Income Tax department cracks whip on refund frauds

An internal probe by the Income Tax department, to detect the occurrence of a spate of refund frauds, has found that swindlers have hacked into the user-ids of retired officials and unclaimed "suspense" refunds were generated to siphon off the taxpayers hard-earned money.

The department cracked the whip after it found that there was a steep increase in the number of refund related frauds and a number of taxpayers and assesses complained to the department as they never got their due money from the I-T.

The CBI also recently arrested two people for defrauding in the refunds generated by the I-T.

The department has now issued a slew of directives to its officials who handle refunds, which include launching a new password policy and tagging each refund with a unique code number while it has increased the intervention of senior officials in checking refunds claims.

The department, during its enquiry, found that a number of cases were processed by migrating the Permanent Account Numbers (PANs) of the taxpayer to those Assessment Officers (AOs) and user-ids who were "not even authorised to process Income Tax returns".

The department has now asked its technical unit to run a scanner on all those official user-ids, including those of retired officials, which are not in use and kill them.

When an AO processes a refund, he or she logs on to the official system of the I-T to settle the claim and for this an user-id is created for every such officer.

The probe also found that in certain cases the AOs fed fictitious account numbers of the assessee, for whom the refund was supposed to be sent, in the electronic refund generation system of the department thereby rendering these refunds prone to fraud by scamsters.

In view of these malpractices, the tax department has also planned to create local audit teams in the department to keep a check if the AOs are adhering to the new norms initiated for refunds generation.

In yet another case, it was found that 3,000 dummy user-ids, created by the department for an AO who has multiple charges, were not de-activated when the officer relinquished the additional charge or was transferred and hence they were prone to misuse and hacking.

"These user-ids will now be deleted," a senior I-T officer said.

The new password policy initiated by the department mandates that these secret codes will be changed every month and they will further be encrypted in a Lotus note format.

The probe also found that the AOs would transfer a refund case to a dummy or a

different charge so that the actual tax collection in his domain does not go down in lieu of issuing high value refunds.

It was also detected that in case of paper refunds, invalid PAN was mentioned so that the refund amount does not reflect against the concerned AOs charge and hence this was leading to the creation of 'suspense' refunds which kept lying unclaimed.

The department has now mounted surveillance on these cases and has issued strict instructions to the Commissioners and Chief Commissioners to handle refunds which are a source of major grievance for lakhs of taxpayers.

(Economic Times)