

NO RANDOM PROSECUTION

Norms eased for TDS defaults, evasion bids below ₹25 lakh

FE BUREAU

New Delhi, September 12

THE CHANCES OF taxpayers — firms of various types, HUFs and individuals — being prosecuted for compliance lapses that have only minor revenue implications have been minimised. In what could reduce harassment of taxpayers and subsequent litigation, the Central Board of Direct Taxes (CBDT) has eased the norms for initiating prosecution for various defaults including failure to transfer TDS and TCS (tax collected at source) to the government, under-reporting of income and non-filing of tax returns.

The circular, issued on Monday, came into immediate effect. It would also apply to all pending cases where complaints are yet to be filed.

The CBDT said that there won't usually be prosecution if the TDS/TCS not deposited is up to ₹25 lakh and the delay is of less than 60 days. However, in exceptional cases like that of habitual defaulters, prosecution can be initiated even in cases below these thresholds, after approval from a collegium of two



NEW RULES

- CBDT eases norms for initiating prosecution for defaults including failure to transfer TDS & TCS to the government, under-reporting of income and non-filing of tax returns

- Circular, issued on Monday, came into immediate effect.

- It would also apply to all pending cases where complaints are yet to be filed

senior field officials of the department. The punishment prescribed in the law for non-deposit of TDS/TCS is rigorous imprisonment of three months to seven years with the fines prescribed.

The government typically collects a third of its direct tax revenue through TDS.

Continued on Page 2

Norms eased for TDS defaults, evasion bids below ₹25 lakh

SIMILARLY, IN cases where tax evasion bid detected is of ₹25 lakh or below, the I-T department would not prosecute the person concerned except with prior 'administrative approval' of a collegium consisting of two officials of chief commissioner/director general rank. Similar relaxation has also been extended to those who fail to furnish I-T returns, meaning only if the amount sought to be evaded is higher than ₹25 lakh, prosecution could be initiated.

Hitherto, any tax evasion or failure to file returns could have attracted imprisonment of three months to two years with a fine. "This move will certainly aid in reducing tax litigation and harassment faced by taxpayers. Further, in order to mitigate unintended hardship faced by taxpayers, CBDT has also provided one-time relief measure for taxpayers seeking compounding of offences thereby extending the time limit up till December 31, 2019," Sanjoli Maheshwari, director at Nangia Advisors (Andersen Global) said.

The provisions for prosecution are even now being invoked with a fair amount of discretion. But there are cases where the field officers have gone after non-habitual offenders too and/or commenced prosecution where the tax sought to be evaded had no major revenue implications.

