

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:366
ANSWERED ON:20.08.2004
RECOVERY OF INCOME TAX ARREARS
Chandrapan Shri C.K.

Will the Minister of FINANCE be pleased to state:

- (a) the details of quantum of income tax outstanding during the last three years till date, year-wise;
- (b) the details of arrears recovered during the last three years till date, year-wise;
- (c) the reasons for increase of income tax arrears year after year; and
- (d) the steps taken by the Government to liquidate these arrears?

Answer

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM)

(a), (b), (c) & (d) : A statement is laid on the table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a), (b), (c) AND (d) OF LOK SABHA STARRED QUESTION NO. 366 DUE FOR ANSWER ON 20.8.2004.

(a) The Income Tax dues outstanding during last three financial years and in the current financial year are as follows:

Income Tax Dues Outstanding

As on 1.7.2004	Rs.84,219 crore
As on 1.4.2004	Rs.87,885 crore
As on 1.4.2003	Rs.72,290 crore
As on 1.4.2002	Rs.72,671 crore

(b) The amounts recovered out of arrears of income tax during the last three financial years and in the current financial year are as under:

Amounts Recovered out of Arrears

F.Y. 2004-05 (upto 30.6.2004)	Rs.1,092 crore
F.Y. 2003-04	Rs.5540 crore
F.Y. 2002-03	Rs.5470 crore
F.Y. 2001-02	Rs. 3930 crore

(c) The entire demand created by the Income Tax Department does not get collected immediately for one or more of the following reasons:

- i. Demand is stayed by Courts, Income Tax Appellate Tribunal or income-tax authorities.

- ii. Demand is against a person notified by the Special Courts (Scam Cases) and so recovery can be made only after the Court orders release of money for payment of tax.
- iii. The assessee is not traceable and/ or has no assets for recovery.
- iv. The case of the assessee is before B.I.F.R.
- v. The assessee company is under liquidation.
- vi. The case is before the Settlement Commission.
- vii. Demand is arising from protective assessment or the Department has lost on similar issues in earlier years.
- viii. Demand is being processed for being written off.

For the reasons enumerated above as well as prolonged litigation, the entire amount of demand that is created by the Income Tax Department does not get collected immediately. While the process of liquidation or collection of the arrears is long and disposal of appeals by the Courts, Tribunals and other authorities is slow, the demands are, on the other hand, continuously raised by the Department in various cases, leading thereby to net addition in the arrears year after year.

(d) The following steps have been taken by the Government for liquidation of the arrears of income tax:

- Making it obligatory for the Income Tax Appellate Tribunals to decide such appeals, where stay has been granted, within 180 days of the date on which the stay order was passed, failing which the stay so granted shall automatically be vacated. (Proviso to section 254(2) of Income Tax Act, 1961)
- Taking away the powers of the Commissioner of Income Tax (Appeal) to set-aside a case or refer it back to the Assessing Officer for fresh orders. (Amendment in section 250(1)(a) of the Income Tax Act, 1961 Making liquidation of arrears an important criterion for evaluation of the performance of an officer.
- Review of cases where taxes in arrear exceed Rs. 10 Lacs by the Chief Commissioners and cases of more than Rs. 1 crore of arrears by the Board/ Director (Recovery) at the end of every Quarter and issue of necessary instructions to the subordinate authorities for further action.
- Creation of more posts of Commissioner (Appeals) for faster disposal of appeals.
- Reduction of the span of control in the Income-tax Department after the restructuring of the Department, thereby allowing closer supervision of the recovery work by higher authorities.
- Issuance of instructions to the field authorities not to file appeals in cases where the revenue implication is not high so as to reduce the amount of litigation and arrive at quick finalization of cases.
- There is also a proposal to increase the number of Benches of the ITAT and to create a National Tax Tribunal.
- Constitution of a Task Force on Arrear Recovery at Delhi and Core Committees at the regional level with a view to develop and implement a multi-pronged strategy for collection of arrears of direct taxes.
- Request has been made to the Chairman of the Settlement Commission to get disposal of high demand cases pending in various Benches expedited.