 10(23EA), 10(23FB), 10(23G), 10A, 10AA, 10B, 10BA, 80IA(4), 80IB, 80IAB, 80IC, 80JJA, 80JJAA or 80LA.

21. Refund claimed exceeds Rs.5 lacs also exceeds 15% of total advance tax paid.

22. Refund claimed exceeds Rs.5 lacs and also exceeds 15 % of self assessment tax paid.

23. Refund claimed by a non resident exceeds Rs.5 lacs.

24. Cash deposits in the savings bank account of the assessee in the relevant financial year as per AIR information (code 001) exceed Rs.10 lacs.

25. Sale consideration of property sold by the assessee in the relevant financial year as per AIR information (code 007) exceeds Rs.30 lacs and this information is not disclosed in Schedule AIR of assessee's return.

26. Investment in property by the assessee during the relevant financial year as per AIR information (code 006) exceeds Rs.30 lacs and this information is not disclosed in Schedule AIR of assessee's return.

ITR-6

1. Fresh capital introduced during the year exceeds Rs.50 lacs.

2. Cases in which exemption or deduction is claimed for the first time under section 10(21), 10(22B), 10(23A), 10(23B), 10(23C), 10(23D), 10(23EA), 10(23FB), 10(23G), 10A, 10AA, 10B, 10BA, 80IA(4), 80IB, 80IAB, 80IC, 80JJA, 80JJAA or 80LA.

ITR-7

1. Gross receipts including donations exceed Rs.5 Cr.

PART-C
SELECTION CRITERIA APPLICABLE AT *NETWORK* STATIONS ONLY

ITR-2, 3

1. Agricultural income exceeds Rs.10 lacs.

2. Total deduction claimed under sections 54B/54D/54E/C/54G/54GA exceeds Rs.20 lacs.

ITR-4, 5

1. Sales turnover or gross receipts of business exceed Rs.20 Cr.

2. Sundry creditors exceed Rs.30 lacs and also exceed 30% of sales turnover.

3. Expenditure on account of commission exceeds Rs.10 lacs. Exclude if the first business code of the assessee is 707 or 708 or 713.

4. Total of 'commission' and 'any other income' credited to P&L A/c exceeds Rs.10 lacs, and net profit as per Profit & Loss A/c is less than Rs.2 lac.

5. Total of items not credited to P&L A/c, effect of deviations from prescribed accounting standards, and effect of deviation from prescribed method of valuation of closing stock, exceeds Rs.20 lacs.

6. Depreciation claimed @ 80% and 100% exceeds Rs.25 lacs.

7. Agricultural income exceeds Rs.10 lacs.

8. Unsecured loans exceed Rs.50 lacs and they also exceed 30% of total capital employed (share capital + reserves & surplus + loan funds).

9. Cases of contractors (business codes 501 to 505) where (a) gross contract receipts exceed Rs.5 Cr and net profit before other income but after interest and depreciation is less than 5% of gross contract receipts; or (b) the assessee follows contract completion method.

10. Cases of business codes 401 to 404 (real estate developers) where (a) sales turnover exceeds Rs.5 Cr; or (b) total of sundry creditors and unsecured loans exceeds Rs.5 Cr.

11. Cases of professionals (business codes 601 to 607) where gross receipts from profession exceed Rs.40 lacs and net profit (from profession) is less than 30% of gross receipts.

12. Cases of commodity & share brokers & sub brokers (business code 808) where (a) Gross receipts from brokerage exceeds Rs.2 Cr; or (b) bad debts exceed Rs.10 lacs.

13. Total deduction claimed under sections 54B/54D/54E/C/54G/54GA exceeds Rs.25 lacs.

14. Brought forward loss set off or current year's loss carried forward exceeds Rs.25 lacs.

15. Fresh capital introduced during the year exceeds Rs.30 lacs.

16. Cases in which exemption or deduction is claimed for the first time under section 10(21), 10(22B), 10(23A), 10(23B), 10(23C), 10(23D), 10(23EA), 10(23FB), 10(23G), 10A, 10AA, 10B, 10BA, 80IA(4), 80IB, 80IAB, 80IC, 80JJA, 80JJAA or 80LA.

ITR-6

1. Fresh capital introduced during the year exceeds Rs.50 lacs.

2. Cases in which exemption or deduction is claimed for the first time under section 10(21), 10(22B), 10(23A), 10(23B), 10(23C), 10(23D), 10(23EA), 10(23FB), 10(23G), 10A, 10AA, 10B, 10BA, 80IA(4), 80IB, 80IAB, 80IC, 80JJA, 80JJAA or 80LA.

ITR-7

1. Gross receipts including donations exceed Rs.5 Cr.