

Income tax department asks 10 PSU firms to pay more tax

The income tax (I-T) department has asked top 10 public sector undertakings (PSUs), including State Bank of India and Oil and Natural Gas Corporation, to cough up more tax on demands of earlier years, some of which may be disputed. According to sources, this is a pre-emptive measure to ensure its target for collection is met. The final date is Thursday for payment of advance tax by companies. “As advance tax accounts for a major percentage of total direct tax collection, we are anticipating growth of 18 per cent in this quarter,” said an official. However, if advance tax revenue fails to meet the expected growth, these PSUs could be asked to pay taxes on past demands raised against them. A tax official says the rules provide for raising of reasonable assessment orders for the financial year, in a time-bound manner. A payer wishing to appeal against past tax demands will have to deposit a fifth of the total sought to get a stay, pending disposal of the case with the commissioner of I-T (appeals). The latter is the first stage for a redressal. A further appeal may be had at the appellate tribunal and then the high court. The authorities may also ask for a deposit more than 20 per cent in certain circumstances, in case the tribunal or court has favoured the I-T demand.

“If the judgment goes in favour of the payer, the amount paid will be adjusted or refunded by the department,” said Rahul Garg, partner at consultancy PwC. Sources said inconsistency in the advance tax outgo by companies had prompted the department to take the present initiative.

Companies often defer paying advance tax till payment accrues and this could be pushed to the next financial year. Besides, sales in some sectors have been adversely affected by implementation of the goods and services tax. Banks, pharmaceuticals and software are going through a rough patch. Between April and December 2017, Rs 3.8 trillion of advance tax was collected, a rise of 12.7 per cent over the previous year. Total direct tax collection in the first 11 months of 2017-18 was 19.5 per cent higher, at Rs 7.4 trillion. The Central Board of Direct Taxes had revised the target for direct tax collection to Rs 10.05 trn (personal income tax and corporate tax), up from the budgeted Rs 9.8 trn. Advance tax is a system of staggered payment across the year, in four quarterly instalments. According to the Income Tax Act, companies are required to pay 15 per cent of their total advance tax by June 15, followed by 30 per cent each in September and December, and the remaining 25 per cent in March. Payment is considered a barometer of a company's performance.

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