

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE
LOK SABHA
UNSTARRED QUESTION NO. 1628

TO BE ANSWERED ON MONDAY 2ND MARCH, 2020 PHALGUNA 12, 1941 (SAKA)

TAX PAYER'S CHARTER

1628. SHRI SUSHIL KUMAR SINGH:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Ministry is introducing a new tax payer's charter to ensure that the small businesses do not face harassment at the hands of the tax officials;
- (b) if so, the time by which the Ministry is planning to introduce this charter and the details of perceived benefits of such a step;
- (c) whether the tax officials are right when they demand tax from startups who have already received a certificate for non-applicability of the provisions of clause (viib) of sub-section 2 of Section 56 of the Income-Tax Act, 1961 from the Ministry and if so, the details thereof;
- (d) whether some tax officials in Bangalore, have imposed a penalty on women headed startup despite the fact that they possessed the above-mentioned certificate; and
- (e) if so, the details of steps being taken by the Ministry for ensuring that the entrepreneurs are not harassed and especially women entrepreneurs?

ANSWER

THE MINISTER OF STATE IN MINISTRY OF FINANCE
(SHRI ANURAG SINGH THAKUR)

(a) & (b) With the objective of enhancing the efficiency of the delivery system of the Income Tax Department, Hon'ble Finance Minister in her Budget Speech-2020 proposed to amend the provisions of the Income Tax Act, 1961 (the Act) to mandate the Central Board of Direct Taxes (the Board) to adopt a Taxpayers' Charter. Pursuant to this Budget announcement, vide Finance Bill-2020, a new section 119A has been proposed to be inserted in the Act. As per the prescribed new section the Board has been mandated to adopt and declare a Taxpayer's Charter and issue such orders, instructions, directions or guidelines to other income-tax authorities as it may deem fit for the administration of Charter.

(c) No, it is not right to demand tax from startups who have already received a certificate for non-applicability of the provisions of clause (viib) of sub-section 2 of Section 56 of the Income-tax Act, 1961, from the Ministry.

(d) Information has been collected from the field that the assessing officer had asked for certain documents/clarifications vide notice u/s 142(1) dated 29.01.2019 on the basis of return filed by a company, which was selected for scrutiny. The taxpayer did not reply to these notices even after lapse of more than 9 months. It also did not respond to the penalty notice dated 25.11.2019 for such non-compliance to notice u/s 142(1). Hence, a penalty of Rs. 10,000/- was levied u/s 272A (1) (d) for non-compliance of statutory notices and not providing the requisite information. The penalty imposed in this regard is with respect to non-compliance to statutory notices only. As reported by field, the taxpayer had not intimated or submitted any document stating that it is a Startup entity either during the assessment proceedings or the penalty proceedings. Moreover, the addition was made on the facts of the case, treating the tax payer as a normal scrutiny case. However, as soon as it was known that it was a Startup company, the field authorities have been directed to take necessary remedial measures.

(e) The IT department has issued extensive guidelines with respect to,

(i) assessment of eligible Startups,

(ii) steps to be taken in cases where addition have been made in the past in appeal proceedings and further subsequent appeals and

(iii) stay of recovery of any such demand, if created.

All these guidelines and directions are applicable to all the eligible Startups. A Startup cell at the highest level of CBDT has also been created which resolves such grievances within 24 hours time. Moreover, after AY 2017-18, the list of such eligible Startup cases are shared with Directorate of Systems, IT Department so that they are not selected under Computer Assisted Scrutiny System (CASS) for scrutiny u/s 143(3) of the IT Act, in future on the ground of excessive share premium u/s 56(2)(viib) of the IT Act.
