CHAPTER 8

SUMMARY, CONCLUSION AND SUGGESTIONS

Reforming taxation is an on going process, through which tax policy makers and tax administrators are continuously adapting their tax system to reflect changing economic, social and political circumstances. The present study examines the Taxation of Income in India during post liberalisation period and policy perspective in this regard. It has analysed the growth of income tax revenue, performance of Income Tax Department and perception of tax professionals regarding Income Tax System in India.

With a view to have a proper understanding of the research topic important studies relating to personal income tax, capital gains taxation, agricultural taxation, efficiency of income tax administration etc. conducted in India have been reviewed. For evaluating growth of income tax revenue in India and performance of the income tax administration secondary data has been collected mainly from Finance Acts, Explanatory Memorandum on the Budget of the Central Government, Reports of the various committees/commissions, Indian Economic Survey, Income Tax Act 1961, Income Tax Rules 1962, various announcements, circulars and notifications of Central Board of Direct Taxes, Budget speeches of Finance Ministers, Reports of Comptroller and Auditor General of India on Direct Taxes for the period 1997-98 to 2007-08. For studying the perception of tax professionals regarding Income Tax System, data has been collected from tax professionals i.e. Chartered Accountants practicing in Punjab and Chandigarh (U.T.). For this
purpose, a sample of 250 respondents has been taken by selecting 50 respondents each from selected four districts of Punjab and 50 respondents from Chandigarh.

For analysis, secondary data has been classified into personal income tax & corporate tax and primary data has been classified location-wise viz. Chandigarh (L_1), Patiala (L_2), Ludhiana (L_3), Jalandhar (L_4) and Amritsar (L_5).

The major findings of the study are summarised as below:

8.1 INCOME TAX POLICY

- The Government has tried to achieve social objective of education to masses through various tax provisions. However, exemption limit for children education allowance is very meager and has not been revised since A.Y. 1997-98. Further, principal amount of education loan under Sec. 80E has been disallowed since A.Y. 2006-07. Moreover, only tuition fee is deductible under Sec. 80C which forms a small portion of total charges by educational institutions.

- There has been no maximum limit for interest on borrowed capital in case of let out house property during the study period and deduction limit in case of self-occupied house property has been Rs. 150000 since A.Y. 2002-03.

- Monetary limit in relation to medical relief under Sections 80D, 80DD, 80DDB and 80U has been increased from time to time. However, it seems to be very low as compared to ever increasing actual cost of medical treatment.
• Tax incentives are allowed to individuals and HUFs in respect of specified savings to channelise them into targeted sectors having a definite impact on growth of the economy. The Government raised the net qualifying amount to Rs. 100000 under Sec. 88 in A.Y. 2001-02 and replaced tax rebate with deduction under Sec. 80C with effect from A.Y. 2006-07. Scope of Sec. 80C has been widened by adding more modes of savings in it. An additional saving of Rs. 20000 under Sec. 80CCF has been introduced with effect from A.Y. 2010-11.

• Government has amended Sec. 80G from time to time during the study period.

• Monetary limit of tax relief to senior citizens and women assesses has been increased gradually in the form of tax rebate till A.Y. 2005-06 and then in the form of higher tax exemption limit. It is an appreciable approach for social welfare.

• Agricultural sector, where nearly 70 per cent of country’s population is engaged is outside the income tax net under Sec. 10(1). However, agricultural income is taken into account to determine tax rate on non-agricultural income.

• In order to encourage the employers to generate more employment opportunities, a new Sec. 80JJAA has been introduced with effect from A.Y. 1999-2000. According to which, Indian manufacturing company is allowed a special deduction of 30 per cent of ‘additional wages’ paid to ‘new regular workmen’ employed during the relevant previous year. This
deduction is over and above the expenditure on wages or salary, which is allowed as business expenditure of a company.

- Small businesses (gross turnover up to Rs. 40 lakh) can avail presumptive taxation scheme by estimating income at 8 per cent of turnover. Further, Finance Act, 2010 increased the threshold limit for presumptive taxation from Rs. 40 lakh to Rs. 60 lakh. Government has also introduced one-page Saral return form for individual taxpayers having income from salary, house property and other sources.

- Income tax rates have been lowered in case of all the assessees during the study period. Exemption limit has been raised from Rs. 40000 in the A.Y. 1997-98 to Rs. 160000 in the A.Y. 2010-11. Maximum marginal tax rate and minimum tax rate have been reduced from 40 per cent and 15 per cent in the A.Y. 1997-98 to 30 per cent and 10 per cent respectively since A.Y. 1998-99. Similarly, tax rate for firms has been reduced from 40 per cent in 1997-98 to 30 per cent since 2006-07. The corporate tax rate for domestic companies and foreign companies has been reduced to 30 per cent and 40 per cent since A.Y. 2006-07 and A.Y. 2003-04 respectively.

- In case of let out house property various deductions under Sec. 24 have been substituted by standard deduction at the rate of 30 per cent of net annual value available with effect from A.Y. 2002-03.

- Some major changes have been introduced in the provision relating to depreciation during the study period. With effect from A.Y. 1999-2000 an important amendment was made to provide depreciation on intangible
assets also (acquired on or after 1.4.1998). It has been made mandatory to claim depreciation under Sec. 32 since A.Y. 2002-03. Further, the Finance Act 2002 has allowed carried forward of depreciation for indefinite period to be set off against any income by abolishing the time limit of 8 assessment years.

- Short term capital gain is taxable like an ordinary income in the case of all assessee. However, long term capital gain gets a special treatment. It is computed by ‘deducting indexed cost of acquisition and indexed cost of improvement' from net consideration since A.Y. 1993-94. It is taxable at a special rate of 20 per cent. An assessee can avail exemption under section 54, 54 B, 54D, 54EC, 54ED, 54F, 54G, 54GA and 54H on fulfilment of certain conditions.

- A trust with charitable purpose has been exempted from tax under Section 11. However, any institution carrying on any activity in the nature of trade, commerce, business or rendering any commercial service is not eligible for exemption with effect from A.Y. 2009-10.

- The Finance Act 1999 introduced definite penalty amounting to Rs. 100 for every day of default in lieu of penalty ranging from Rs. 100 to Rs. 200. Further, Finance Act 2006 inserted a new provision that a penalty amounting to Rs. 10000 will be imposed if a person quotes a false ‘Tax deduction account number’ or ‘Tax collection account number’ in the challans, certificates or other documents w.e.f. 1st June, 2006.
• An assessee can claim full deduction for revenue expenditure and capital expenditure (except land) incurred by him in relation to scientific research related to his business. Further, Finance Act 1999 introduced a weighted deduction of 125 per cent of any sum paid to any university, college or an institution or scientific research association for the purpose of scientific, social or statistical research. With a view to give further boost to research and development activities, a company engaged in the business of manufacture of any drugs, pharmaceuticals, electronic equipment, computers, chemicals etc. has been allowed a deduction of 150 per cent of the expenditure incurred with regard to in house research and development facility. The Finance Act 2010 has further enhanced the aforesaid weighted deductions of 125 per cent and 150 per cent to 175 per cent and 200 per cent, respectively (w.e.f. April 1, 2010).

• Finance Act 2009 has introduced investment linked tax incentives according to which, 100 per cent of the capital expenditure incurred wholly and exclusively for setting up and operating cold chain facility, warehousing facility and cross country natural gas or crude or petroleum pipeline network would be allowed as deduction from business income.

• The Government has provided certain tax incentives for strengthening capital market such as dividend received from domestic companies has been exempted in the hands of shareholders. Further, long term capital gain arising from transfer of equity shares or units in equity oriented mutual fund (chargeable to securities transaction tax) has been exempted. Moreover,
short term capital gain in this case has been taxable at a lower rate i.e. 15 per cent w.e.f. A.Y. 2009-10. (10% from October 1, 2004 to A.Y. 2009-10)

- The Finance Act, 1998 states that a person whose taxable income is beyond threshold limit or turnover exceeds Rs. 5 lakh is required to apply for PAN. Every person has to quote PAN on any document dealing with Income Tax Department and financial transactions exceeding the specified limit. It has been made compulsory for tax deductors to quote PAN of the deductees in the return of tax deducted and certificate issued to the deductee with effect from 1.6.2001. The Finance Act 2009 has provided that if PAN is not quoted by deductee, the TDS rate will be 20 per cent in stead of 10 per cent under Sections 194 I and 194 C.

- For developing automatic flow of information regarding material financial transactions entered into by a taxpayer with other persons Sec. 285BA has been inserted by Finance Act, 2003. It requires AIR of 'High Value Financial Transactions' to be furnished by specified persons according to Rule 114 E.

- The Government has revised the threshold limits for TDS keeping in mind the general tax rates and widened its scope from time to time during the study period.

- E-filing of Income Tax Return is mandatory for a company and a firm liable to audit under Sec. 44AB of the Income Tax Act, while it is optional for other asessees. Similarly, it has been mandatory for corporate deductors to furnish their TDS return in electronic form with effect from June 1, 2003.
Further, it has been made mandatory for Government deductors and firms liable to audit under Sec. 44 AB with effect from A.Y. 2004-05. Deductors have to file e-TDS returns quarterly since A.Y. 2005-06. National Securities Depository Ltd. (NSDL) has been appointed as the e-TDS intermediary by the Income Tax Department.

- The Finance Act, 1997 changed MAT (introduced by Finance Act 1996), to be calculated at a rate of 7.5 per cent of book profits with effect from A.Y. 2001-02. Further, the rate of MAT has been steadily increased to 10 per cent (A.Y. 2007-08), 15 per cent (A.Y. 2009-10) and 18 per cent (A.Y. 2011-12) of book profit.

- Dividend Distribution Tax has been introduced since A.Y. 1997-98 for increasing administrative efficiency. This tax is levied at company stage and dividend received by the shareholders is exempted from tax in their hands.

- Securities Transaction Tax (STT), introduced with effect from October 1, 2004, is payable on transactions in securities markets. It is charged on purchase or sale of securities such as equity shares, derivatives, bonds and units in mutual fund schemes. Both purchaser and seller are liable to pay STT at the rate of 0.25 per cent of security transaction value.

- Salaried people have to incur certain expenses for performing their duty for which standard deduction was given to them till the A.Y. 2005-06. However, the Finance Act 2006 abolished the standard deduction on the grounds of raising the exemption limit as well as broadening of slabs of income for rate purpose.
• Interest income on specified deposits was deductible (maximum Rs. 12000) under Section 80L till A. Y. 2004-05. However, this benefit has been withdrawn with effect from A.Y. 2005-06.

• Certain measures were introduced and withdrawn during the study period such as compulsory filing of return based on certain economic criteria, Banking Cash Transaction Tax (BCTT) and Fringe Benefit Tax (FBT).

• Direct Taxes Code is contemplated to be introduced for improving the efficiency and equity of our tax system. However, it can be observed that even after taking these measures certain issues have not received due consideration from the Government such as taxation of agricultural income, revision of deductions relating to savings and medical benefits, reintroduction of standard deduction for employees and curtailing the discretionary powers of tax officials etc.

8.2 GROWTH OF INCOME TAX REVENUE IN INDIA

• There is a structural shift in the composition of tax revenue of Central Government in favour of direct taxes from indirect taxes. The share of total direct taxes increased from 34.68 per cent in 1997-98 to 53.02 per cent in 2007-08, whereas the share of indirect taxes decreased from 65.32 per cent in 1997-98 to 46.98 per cent in 2007-08.

• Total number of personal income tax assessees increased from 128.57 lakh in 1997-98 to 331.65 lakh in 2007-08 at an EGR of 8.36 per cent. However, assessees having income ‘above Rs.10 lakh’ increased from 0.39 lakh to 2.17 lakh at an EGR of 1.28 per cent during the corresponding period.
• The percentage share of personal income tax assessees belonging to taxable income ‘below Rs. 2 lakh’ decreased from 95.59 per cent of total assessees in 1997-98 to 86.81 per cent in 2007-08 and share of assessees belonging to taxable income ‘Rs. 2 lakh -10 lakh’ increased from 3.96 per cent to 12.5 per cent during the corresponding period. However, share of assessees having income ‘above Rs.10 lakh’ showed a negligible increase i.e. from 0.30 per cent in 1997-98 to 0.66 in 2007-08.

• Total number of corporate assessees increased from 2.75 lakh in 1997-98 to 4.98 lakh in 2007-08 at an EGR of 4.85 per cent. However, assessees belonging to taxable income ‘above Rs.10 lakh’ increased at a higher rate i.e. from 0.25 lakh in 1997-98 to 0.59 lakh in 2007-08 by registering EGR of 10.06 per cent.

• Percentage share of corporate assessees belonging to taxable income ‘below Rs. 50000’ and ‘above Rs.10 lakh’ increased from 58.55 per cent and 9.09 per cent of total assessees in 1997-98 to 63.45 per cent and 11.85 per cent in 2007-08 respectively, whereas share of assessees belonging to taxable income ‘Rs. 50000 -10 lakh’ decreased from 31.64 per cent in 1997-98 to 24.30 per cent in 2007-08.

• Revenue from personal income tax and corporate tax increased from Rs. 17101 crore and Rs. 20016 crore in 1997-98 to Rs. 102655 crore and 192911 crore in 2007-08 at an EGR of 24.64 and 17.44 respectively. The Exponential growth rate of personal income tax as well as corporate tax...
remained higher as compared to that of total tax revenue of central Government.

- Personal income tax to GDP ratio and corporate tax to GDP ratio have shown an upward trend during the study period. Personal income tax to GDP ratio increased from 1.20 in 1997-98 to 2.18 in 2007-08. Corporate tax to GDP ratio increased from 1.40 in 1997-98 to 4.09 in 2007-08. On the whole income tax to GDP ratio increased from 2.60 in 1997-98 to 6.27 in 2007-08.

- Corporate tax to GDP ratio remained higher as compared to personal income tax to GDP ratio throughout the study period.

- Buoyancy coefficient of income tax was greater than 1 during the study period except in 1997-98 (0.18) and 2001-02 (0.19) showing a high degree of responsiveness during the study period. It also increased from 0.18 in 1997-98 to 2.54 in 2007-08.

- Personal income tax buoyancy coefficient remained fluctuating during the study period. But, it was near or greater than 1 in 9 out of 10 years showing a high degree of responsiveness. It increased from -1.31 in 1997-98 to 2.68 in 2007-08.

- Corporate tax buoyancy coefficient was greater than 1 during study period except in 2001-02 (0.27). Moreover, it was greater than 2 in 7 years out of 10 years. So, corporate tax has shown more buoyancy as compared to personal income tax during the study period.
• Maharashtra and Delhi remained highest contributors towards income tax revenue of the Central Government throughout the study period. Maharashtra made average highest contribution (37.09%) towards total income tax revenue, followed by Delhi (16.01%). On an average, 54 per cent of the income tax revenue was contributed by Maharashtra and Delhi during this period.

• The states of Uttar Pradesh and Utranchal, Karnataka and Tamilnadu contributed between 6 per cent and 8 per cent of Central Government income tax revenue during the study period.

• The states of West Bengal, Andhra Pradesh, Gujrat and Madhya Pradesh and Chhatishgarh generated revenue in the range of 2 per cent to 5 per cent of total income tax revenue of the Central Government.

• The average share of Rajasthan, Orissa, Kerala, Punjab, Haryana and Assam varied between 1 per cent and 2 per cent of total income tax revenue of the Central Government.

• The group of states like Bihar, Goa, J & K and Himachal Pradesh made the lowest contribution, as their average contribution remained below 1 per cent towards total income tax revenue during the period under reference.

• Goa achieved the highest growth rate, whose income tax revenue increased from Rs.150.48 crore in 1997-98 to Rs. 563.70 crore in 2007-08 at an EGR of 44.82 per cent. It was followed by Haryana whose income tax revenue increased from Rs. 303.99 crore in 1997-98 to Rs. 1311.32 crore in 2007-08.
at an EGR of 34.83 per cent. Punjab experienced the lowest EGR of 12.91 per cent.

- Andhra Pradesh, Assam, Bihar & Jharkhand, Goa, Gujrat, Karnataka, Maharashtra, Delhi, Orissa, Rajasthan and Tamilnadu observed higher EGR than overall EGR of the country (21.67%) and the remaining states performed at a lower EGR during the study period.

- The states of Karnataka, Delhi and Maharashtra remained the best performing states whose average income tax to SDP ratio was above 6 per cent.

- The states of Bihar & Jharkhand, H P, J & K, Kerala, Madhya Pradesh, Punjab and Rajasthan remained the worst performing whose average income tax to SDP ratio was below 2 per cent.

- The states which showed below average performance (income tax-SDP ratio between 2 to 4 per cent) include Andhra Pradesh, Assam, Orissa, West Bengal, Haryana and U P & Uttarakanchal.

- The states of Tamil Nadu and Goa witnessed medium level and above medium level performance with income tax to SDP ratio of 4.08 per cent and 5.75 per cent respectively.

- Karnataka experienced the highest growth rate in income tax to SDP ratio i.e. from 2.25 in 1997-98 to 14.61 in 2007-08 at an EGR of 20.59 per cent. It was followed by Goa whose income tax to SDP ratio increased from 2.89 in 1997-98 to 12.88 in 2007-08 at an EGR of 19.24 per cent. State of Kerala
experienced the lowest EGR of 4.01 per cent, whose income tax to SDP ratio increased from 1.28 to 1.91 during the corresponding period.

- The states of Delhi, Karnataka, Haryana, Rajsthan and Tamilnadu showed continuous growth in income tax to SDP ratio during the study period. The states of Andhra Pradesh, Maharashtra, Goa and West Bengal also showed continuous growth in income tax to SDP ratio during the study period except 2001-02.

8.3 PERFORMANCE EVALUATION OF INCOME TAX ADMINISTRATION


- Personal income tax collection remained less than budget estimates throughout the study period except in 2000-01 and 2007-08.

- Corporate tax collection also remained less than budget estimates from 1997-98 to 2005-06 except in 2000-2001 and 2003-04. However, it was more than budget estimates during 2006-07 and 2007-08.

- On an average around 90 per cent of gross collection from personal income tax has been realised at pre assessment stage. It can be noticed that TDS at pre assessment stage and regular assessment at post assessment stage contributed the maximum share towards total collection. The absolute collection of tax from different modes has shown an upward trend during the study period. The maximum EGR has been shown by collection from
advance tax at pre assessment stage (20.21%) and regular assessment (18.50%) at post assessment stage.

- Around 80 per cent of gross collection from corporate tax has been realised at pre assessment stage during the study period. Further, advance tax contributed maximum at pre assessment stage and regular assessment remained higher as compared to other receipts in case of post assessment collection during the corresponding period. The absolute amount of tax collection from different modes has shown an upward trend during the study period. The maximum EGR has been shown by collection from TDS at pre assessment stage (28.19%) and other receipts (33.74%) at post assessment stage.

- In case of personal income tax, salary income occupied top position among different sources of TDS throughout the study period. Salary, payment to non residents, interest and payment to contractors contributed on an average 92.13 per cent of total TDS amount of personal income tax, whereas TDS on winnings from horse races and winnings from lotteries contributed a very small percentage towards total TDS i.e. even less than 0.5 per cent.

- Absolute amount of TDS from salary, interest and insurance has shown consistent upward trend throughout the study period. However, the collection from other modes remained fluctuating during the corresponding period. Further, the share of salary, interest on securities and dividend decreased from 42.05 per cent, 8.25 per cent and 3.41 per cent of total TDS in 1997-98 to 32.05 per cent, 1.98 per cent and 0.74 per cent in 2007-08
respectively. On the other hand the share of payment to non residents and interest increased from 9.77 per cent and 17 per cent of TDS to 27.17 per cent and 20.49 per cent during the corresponding period respectively.

- TDS from payment to non residents showed maximum EGR of 51.69 per cent, followed by insurance (30.08%), winnings from lotteries (24.14%), interest (23.18%), payment to contractors (16.26%) and salary (16.17%) during the study period. However, TDS on winnings from horse races experienced negative growth i.e. -3.62 per cent during the corresponding period.

- Overall cost of collection of personal income tax and corporate tax increased from Rs. 734 crore in 1997-98 to Rs. 1551 crore in 2007-08 showing an EGR of 6.03 per cent. The cost of collection of personal income tax was comparatively higher than that of corporate tax.

- Cost of collection per assessee in case of corporate tax increased from Rs. 3208 in 1997-98 to Rs. 4157 in 2007-08. However, it declined from Rs. 501 in 1997-98 to Rs. 405 in 2007-08 in case of personal income tax.

- Cost per rupee of tax collection declined in case of corporate tax as well as personal income tax from 0.44 paisa and 3.78 paisa in 1997-98 to 0.11 paisa and 1.31 paisa in 2007-08 respectively.

- Number of pending assessments increased from 2584306 in 1997-98 to 19100000 in 2007-08. It registered an exponential growth rate (EGR) of 6.69 per cent during the study period.
• The ratio of pending assessments to total assessments under scrutiny and summary assessments increased from 16.96 per cent and 18.79 per cent in 1997-98 to 59.23 per cent and 45.15 per cent respectively in 2007-08.

• Number of refund claims settled increased from 141877 in 1997-98 to 264957 in 2006-07 at an EGR of 8.42 per cent and number of outstanding claims decreased from 73669 in 1997-98 to 46011 in 2006-07 at an EGR of -6.39 per cent. However, the amount of refund and interest on refunds increased from Rs. 8568.39 crore and Rs. 902.93 crore in 1997-98 to Rs. 37235.00 crore and Rs. 17003.75 crore in 2006-07 registering an EGR of 18.24 per cent and 28.65 per cent respectively. Moreover, the ratio of amount of interest to amount of refund increased from 10.54 per cent in 1997-98 increased to 45.67 in 2006-07.

• The arrear of tax demand increased from Rs. 41230 crore in 1997-98 to Rs. 124274 crore in 2007-08 registering an EGR of 19.91 per cent. Arrear in case of personal income tax increased from Rs. 21168 crore in 1997-98 to Rs. 55612 crore in 2007-08 and that of corporate tax from Rs. 20062 crore in 1997-98 to Rs. 68662 crore in 2007-08.

• The percentage of arrears to total tax demand showed a declining trend in case of personal income tax as well as corporate tax during the period under reference. In case of personal income tax it declined to 35.14 in 2007-08 from 55.31 in 1997-98. Further, in case of corporate tax this percentage declined to 26.25 in 2007-08 from 50.06 in 1997-98.
• Total certified demand due for recovery increased from Rs. 4465.71 crore in 1997-98 to Rs. 36057.56 crore in 2007-08 registering an EGR of 24.73 per cent. Further, the recovery of certified demand increased from Rs. 884.41 crore to Rs. 8612.62 crore during the same period at an EGR of 26.76 per cent.

• Recovery of certified demand remained less than total certified demand due for recovery throughout the study period. Above 75 per cent of total certified demand remained uncollected during the study period despite increase in working strength of the Tax Recovery Officers.

• Number of cases due for disposal under penalty proceedings increased from 275299 in 1997-98 to 1035227 in 2007-08 registering an EGR of 15.51 per cent. Further, the number of the disposed cases showed an EGR of -0.55 per cent during the same period resulting into higher pendency.

• The ratio of disposed cases to total cases due for disposal under penalty proceedings declined from 26.08 per cent in 1997-98 to 6.74 per cent in 2007-08. Around 50 per cent of disposed cases resulted in non imposition of penalty.

• Number of cases due for disposal under prosecution proceedings declined from 15845 in 1997-98 to 12011 in 2007-08 registering an EGR of -2.79 per cent. Further, number of disposed cases declined from 1239 in 1997-98 to 279 in 2007-08 registering an EGR of -19.93 per cent. As a result, the percentage of disposed cases to total cases declined from 7.82 in 1997-98 to 2.32 in 2007-08. It resulted into an increase in percentage of pending cases
to total cases from 92.18 in 1997-98 to 97.68 in 2007-08. Moreover, the percentage of conviction cases to total disposed cases declined from 7.51 in 1997-98 to 3.94 in 2007-08.

- Total number of appeals due for disposal has decreased from 298837 in 1998-99 to 194003 in 2007-08 registering a negative EGR of 7.32 per cent. It is mainly because of decline in number of appeals in the low demand category (less than Rs.1 lakh). However, appeals in high demand categories i.e. demand of Rs. 10-25 lakh and above Rs. 25 lakh increased from 6749 and 7938 in 1998-99 to 16033 and 18796 respectively in 2007-08.

- The number of pending appeals declined from 214996 in 1998-99 to 130358 in 2007-08 at an EGR of – 9.42 per cent. It is because of decline in pendency of appeals in the low demand category (less than Rs. 1 lakh). However, pending appeals relating to demand of Rs. 10-25 lakh increased from 3018 in 1998-99 to 9543 in 2007-08 showing an EGR of 8.93 per cent and that of appeals relating to demand above Rs. 25 lakh increased from 3514 in 1998-99 to 11408 in 2007-08 at an EGR of 9.06 per cent.

- Total number of pending appeals declined with the Supreme Court, High Courts and Income Tax Appellate Tribunal at an EGR of -10.97, -5.20 and -12.22 respectively. However, on an average 96.75 per cent, 89.85 per cent and 76.34 per cent of total cases remained pending with the Supreme Court, High Court and Income Tax Appellate Tribunal during the study period.

- Total number of cases due for disposal with Settlement Commission increased from 2507 in 1997-98 to 3842 in 2007-08 at an EGR of 5.22 per
cent. The number of settled cases increased from 526 to 1830 during the same period at an EGR of 1.04 per cent resulting in higher pending cases. However, around 82 per cent of total cases due for disposal remained pending during the study period.

- Assessment cases involving mistakes increased from 16039 in 1998-99 to 18826 in 2007-08 and resultant revenue loss increased from Rs. 3375.5 crore to 12074 crore during this period. The major revenue loss during this period has been because of mistakes in computation of business income. Some other areas of major loss were incorrect levy of interest for delay in submission of returns and payment of tax etc, irregular exemptions and excess relief given, irregular computation of capital gains and mistakes in computation of income.

8.4 PERCEPTION OF TAX PROFESSIONALS REGARDING INCOME TAX SYSTEM IN INDIA

- Majority of the respondents (55.2%) believe that tax rates for individuals and HUFs are reasonable. However, 44.8 per cent of the respondents have considered it high or too high. Further, the respondents from location L₁ (62%) followed by locations L₃ (56%) and L₄ (54%) have considered it high or too high.

- 66 per cent of the respondents have considered tax rates high or too high for AOPs and BOIs. Location-wise analysis reveals that vast majority of the respondents from locations L₁ (88%), L₃ and L₄ (70% each) and L₅ (60%) have considered the rates high or too high. However, majority of the respondents from location L₂ (56%) have considered the rates reasonable.
Further, a vast majority of the respondents irrespective of their locations have opined that tax rates are high or too high for firms and companies.

- 68 per cent of the respondents have given their preference for progressive tax rate system. It is followed by those respondents who preferred flat tax rate system (25.6%) and regressive tax rate system (6.4%).

- 56.8 per cent of the respondents have disagreed or strongly disagreed with opinion of phasing out of tax incentives completely and 13.2 per cent have been indifferent. However, in case of location L4 majority of the respondents i.e. 52 per cent have agreed or strongly agreed with this opinion. The respondents (N=75) have favoured phasing out of tax incentives completely as they opined that these incentives 'Open loopholes for tax avoidance' (76%), ‘Reduce tax base’ (64%), ‘Distort investment choice’ (59%), ‘Growth of one sector may be at the cost of another’ (56%), ‘High tax exemption limit’ (53%) as most important reasons for phasing out tax incentives.

- Majority of the respondents (64.4%) have disagreed or strongly disagreed with the idea of introduction of EET. A large proportion of the respondents i.e. 48.9 per cent of 45 respondents who favoured introduction of EET have preferred flat rate system for taxing the maturity proceeds of investment.

- Majority of the respondents (94.8%) irrespective of their locations have agreed or strongly agreed with the statement ‘Tax evasion is very high in India’. Further, the respondents who have agreed that tax evasion is very high in India have identified ‘Multiple taxes’ (73.8%), ‘High tax rates’
(66.2%), ‘If caught it could be managed’ (64.1%), ‘Social acceptance of tax evasion’ (53.6%), 'Low probability of detection' (48.9%), ‘Inefficiency in income tax department’ (43.9%) and ‘Low tax morality’ (42.6%) as main reasons responsible for tax evasion in India.

- 90 per cent of the respondents believe that corruption is prevalent in the Indian Income Tax System. They have specified 'Excessive discretionary powers available with income tax authorities' (76.9%) as the most significant reason for corruption. It is followed by the reasons such as ‘Lot of harassment to tax payers’ (61.7%), 'Lack of integrity on the part of tax officials' (60.9%), 'Lack of awareness regarding rights available with taxpayers' (55.1%) and ‘Time consuming and costly judicial process’ (52.4%).

- Majority of the respondents (77%) have recommended ‘Reduction in tax rates’ for improving tax compliance. In addition to this, they have also recommended ‘Extensive use of TDS system’ (69%), ‘Simplification of tax laws’ (68%) and ‘Proper processing and use of information available under the Annual Information Return’ (57%). The moderate proportion of the respondents has also suggested 'Increase in publicity' (42%), ‘Widening of Annual Information Return network’ (36%) and ‘Implementation of voluntary disclosure scheme’ (33%).

- Majority of the respondents (56%) have agreed or strongly agreed with the statement ‘Assessments are completed within the prescribed time limit’. Surprisingly, 60 per cent of the respondents from location L1 have disagreed.
or strongly disagreed with this statement. Further, the respondents who disagree with the above statement (N=77) have suggested ‘Motivation for e-filing of returns’ (83.1%) and ‘Increase in number of assessing officers’ (74.0%) for timely completion of assessments. ‘Central processing of assessments’ has been suggested by majority of the respondents from locations L_3 (57.1%), L_5 (56.3%) and L_4 (50.0%).

- Majority of the respondents (92.8%) have agreed or strongly agreed with the statement ‘There is unreasonable delay in paying refunds by Income Tax Department’. They have identified ‘Shortage of staff’ (78.4%), ‘Intentional delay to get bribe’ (70.3%) and ‘Inefficient staff’ (55.2%) as main reasons for delay in refunds. Further, ‘High TDS rates’ (45.3%) and ‘Increase in number of returns’ (44.4%) have been given average importance.

- Majority of the respondents (62.8%) have felt that administrative efficiency of Income Tax Department has increased after computerisation. However, around 30 per cent of the respondents from locations L_2 and L_4 have opined that administrative efficiency has decreased after computerisation. 48 respondents who felt that administrative efficiency has decreased after computerisation have pointed out ‘Improper training to manpower’ (89.6%), ‘Lack of technological up gradation’ (58.3%) and ‘Non availability of proper tax softwares’ (56.3%) as main reasons for decrease in efficiency of Income Tax Department after computerisation.
• ‘Complexity of income tax law’ (77%), ‘Frequent changes in tax law and procedures’ (77%), ‘Minimisation of tax burden’ (76%), ‘Avoiding mistakes in tax compliance’ (55%) and ‘Non helping attitude of tax department’ (34%) have been identified as the main causes for which taxpayers seek guidance of tax professionals.

• Majority of the respondents have pointed out that ‘Complicated tax law’ (74%), ‘High tax rates’ (73%), ‘Corruption in the tax department’ (68%), ‘High compliance cost’ (53%), ‘Lengthy return forms’ (50%), ‘Lack of transparency in the tax administration’ (46%) and ‘Difficult to satisfy assessing officers regarding correctness of information’ (35%) have been the major problems discussed with them by the clients.

• Majority of the respondents have rated office space (81.6%), working conditions (61.6%) and drinking water (57.4%) as satisfactory. A large proportion of the respondents have expressed their satisfaction with regard to waiting room facility (48.4%), wash room facility (45.8%) and parking facility (33.6%). The position of enquiry office has been rated as dissatisfactory by the respondents in locations L_2 (AWS = -0.20), L_4 (AWS = -0.42) and L_5 (AWS = -0.24), whereas the respondents from L_1 (AWS = -0.18) and L_3 (AWS = -0.16) seem to be indifferent in this regard.

• A vast majority of the respondents irrespective of their locations have agreed with the statements viz. ‘Delay in refunds causes more interest burden and creates dissatisfaction among the taxpayers’ (90.4%), ‘There is a need to incorporate more reforms to make it compatible at international
level’ (87.6%), ‘Higher exemption limit for senior citizens is justified’ (83.6%), ‘Government amends the law to nullify the decision of courts in favour of taxpayers; it shakes the confidence of assesses’ (62.8%), ‘Agriculture income is used to convert black money in white’ (62.4%) and ‘Incentive provisions are introduced on the basis of lobbying rather than on the basis of merit’ (50%). Similarly, a large proportion of the respondents have agreed with the statements ‘Higher exemption limit for females is justified’ (46%), ‘Income tax provisions are tilted to benefit the rich and super rich class’ (41.2%) and ‘Ombudsman institution has been useful to redress taxpayer grievances’ (40%).

- Majority of the respondents have agreed with the statements relating to quality of services provided by tax administration such as ‘People perceive tax officers as tax enforcers and not as tax facilitator’ (81.6%) and ‘Income tax department website is updated regularly’ (66.4%). A large proportion of the respondents have agreed with the statement ‘Manpower is overburdened in Income tax department’ (46%), ‘Income tax staff is available in the office’, (43.6%). Further, majority of the respondents have disagreed with the statement ‘Income tax administration is taxpayer friendly’ (57.2%). A large number of respondents have shown indifference towards certain statements such as ‘Dispute settlement machinery is working efficiently’ (45.2%), ‘Income tax administration is very efficient’ (42.8%), ‘Assessing officers are well aware of income tax rules’ (37.2%) and ‘Assessing officers have non discriminatory attitude toward taxpayers’ (35.2%).
Majority of respondents have agreed with the statements about certain policy measures viz. ‘There must be long term fiscal policy and frequent amendments must be avoided in law’ (82.8%), ‘Disclosure requirements under the Income Tax Act and Companies Act should be synchronized’ (80%), ‘After introducing tax incentives Government should assess the cost and benefit of the same’ (79.6%) and ‘It is unfair to amend law with retrospective effect as it leads to re-opening of assessments’ (71.2%). A large proportion of the respondents have disagreed with the statement ‘There should be compatibility between depreciation provided under Income Tax Act and Companies Act’ (49.2%).

Majority of the respondents have agreed with the proposals for simplification of Income Tax System viz. ‘The provisions under the head salary should be same whether the employee is working in private sector, public sector or Government sector’ (77.2%), ‘There should be only two types of residential status i.e. resident and non resident’ (75.6%), ‘The losses carried forward for set off in subsequent years should be allowed inter head set off’ (68%), ‘Sections relating to exemptions and deductions under the head salary should be substituted by a consolidated deduction with percentage (say 30%) of gross salary’ (63.6%), ‘The unabsorbed depreciation should be merged with business loss and business loss should be carried forward indefinitely’ (52.8%) and ‘Minimum Alternative Tax should be replaced by ceiling on deductions’ (52.4%). Majority of the respondents have disagreed with the statement ‘H.U.F status should be
eliminated and share of income from H.U.F should be taxable in the hands of coparceners’ (51.2%).

- A vast majority of the respondents from all the locations have agreed with the statements for widening of tax base viz. ‘People should be educated and motivated for voluntarily tax compliance’ (91.6%), ‘Big agriculturalists having large earnings should be brought under the tax net’ (85.6%) and ‘Tax incentives introduced with time limit and for some specific purpose should be withdrawn after they serve the purpose’ (81.2%). Majority of the respondents from all the locations except L, have disagreed with the statement ‘Capital gain arising from transfer of agricultural land should be taxable’ (62%).

- Majority of the respondents irrespective of their locations have agreed with the statements for bringing social equity i.e. ‘There must be provision for fixing accountability of income tax authorities if they act in a partisan manner while dealing with taxpayers’ (83.6%), ‘The age for senior citizens should be fixed as 60 years instead of 65 years for income tax purpose’ (73.6%) and ‘Dividend should be taxed in the hands of receiver rather than company’ (59.6%). The respondents from all the locations except L (AWS = 0.28) have disagreed with the statement ‘Number of dependents should be considered while calculating tax liability of an individual’.

- The respondents irrespective of their locations have agreed with the statements regarding speedy refunds such as ‘Individual responsibility and accountability of assessing officer should be fixed in case of delay in
refund’ and ‘Refund banker scheme will be helpful to pay refunds in time’.
The respondents from locations L_2 (AWS = -0.48) and L_3 (AWS = -0.30) have disagreed with the statement ‘Refundable tax paid by the assessees should be carried forward and be adjusted in the tax liability of future years’ and the respondents from rest of the locations seem to be indifferent in this regard.

- Majority of the respondents irrespective of their locations have agreed with the proposed taxpayer friendly measures such as ‘Some authority should be set up for resolving the doubts of taxpayers in relation to application of provisions of tax laws’ (86%), ‘Feedback from regular tax payers should be taken for tax department’s services’ (84.4 %) and ‘Surcharge and Cess should be imposed only for short period’ (78.6%). The respondents from all the locations except L_2 have agreed with the statements ‘Income tax department should be vigilant to catch a few number of super rich tax evaders instead of chasing small technical defaulters’ (68%). The respondents from all the locations except location L_1 (AWS = 0.10) have also agreed with the statement ‘The institution of Ombudsman should be set up in all state capitals (64.4%).

8.5 CONCLUSION

Thus, the following basic conclusions emerge from the study:

- The Government has tried to achieve the objective of social welfare by providing various incentives for education, health, housing, savings, pension schemes, donations, senior citizens and women assessees, and
generating employment etc. These incentives are appreciable as these are related with the basic necessities of a common man. However, in case of some incentives the monetary ceiling seems to be illogical or very low as it has not been revised since a long time e.g. medical expenses, interest on self occupied housing loan, saving schemes.

- Certain Rationalization and Simplification Measures have been taken during the study period such as lowering income tax rates in case of all the assesses, introducing standard deduction at the rate of 30 per cent of net annual value in case of let out house property, providing depreciation on intangible assets etc.

- The Government has tried to achieve all round economic objectives by providing incentives for infrastructure development, balanced regional growth, scientific research and development, capital market and exemption of agricultural income.

- Widening of tax base has remained one of the main objectives of tax policy during the study period. The Government has adopted certain measures towards this direction. The main measures are introduction of mandatory Permanent Account Number, Annual Information Return, E-filing of income tax return, Online tax accounting system, Dividend distribution tax and widening the scope of TDS. Further, certain measures were introduced and withdrawn during the study period such as compulsory filing of return based on certain economic criteria, Banking Cash Transaction Tax (BCTT) and Fringe Benefit Tax (FBT). Moreover, standard deduction for salaried
class and deduction in relation to interest income on specified deposits were withdrawn during the study period.

- Revenue from personal income tax as well as corporate tax increased during the study period. Tax to GDP ratio and buoyancy coefficient in case of personal income tax as well as corporate tax showed an upward trend. Further, the absolute number of personal assesses and corporate assesses increased but the rate of increase in number of personal assesses having more than 10 lakh income remained lower as compared to other categories. Moreover, the share of direct taxes as a percentage of total tax revenue of central Government increased, while the share of indirect taxes declined during the study period. This can be considered as a positive development on the assumption that direct taxes are more equitable in impact and pro-poor as compared to indirect taxes.

- Maharashtra and Delhi remained best performing states in terms of share in total income tax revenue and income tax to SDP ratio. Whereas, the states of Bihar & Jharkhand, J & K and Himachal Pradesh experienced the lowest average income tax to SDP ratio and made the lowest contribution towards total income tax revenue as compared to other states during the study period.

- Cost per rupee of tax collection and cost per assessee declined during the study period. On an average around 90 per cent of gross collection from personal income tax and 80 per cent of gross collection from corporate tax was realised at pre assessment stage, which might have contributed to
reduction in cost of collection per rupee of tax revenue. Thus, Income Tax Department has shown significant improvement in controlling cost. Further, the number of outstanding refund claims declined during the study period due to computerization. However, the amount of refund and interest on refunds increased during this period. Actual collection of income tax remained less than budgeted estimates during these years except in four years (2000-2001, 2003-04, 2006-07 and 2007-08). Number of pending assessments under scrutiny & summary schemes, number of pending cases under penalty and prosecution proceedings, amount of arrear in case of corporate tax as well as personal income tax, total certified demand due for recovery and number of pending appeals relating to high amount increased considerably during this period. Moreover, assessment cases involving mistakes and consequent revenue loss increased during this period. All this puts a question mark on performance of Income Tax Department.

- Further, a vast majority of tax professionals opined that tax evasion and corruption are prevalent in the Indian Income Tax System. They pointed out that multiple taxes, high tax rates, manipulations on detection, social acceptance of tax evasion, low probability of detection and low tax morality are main reasons responsible for tax evasion. Excessive discretionary powers available with income tax authorities, lack of awareness regarding rights available with tax payers and time consuming and costly judicial process have been identified as main reasons for corruption. A discussion with tax professionals revealed that refund claims pertaining to relatively smaller amounts are settled earlier by tax authorities as compared to refunds
of large amounts and there is unreasonable delay in refunds. The respondents have identified high TDS rates and increase in number of returns as main reasons for delay in refunds.

- The respondents opined that income tax staff is available in the office and manpower is overburdened in Income Tax Department. However, they also opined that Income tax administration is not taxpayer friendly and it is difficult to satisfy assessing officers regarding correctness of information. People perceive tax officers as tax enforcers and not as tax facilitator. Moreover, they opined that inefficiency in Income Tax Department is one of the main causes responsible for tax evasion in addition to social, economic and political reasons. Corruption in Income Tax System is prevailing due to harassment to taxpayers and lack of integrity on the part of tax officials in addition to earlier mentioned reasons. They also viewed that shortage of staff, inefficient staff and intentional delay to get bribe are also important reasons causing unreasonable delay in refunds.

- Majority of the respondents have rated office space, working conditions, drinking water, waiting room facility, wash room facility and parking facility as satisfactory. However, the respondents tend to be dissatisfied with the position of enquiry office.

- A very high number of cases remained pending with the Supreme Court, High Court and Income Tax Appellate Tribunal and Settlement Commission during the study period.
• Tax professionals opined that tax rates are reasonable for individuals and HUFs and high for AOPs and BOIs, firms and companies. The respondents are not in favour of phasing out tax incentives completely and introducing EET system. The respondents considered complexity of income tax law, frequent changes in tax law and procedures, minimisation of tax burden and avoiding mistakes in tax compliance are the main causes for which taxpayers seek guidance of tax professionals. The respondents have pointed out that complicated tax law, high tax rates, corruption, high compliance cost and lengthy return forms are the major problems discussed with them by their clients.

8.6 SUGGESTIONS TO IMPROVE THE INDIAN INCOME TAX SYSTEM

The study has highlighted some important conclusions which can be of great value for improving the Indian Income Tax System. In the light of these findings, some suggestions are given as under:

8.6.1 IMPROVEMENT IN TAX ADMINISTRATION

• Tax evasion and corruption are widely prevailing in the Indian tax system, which are the biggest blocks in the way of proper implementation of law. Thus, there is a need to tackle tax evasion and corruption for improving tax compliance. Government should reduce number of taxes, rationalize tax rates, use TDS extensively, simplify tax laws, widen Annual Information Return network, increase publicity, create awareness among general public regarding tax morality, minimise discretionary powers available with income tax authorities and inculcate a sense of integrity among tax officials.
for achieving this objective. Income Tax Department should utilise information available under the Annual Information Return properly for detecting tax evaders.

- Timely disposal of assessments ensures timely raising of tax demands and quick refunds to assessees. Thus, there is a need to motivate assessees for e-filing of returns and increase in number of assessing officers for timely completion of assessments. Further, Government should start more centres for central processing of assessments.

- Mistakes in assessments result in revenue loss to the Government as well as harassment to the taxpayers. Hence, internal audit should be strengthened to minimise mistakes in assessments.

- It has been found that the arrear of tax demand increased in case of personal income tax as well as in case of corporate tax during the study period. Further, recovery of certified demand remained less than total certified demand due for recovery throughout the same period. Therefore, strict vigilance is required to ensure that the demands are collected within time and current demand does not fall in arrears. The functioning of Tax Recovery Units needs to be improved and working strength of Tax recovery officers (TROs) should be increased.

- Delay in refunds causes more interest burden and creates dissatisfaction among the taxpayers. Thus, the Government should fix individual responsibility, accountability of assessing officer in case of delay in refunds, introduce refund banker scheme at a large scale and rationalise
TDS rates. Moreover, Income Tax Department should process refund claims of comparatively large amount on priority basis for reducing interest burden.

- A large number of appeals are pending with CITs, ITAT, High courts and the Supreme Court. There is a need to dispose of the pending appeals at the earliest to win the confidence of taxpayers and collect the tax revenue stayed due to pending appeals. The Government should increase the number of CITs, benches of ITAT and all the vacant posts in the department should be filled up. Moreover, National Tax Court for which the Act was passed by the Parliament should be established at the earliest.

- Deterrence measures provided under the Act play an important role in ensuring correct and timely compliance of tax provisions. But, it was found that a very low percentage of disposed cases resulted in penalty imposition and negligible number of cases resulted in prosecution. Thus, Assessing Officers should initiate these proceedings genuinely where assessee has really concealed his income. Further, once the proceedings are started, these must be carried on intensively and guilty should be punished in time according to the offence. It would create deterrence in the minds of tax evaders.

- For getting full benefit of computerization, Income Tax Department should provide proper training to manpower, proper tax softwares and upgrade technology.
- Manpower is overburdened in Income Tax Department. So, department should employ more manpower and improve the efficiency of existing manpower by providing better training and infrastructure facilities.

### 8.6.2 RATIONALISATION OF TAX PROVISIONS

- A time honoured principle of taxation is stability. Stability in tax system enables taxpayers to plan their financial affairs keeping in view the expected tax liability. However in India, multiple changes are introduced by Finance Act every year. Thus, before the taxpayers understand and familiarize with the existing tax provisions and procedures a new set of more complicated tax provisions and procedures is notified. Hence, there is a need for long term tax policy and frequent amendments must be avoided in law. Moreover, law should not be amended with retrospective effect as it leads to re-opening of assessments and litigation.

- Income tax law is very complex to understand for a common person. Only two types of residential status i.e. resident and not resident, introduction of same tax provisions under the head salary irrespective of type of employer (private sector, public sector, Government sector), inter head setting off of brought down losses, consolidated deduction with percentage (say 30%) of gross salary in lieu of various exemptions and deductions under the head salary and replacement of Minimum Alternate Tax with ceiling on various deductions can be helpful in simplification of Income Tax Act. Further, disclosure requirements under the Income Tax Act and Companies Act should be synchronized.
Keeping in view that income tax exemption limit is the same for every individual, it is highly unjustified that salaried people pay tax on their gross income (without deduction of expenses incurred to earn salary) while businessmen, self-employed persons and others pay tax on their net income. Therefore, standard deduction should be restored for winning faith of a large number of honest taxpayers.

Retirement age and status of senior citizen entitling a person preferential tax treatment do not coincide. Hence, the retirement age of 60 years should be fixed for the status of senior citizen instead of 65 years for income tax purpose.

In our country it becomes essential to promote savings through tax policy as there is no provision of universal social security by the Government. Hence, EET should not be introduced until proper social security is provided to general public.

The Government should enhance limit of deduction for savings under Sec. 80C keeping in view the sharp increase in propensity to save particularly in case of middle class taxpayers. Further, this step will be helpful for boosting capital formation as well as for providing social security to taxpayers. Further, other charges paid to educational institutions in addition to tuition fee can also be incorporated under Sec. 80C as tuition fee forms a small portion of total charges by educational institutions.

It can be noted that prices of real estate and construction cost has increased at a very high rate since A.Y. 2002-03. It justifies a case for an increase in
deduction for interest on borrowed capital in case self-occupied house property to give a further boost to houses for middle class.

- Various reliefs in relation to medical treatment should be based on actual expenditure rather than arbitrary limit fixed by law.

- Tax benefit under Sec. 80L needs to be revived at least for popular and common saving modes such as bank and post office deposits. Retired people have to depend upon interest on bank and post office deposits for their livelihood. It can be noted that real return on such savings has dropped drastically due to high rate of inflation.

- Dividend should be taxed in the hands of receiver rather than company. This will ensure that those in the higher income bracket pay at higher rate and vice versa.

- Surcharge and cess have become permanent features of the tax system for generating revenue, whereas these should be imposed for facing extraordinary situations on temporary basis. Such taxation leads to cumbersome administration of tax law, besides introducing arbitrariness in the system. So, surcharge and cess should withdrawn.

- Tax benefit for contribution to political parties under Sections 80GGB and 80GGC is regressive as it benefits the rich class of the society and becomes a cause of corruption. It should be withdrawn or some cap must be specified.
8.6.3 WIDENING TAX BASE

- Tax base is a crucial factor affecting the tax revenue. It is a matter of serious concern that tax base is very narrow in our country. In a population of more than 100 crore there are around 340 lakh income taxpayers i.e. only 3.4 per cent are covered under the tax net. Moreover, the number of assessees in higher income groups is very low vis-à-vis the population of our country. So, the Government should take measures such as educating and motivating people for voluntarily tax compliance, introducing income tax on big agriculturalists having large earnings and withdrawing tax incentives introduced for some specific purpose with time limit after they serve the purpose. Further, Income Tax Department should be vigilant to catch a few number of super rich tax evaders instead of chasing small technical defaulters.

8.6.4 TAXPAYER FRIENDLY ENVIRONMENT

- Taxpayers are the persons who are really affected by Income Tax System. Income tax administration should be taxpayer friendly and transparent. However, people perceive tax officers as tax enforcers and not as tax facilitator. Assessing officers should have non discriminatory and helping attitude towards taxpayers. Feedback from regular tax payers should be taken for services rendered by Tax Department so that any deficiencies pointed out by such persons could be removed. Further, there must be a provision for fixing accountability of income tax authorities if they act in a partisan manner while dealing with taxpayers.
• Since there is no forum which can be used by taxpayers to get the resolution of ambiguous matters in advance, some authority consisting of tax experts should be set up for resolving the doubts of taxpayers in relation to application of provisions of tax laws.

• Ombudsman institution has been useful to redress taxpayer grievances in relation to tax administration. Presently, 12 Ombudsmen have been working at Mumbai, Delhi, Banglore, Kanpur, Chennai, Pune, Kolkata, Ahemdabad, Hyderabad, Chandigarh, Bhopal and Cochin. Hence, the institution of Ombudsman should be set up in all state capitals.

8.7 SUGGESTIONS FOR FUTURE RESEARCHERS

The present study tried to do an extensive analysis of different aspects of Income Tax System in India. But, still there is a scope for further research in the following fields:

• A comparative study of different aspects of Income Taxation in India may be undertaken with respect to other countries.

• An intensive study may be conducted to examine one of the various aspects of Income Tax System in India.

• The present study examines the perception of tax professionals with respect to Income Tax System in India. Similarly perception of Income Tax officials and taxpayers may be studied.