

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE
LOK SABHA

UNSTARRED QUESTION NO. 1650

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

EXEMPTION FREE INCOME TAX REGIME

1650. DR. DNV SENTHILKUMAR S.:
SHRIMATI SUPRIYA SULE:
SHRI SHRINIWAS PATIL:
SHRI KULDEEP RAI SHARMA:
DR. AMOL RAMSING KOLHE:
DR. SUBHASH RAMRAO BHAMRE:

Will the Minister of Finance be pleased to state:

- (a) whether the Government plans to move towards an exemption free income tax regime and if so, the details thereof and the reasons therefor;
- (b) whether removing exemptions will not dampen life insurance products as well as equity linked saving scheme of mutual funds;
- (c) if so, the details thereof and the corrective steps taken in this regard;
- (d) whether the Government is prompt in issuing income tax refund to tax payers and if so, the average time taken for income tax refunds;
- (e) the details of all pending IT refunds since 2015 and the number of people awaiting IT refunds as on date along with the reasons for the delay; and
- (f) the other steps taken by the Government to issue income tax refund in a time bound manner?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI ANURAG SINGH THAKUR)

(a) The Hon'ble Finance Minister while presenting the Union budget for financial year (FY) 2015-16 stated that the deductions and incentives given to corporate taxpayers under the Income-tax Act, 1961 (the Act) will be phased out over four years while simultaneously reducing the tax rates. It was also stated that this will lead to making our industry competitive, reduce tax litigation and prevent revenue loss.

2. Further, the Finance Act, 2016, *inter-alia*, provided a sunset date for the existing profit linked deductions under the various provisions of Income-tax Act, 1961 (the Act).

3. In continuation with the stated policy, the Taxation Laws (Amendment) Act, 2019 (TLAA) inserted section 115BAA and section 115BAB to the Act to provide for a concessional tax rate of 22% for existing domestic companies and of 15 % for companies set up on or after 01.10.2019 engaged in the manufacture or production of article or thing or research or distribution in relation thereto and which commence manufacturing or production by 31.03.2023, subject to certain conditions including that they do not avail of any specified incentive or deductions. It has also been provided that the domestic companies opting for the concessional taxation regime shall not be required to pay any Minimum Alternate Tax.

4. The Finance Bill, 2020 has also proposed to insert section 115BAC to the Act to provide an option to individual and Hindu Undivided Family (HUF) to pay taxes at reduced rates provided that they do not avail specified incentives or deductions and meet certain conditions. The individuals or HUF opting for the said concessional tax regime will also not be required to pay Alternate Minimum Tax (AMT).

5. On the lines of the reduction in corporate tax rates, the Finance Bill, 2020 has also proposed to insert section 115BAD to the Act to provide a concessional taxation regime for co-operative societies, wherein they can opt to pay tax at the reduced rate of 22 % if they do not avail of any specified incentives or deductions. The co-operative societies opting for the said concessional taxation regime will also not be required to pay AMT.

(b) and (c) The new regime proposes to leave more disposable income in the hands of individual taxpayers which he can consume or invest as per his choice.

(d) The Government has been issuing Income Tax refunds to taxpayers expeditiously. The average time for release of refunds during FY 2019-20 till 31.01.2020 is 59 days from the date of verification of Income Tax Returns (ITR) by the taxpayer. Further, in FY 2019-20, 65% of the refunds have been released within 30 days as compared to 50 % in FY 2018-19. This shows significant improvement in the promptness with which the income tax refunds are issued.

(e) For Income tax refunds prior to assessment year (AY) 2019-20, refunds are pending only in 33,175 cases which is 0.0001% of the total refund claims for these AYs.

2. For AY 2019-20, out of 2.3 crore ITRs with refund claims, refunds have been processed in 2.21 crore cases which is 92% of the cases. The balance refunds are under process as per extant provisions unless there are any exceptions due to the following reasons:

- i. Defective returns filed by the taxpayer: In such cases, Income Tax Department sends communication to taxpayer to rectify the defects. As and when defects are rectified, the refunds are released.
- ii. Incorrect tax credits/claims: In this scenario the Department sends communication to tax deductors and tax payers to rectify the errors and as soon as the same is rectified, the refunds are released.
- iii. Delay due to incorrect bank account information given by taxpayer: In such cases the Department sends communication to intimate the taxpayer to validate the bank account details and as soon as the valid bank account details are available, the refunds are released.
- iv. Cases under scrutiny: Refunds in certain cases which are subject to scrutiny under sub-section (3) of section 143 of the Act may be kept on hold as per provisions of section 241 A of Act till completion of assessment.

(f) Since March 2019, all income tax refunds are credited directly to the bank account of the taxpayers through Electronic Clearing Service. This ensures faster and safer credit of refunds as compared to the earlier practice of issuance of paper cheques sent by post to taxpayer.

2. In order to speed up processing of refund in small cases, refunds up to Rs 5,000 are being issued without adjustment of outstanding demand. Moreover, the Government has sanctioned CPC-ITR 2.0 Project which will have significantly higher processing capacity leading to faster determination and issue of refunds.
