

CAG finds 96 per cent of Rs.7 lakh crore of tax arrears ‘difficult to recover’

The issue of arrears remaining uncollected plagued Service Tax as well

Over 96 per cent of the Rs 7 lakh crore of outstanding direct tax dues are “difficult to recover”, according to a Comptroller and Auditor General (CAG) report tabled in Parliament on Friday. A separate report by the CAG strongly reprimanded the service tax collection department for not maintaining accurate and updated records.

While pending total direct taxes rose from Rs 2.91 lakh crore in 2010-11 to Rs 7 lakh crore by the end of financial year 2014-15, the amount that is deemed difficult to recover out of this, rose from Rs 2.71 lakh crore (93 per cent) to Rs 6.73 lakh crore (96 per cent) in the same period.

“Pending demands at the end of the year increased more than 2.4 times between FY 2010-11 and FY 2014-15. Out of total pending demand, the Income Tax Department indicated that more than 96 per cent is difficult to recover in FY 2014-15,” the CAG report on direct taxes said.

The reasons behind the dues being difficult to recover include inadequate assets for recovery, cases under liquidation, assessee not being traceable and the demand for taxes having been stayed by various authorities, according to the report.

“The recovery mechanism is deficient as certified demand remaining uncollected increased to Rs 2.4 lakh crore in FY 2014-15 from Rs 2.2 lakh crore in FY 2013-14,” the report added.

A separate report tabled in Parliament by the CAG on service taxes castigated the Finance Ministry and in particular the Central Board of Excise and Customs (CBEC) for failing to ensure a high standard of data to do with service tax.

“The Ministry could not provide data related to detailed scrutiny of returns and disposal of refund cases for FY15 as the format of data and responsibility to maintain the data were revised from November 2014. This indicates that continuity of maintenance of critical data is not ensured during change management in the CBEC,” the service tax report said.

The report also found that, while the CBEC had provided data on various performance parameters such as scrutiny of returns, refunds, arrears realisation, internal audit, etc, the figures provided did not match the information furnished during the last audit report of 2015.

“There is an urgent need to improve the quality of data maintenance in respect of service tax,” the report added.

Apart from this, the report also found that the issue of arrears remaining uncollected plagued Service Tax as well.

“It is a matter of concern that the collection as ratio of arrears during FY15 has fallen drastically to 1.17 per cent compared to 10.46 per cent in FY14. Although the falling ratio of collection of

arrears has been repeatedly pointed out in the audit process, there is no sign of improvement. There is a need to strengthen the recovery mechanism of the department,” the report said.

A third CAG report, on excise duty, found that the revenue foregone due to the various exemptions given on excise duty—which is the amount the government would have collected if there were no exemptions—fell below the actual central excise duty collections for the first time in five years.

“It is observed that the revenue foregone for FY15 in respect of excise duties was Rs 1,84,764 crore... which is 97.74 per cent of revenue from central excise,” the report said. The comparable figure in FY11 was 139 per cent.

(The Hindu)