Ref. No. CCC-5H/10 Date: 29-06-2010

<u>By Speed Post</u>

Shri Pranab Mukherjee
Hon'ble Minister of Finance
Government of India
Central Secretariat, North Block
<u>New Delhi - 110 001</u>

Respected Sir,

On behalf of Calcutta Chamber of Commerce, we have pleasure in forwarding for your kind consideration a Memorandum giving our suggestions and comments on ‘Revised Discussion Paper on the Direct Taxes Code”, which may be of help in the preparation of the Final Draft.

With regards,

Yours sincerely,

S.K. Agrawal

Sushil Kr. Agrawal
President

Encl. As stated.

<u>PART-A</u>
(Matters arising out of Revised Discussion Paper)

<u>1. Capital Gains</u> :

A) <u>Long term Capital Gain on listed equity shares or units of an equity oriented fund:</u>

It had been proposed in the Revised Discussion Paper that capital gain on transfer of equity shares of a listed company or units of an equity oriented firms, which are held for more than one year, shall be taxed after allowing a deduction at a specified percentage indexation. It may be recalled that at the time of allowing tax exemption of such gain under the present Act, Hon'ble Finance Minister had stated in his budget speech before the Parliament that in view of introduction of Security Transfer Tax (STT), long term capital gain on listed equity shares or units would be exempted and government would not loose revenue because of the said exemption, at it would collect more tax through STT. Under the present revised proposal, STT would be continued and it is proposed to levy capital gain tax after allowing specified percentage deduction. **Such proposal would be contrary to the intentions of the government as declared on the floor of the Parliament. We suggest that such proposal should be thoroughly considered and revised.**

Under the head of **capital gains** we have **under noted alternate suggestions**, if government does not consider it favorably to total exemption of capital gains on listed equity shares or prescribed units:

i) Equity shares of a listed company or units of equity oriented funds held by any assessee as on the date of introduction of Direct Tax Code Bill should be allowed to remain exempted even though such investment assets are transferred after introduction of DTC. However, the new proposal of taxation should be applicable in case of shares or units acquired on or after introduction of new DTC.

ii) Rate of specified percentage of capital gain deduction should be mentioned in the DTC itself, instead of announcing it in the yearly budgetary exercise.

iii) The definition of Long Term Gain is being redefined in the DTC i.e. long term gains holding period increases as much as 23 months instead of present period of 12 months (in case of sale of securities/shares). This should be kept as it is i.e. 12 months. Present law both of LTCGs & STCG should be continued.

iv) The first draft had proposed to impose 30% capital gain tax on Foreign Institutional Investors- one of the main investors in the stock markets. The second draft had not changed the rate, though the Finance Ministry had received several representations to create special tax rate to attract investments from FIIs, as other countries had done so. We strongly suggest that tax rate should be reduced to special tax regime in the interest of Indian economy.

B) **Short Term Capital Gain :**

Under the present law special rate of tax has been provided in case of capital gain arising from the short term capital asset by shares of a listed company or units of an equity oriented fund. At present special rate defined was 15% as against 20% or 30% normal rate. There is no mention of such special rate in Draft Code, nor in the Revised Discussion Paper. **It is therefore suggested that such special rate should be mentioned in the Act itself in place of announcing the same through annual Budgetary Bills/Finance Acts.**

2. Taxation of Non-Profitable Organisations (NPOs)

i) NPOs are required to maintain accounts of cash basis as per the Code. Under the present law charitable trust are permitted to maintain accounts on cash basis or on accrual basis. **We suggest that the present system should be continued and it should be on the discretion on the NPOs to have its accounts either on cash basis or on accrual basis.**

ii) NPOs, which are registered u/s 25 of the Companies Act, are required to follow accrual system of accounting under the said Act. Otherwise it would violate statutory provisions of the said Act. In such cases, **there would be a conflict between the Companies Act and the DTC so far as NPOs registered U/s 25 of the Companies Act are concerned. Therefore, a harmony should be maintained between statutory provisions of said two Acts.**

iii) It had been proposed in the Revised Paper that donation by a NPO out of its accumulated surplus to another NPO would not be considered as application of charitable purpose. **It is requested to clarify in the Bill itself that the NPO would be allowed to donate another registered NPO out of its current trust income and it would be treated as application for charitable purpose.** Restriction on donation out of accumulated surplus of past years may be there since such restriction exists in the present law as well.

3. General Anti Avoidance Rule (GAAR):

i) **Our Chamber feels that such provisions must be removed from the DTC Bill**. Since it would amount to excessive powers in the hands of bureaucrats which would disregard genuine business transaction and increase litigation. The present Government policy is to reduce the litigations. At the same time we, at the Chamber, are against the tax avoidance practice of the tax payers. However, at the same time such tax avoidance practice can be axed through strict penal provisions.

ii) If at all, the Finance Minister does not remove GAAR provision from the DTC Bill, it is suggested alternatively that **threshold limit should be linked with indexation**.

4. Other proposals for inclusion in DTC Bill:

a) The need to keep tax rates and Laws under certain norms has been emphasized by political philosophers and economic analysts from time immemorial. The DTC had proposed to introduce considerable novelty into tax regime which includes reduction in corporate tax and personal tax rates and slabs. Such proposal would give a new direction to taxation system. At present there are little bit of uncertainty. As announced by Hon'ble Finance Minister, the effective corporate tax rate stands at 20.6%. With profit linked incentives being phased out, corporate tax payment based on MAT are likely to come down sharply and once companies start paying tax at normal rate over MAT rate, effective tax rate would be close to 25%. Considering this background the government should introduce simplified Tax Code and bring corporate tax rate to 25%. Past experience had shown that revenues had gone up whenever tax rates were reduced. The proposed tax slab and rates in the DTC is undoubtedly a bold move. If it is implemented, it would result in greater tax compliance to bring an increasing proportion of the economy into the tax net. It will leave more money in the hands of individuals and other tax payers for savings and consumption which would lead to more investments and generation of more demand. India had already experienced in recent past that consumption demand had been an engine of growth for Indian economy.

b) While tax slab and tax rate had not be disclosed in the DTC revised paper, rather it is proposed to be announced through budgetary exercise, sharp denial of deductions of the present Act in the proposed DTC without corresponding tax rates cuts would be deterrent to the tax payers in general. Therefore, if tax rates proposed in DTC is not maintained in then proposed Bill, some of the exemptions and deductions should be kept in the proposed Bill, as discussed hereunder:

i) The senior citizens age should be brought down from 65 – 60 years in order to give relief to retired persons and as prevalent in other fields like Govt. service retirement age, Railways fare relief to sr. citizens etc.

ii) No reduction had been provided under the DTC for employees receiving House Rent Allowance for self employed people similar to Sec .10(13A) and Sec.80GG of the present Act.

iii) In case of salaried assessee, u/s 89 where arrear or advance salary is received, LTC U/s 10(15) retrenchment compensation, U/s 10(10B) encashment of unutilized Earn Leave on retirement, U/s 10(10AA)

iv) To boost the investment in new industries of the new specified areas, following proposals of the present Act which are missing in the DTC Draft and Revised Draft should be included in the proposed DTC Bill.

80IC – Undertakings in certain special category states.
80ID – Hotels and convention center in specified area.
80IE – Undertakings in North Eastern states.
80JJA – Business of collecting and processing of bio-degradable waste.
80JJAA – Employment of new work men.

c) Power of Central Government for introducing schemes for submission of E-filing of tax returns provided in Sec.139C, 139D are missing from DTC Draft or Revised Discussion Paper. Since the E-filing returns are utilized by tax payers to a great extent and the government is permitting the scheme such power should be retained in the proposed DTC Bill specifically.

d) International Financial Reporting System (IFRS) is going to be introduced in a phased manner in the Indian economy scenario or the financial year including on and from 1st April 2011. In this matter Ministry of Corporate Affairs had also issued guideline for convergence of present accounting standard with IFRS. The provision of DTC Bill should be compatible to IFRS for smooth implementation of accounting standards as well as DTC on and from 1st April 2011.

e) **Tax Treatment of Savings** : It had been mentioned in Chapter II Para 3.1 of the Revised Draft that in order to achieve the objective of long term savings the rules for contribution as well as withdrawal will be harmonized and made uniform so that such savings are actually made and utilized by the tax payers for the long term.

Under the present law there is no restriction at the end of tax payers on utilization of tax savings fund on its maturity. Like on maturity of Life Insurance Policy, tax payers is presently free to use the money he or she likes in any way and without any restriction or guideline. Such freedom should not be curbed or restricted in the proposed DTC Bill. Otherwise it would amount to withdrawal of the benefits in the hands of tax payers.

Contd…

PART-B

We had forwarded our memorandum on Draft Direct Tax Code Bill 2009 to the Hon'ble Finance Minister. Some of the points have duly been considered in Revised Discussion Paper issued on 15th June, 2010 and following were not considered in the Revised Discussion Paper. Therefore, we are appending below the same once again for your ready reference for consideration in drafting the Direct Tax Code Bill which is scheduled to be presented before the Parliament in the Monsoon Session.

Chapter II

Para 1 : Provision for liability to pay IT under clause 2(7) read with clause 284 sub-clause 274 requires clarification, since it includes surcharge, cess. It is understood that there would be no surcharge or cess under the DTC regime. Therefore, there is need of clarification for the same.

Chapter III COMPUTATION OF TOTAL INCOME

A- GENERAL

Para 2A.1 : For the purpose of deduction for expenditure, the term unascertained liability has been used for restriction of allowing deduction- clause 17(1).
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- This term has not been defined in the code
- Where it means liability incurred or not
- Where it means quantification not ascertained
- In case of warranties and guarantee on sale of various goods manufacturer/seller has to provide estimated liability to be incurred in subsequent years and such liability is required to be deducted in the year of sale and can not be allowed as deduction in any of the subsequent year.

Para 2A.2: The proposed clause of DTC has disregarded mandatory Accounting Standard- (AS-4) events occurring after balance sheet date, which are compulsorily followed by all the companies under Sec.212 of the Companies Act.

Para 2A.3 : Disallowance of expenditure for TDS defaults is draconian in nature. There is no doubt that compliance of TDS provisions has to be ensured and defaulters should be punished but total disallowances of expenditure exceed the limits of punishment. However, the deterrent provisions should be there under the TDS chapter in place of disallowance provisions under this chapter.

Moreover the restriction of deposit on TDS amount for allowability of the disallowed amount in the subsequent year has been restricted to two years, whereas such restriction does not appear in the current statute, presumably because of the reason that the assessee is at times unaware of its liability of TDS and can rectify its mistake once it is pointed via assessment order.

Therefore, it is suggested that even if our first proposal is not accepted by the Government and the liability provisions are retained, the provision for allowability of expenditure should be modified to deposit of TDS within a period of at least two years from the date of receipt of the assessment order.

Para 2A.4 : The restriction on allowance of deduction for expenditure in para 17(2) of DTC is stated. It is suggested that a clause should be included similar to Sec 37 of the current statute, which should provide – where specific deduction provisions are not applicable to any expenditure not being in the nature of capital expenditure or personal expenses of the assessee, laid out wholly or exclusively for the purpose of business or provision shall be allowed in computing the income.

C- INCOME FROM HOUSE PROPERTY

Para 2C.1 : As per the DTC Bill, long term lease tenure is 12 years or more, and in such cases security deposit/advance rent would be taxed as income. This proposal is deterrent to the growth of house building sector. It should be removed.

Para 2C.2 : Where the house property is let out with plant or machinery and the same is not separable, the income would be taxed under the head house property, whereas under the current statute such income is being assessed under the head income from other sources. The change of head has repercussion on deductible expenditure, which are spent wholly and exclusively for the purpose of letting out. On the contrary, under the head income from house property expenditures are allowed on a percentage of the gross rent only, whereas on actual such expenditures could not be more. Thus it amounts to taxing of unearned income.

Para 2C.3 : The presumptive deduction under the current statute is 30% of net rent and under the proposed law it is 20% of the gross rent. It is proposed that present presumptive deduction should continue under DTC.

Para 2C.4 : Housing sector growth in India is dependent to a great extent on purchase of self occupied property by assessees. The allowable deduction of interest on loan for acquiring of sale occupied property up to a sum of Rs.1.5 lac would no longer be available under DTC. Such proposal would have an adverse impact on the housing sector, as well as on medium income group Indian citizens.

D- INCOME FROM BUSINESS

Para 2D.1 : Deeming provision has been ascertained in the DTC clause 29(2) where the business or unit is located physically apart from the other unit. Since intra head adjustments are allowed, what purpose would be served by deeming separate business for computation of taxable income is not known; rather it is a strange provision. It is likely to add confusion and complications, rather than simplification, which is the main thrust of the government in bringing DTC.

Para 2D.2: Capital receipts have been defined as gross earnings, clause 31(2)(xi) on account of slump sale; amount of reduction, remission or cessation of any liability by way of loan, deposit, advance or trade credit (such inclusion is quite distinct from Sec 41(1) of current statute), since under the new provision irrespective of the fact where the principal amount of loan is reduced or any expenditure which was not allowed as deduction in earlier year(s) would be included in the gross earnings of business. **Both such inclusions in Gross earnings are highly objectionable**. In this case, definition clause 234 of DTC clause 284 is relevant.

Para 2D.3:
In the computation of business income, the operating expenditure not to be allowed as an expenditure u/s 33(4) of the new Code includes any expenditure incurred by a person on advertisement in any souvenir, brochure, tract, pamphlet or the like published by a political party.

We feel it should be allowed.

Even political donations are allowed 100 per cent deduction. So there is no logic for disallowance.

E- CAPITAL GAINS

Para 2E.1: Direct Tax Code has abolished distinction between short term and long term capital gains. Capital Gains, irrespective of period of holding of the assets that has been sold are to be included in taxable income, subject to certain permitted deductions. However, tax slabs and rates are far more benevolent than under the current statute.

Para 2E.2: The term 'net consideration' has not been defined. The definition is a must.

Para 2E.3: Formula for calculation of tax free amount of capital gain should be related to the amount of capital gain rather than the amount of net consideration received on sale. To illustrate: net consideration received on sale of a long term house property is Rs.20 lac and capital gain thereof is Rs.8 lac. Under the DTC, the reinvestment amount should be full valued of net consideration i.e. 20 lac as per this example. On the contrary, under the current statute, the entire amount of the capital gain would be tax exempted (of the said example) since the new investment is not less than the gains. Further the conditions for exemption are restrictive in nature as compared to current statute. For example, exemption is available to the assessee if the assessee is holding one more house other than the reinvested house (presumably where the purchase precedes the sale). But under the DTC, the assessee should not own any other house (other than the reinvested house). Section restrictive condition in the Bill in the period allowed for re-purchase of house has been reduced from the current statute in the DTC Bill. It is proposed that the time for the investment should not be reduced in the Bill.

Para 2E.4: As per present provisions, transfer of capital assets in a scheme of reverse mortgage is not considered as taxable transfer. Such exemption is not provided in the new code. As a result, the transfer of capital assets in case of reverse mortgage may be treated as taxable capital gain.

Reverse mortgage may be included in the list of items provided in section 45 so that it shall not be included in the computation of capital gains.

This will ensure benefit to the senior citizens and provide them security in the old age.

F- RESIDUARY SOURCES (OTHER SOURCES)

Para 2F.1: Section 48 and section 56(2)(h) of draft code provides for charging capital gains tax on transfer of immovable assets by the investors on the basis of stamp duty valuation. Further, stamp duty valuation is defined as the value adopted or assessed or assessable i.e. the value which the stamp valuation authority would have adopted if it were referred for the purpose of stamp duty.

The Government may rather re-enact the provisions of pre-emptive purchase of immovable property exceeding a specified amount of say Rs. 1 crore or more, by Central Government. Such scheme will spare the purchasers of smaller flats from unnecessary tax burden. In any case, even if the proposed system is adopted, flats or properties of certain measurement, say upto 1000 sq. ft. built up area or those costing upto Rs. 25 Lakhs may be kept outside the purview of the provisions of section 48 of the new Code.

Valuation made for stamp duty does not reflect the consistency and it is not based on the real value. It is rather adhoc. No inspection takes place. There are no qualified engineers in the office of Registrar to make proper valuation. The said basis imposes tax on the notional basis and not on the basis of real income.

Para 2F.2: While serial No11 of the Sixth Schedule of the New Code which deals with “income not to be included in the total income” gives specific reference to accumulated balance outstanding as on 31-03-2011 in Employees Approved Provident Fund and any accretion there to, it is silent with respect to PPF and other insurance or superannuation schemes. Why this discrimination among existing Provident funds and other long term saving schemes? While the Government’s discussion paper on the new code [paragraph 12-7] states this exemption will be available to GPF, PPF,RPF and EPF, the same is not to be found in the sixth schedule of the new code and it states only about EPF.

H- TAX INCENTIVES

Para 2H.6 : The deduction under this section shall not be allowed in respect of any amount of money paid to any person referred to in sub-section (1) if

a) the amount is laid out or expended during the financial year for any religious activity or

b) any activity of the donee is intended for or actually benefits any particular caste, not being a Schedule Caste or Schedule Tribe.

This provision should be omitted.

Once a donor makes any donation to a non profit organization which has been approved by the prescribed authority, he does not have any control or right over the donee's affairs. Hence, it would be unjustified to penalise a bonafide donor for the lapses committed by the donee subsequent to the donation is made. Instead, monitoring of such non-profit organizations be strengthened.

CHAPTER – IV – NON PROFIT ORGANISATIONS

Para 3: Summary of suggestions for this chapter are:

(i) A certain percentage of their income (15-20%) should be allowed to be retained for general and running expenses without any restriction of its use within 3 years.

(ii) (a) They should be allowed to accumulate funds for their objects for a period up to 5 years. This should be treated as income applied for charitable or religious purposes.

(b) They should also be allowed to a form a "corpus fund" out of their income, which corpus would be subject to the same conditions as corpus formed out of donations and this should not be treated as income, but like donation by others for corpus.

(iii) Educational institutions and hospitals per se should be exempted from tax if they are wholly or substantially financed by Government or if their gross receipts do not exceed a specific limit (say Rs.2 crores) and included in the Seventh Schedule.

(iv) Religious societies, the benefit of which is not restricted to private religious purpose, should be eligible for tax exemption, even if they are not registered under the Central or State legislation for regulation of religious endowments or trusts.

(v) Capital expenditure should be allowed as outgoing even if it is not in an investment asset, e.g., works of public utility; or buildings for educational institutions; hospitals; pilgrim houses, etc.

(vi) Tax exemption should continue to be granted to charitable and religious societies in existence before passing of the new legislation. Any new regime should apply to societies and trusts formed after coming into force of the new legislation.

(vii) Government grants should be excluded from gross receipts. They are subject to their own conditions.

CHAPTER – X

TAX ADMINISTRATION & PROCEDURE

Para 6.1 : Clause 166 of the Code contains the provisions relating to re-opening of assessments.

Following suggestions are made in this regard -

(a) It seems that no time limit has been prescribed for the reopening of assessments in cases other than search cases. A time limit of four years may be prescribed.

(b) Prescribed time limit for search cases is seven years, which may be reduced to four years.

(c) The provision of reopening of assessments in the case of any other person in search cases be resorted to only if any material is seized or is obtained in pursuance to the requisition u/s 140 suggesting undisclosed income of that "other person".

(d) Re-opening should not be done on the basis of a decision rendered by the Appellate Tribunal, NTT and High court in the case of a person other than the assessee since such decisions do not attain finality until an order is passed by the Supreme Court.

Para 6.2:

Under clause 166, very wide powers are proposed to be given to the AO to reopen the assessment within 7 years. At present the AO cannot reopen the assessment if all particulars have been disclosed at the time of the assessment or on change of opinion. This concept is now proposed to be given up. The powers given to the AO, under the Code include power to reopen under following circumstances also-

(a) if there is a decision prejudicial to the assessee by ITAT, National Tax Tribunal, High Court or Supreme Court in the case of the assessee or any other person either under the income tax Act, or under the Code or under any other law.

(b) If original assessment is not in accordance with any other direction, instruction or circular issued by CBDT.

(c) if there is any audit objection by Comptroller and Auditor General of India.

With these unlimited powers, the assessment will not be finalised for number of years and it may lead to harassment of the honest assesses and may lead to unethical practice.

Para 6.3: Section 167(6) of the Code provides that applications for rectifications of mistakes apparent from record shall be decided within a period of six months failing which an order shall be deemed to have been made rejecting such application.

It is suggested that the provision be modified to ensure the automatic allowance of application in case the order is not passed within the stipulated period. And at the same time the erring officers should be asked to explain their dereliction of their duty.

The proposed provision does not reflect judicious approach and rather puts premium on the inefficiency of the departmental officials. It will provide incentive to not to act.

Para 6.4 : Provision of Section 194(8) provides for the circumstances for the revision of orders prejudicial to the revenue.

SLP granted by the Supreme Court should not be made the basis for the exercise of revisionary jurisdiction of the Commissioner. SLP granted is the prima facie view of the Supreme Court and not the final view. Changes suggested would reduce the hardship of the taxpayers and unnecessary litigation.

Para 6.5: Condonation of delay in filing of appeal by CIT(bill) and ITAT has been restricted to one year after the expiry of 30-60 days time limit allowed for filing [(refer clause 184(5) and 188(6) of DTC].

Para 6.6: The revision of orders by CIT as clause 194 order relating to appeal pending before higher authority can be revised by the CIT as per clause 194(8) of DTC, which provides Provision of Section 194(8) provides for the circumstances for the revision of orders prejudicial to the revenue.

Further, SLP granted by the Supreme Court should not be made the basis for the exercise of revisionary jurisdiction of the Commissioner. SLP granted is the prima facie view of the Supreme Court and not the final view.

Changes suggested would reduce the hardship of the taxpayers and unnecessary litigation.

Para 6.7: Appeal

All orders of the Assessing officer should be made appealable to CIT(A) and all orders of commissioner/Chief Commissioner must be made appealable to Tribunal. Similarly all orders passed with approval of Commissioner (rather than only of the Chief Commissioner as proposed) must be made appealable to Tribunal. Considerable litigation has taken place to decide whether a particular order is appealable or not.

Para 6.8: Appeal to High Court

Section 260A of the Income tax Act 1961, provides an appeal to High court, whereas the new Code does not make any such provision to file an appeal to High Court. Clause 192 of the Code provides an appeal to National Tax Tribunal. The constitutional validity of National Tax Tribunal is still pending before the Apex Court, and as the pendency has been reduced considerably before various High courts and Tribunal, whether the country really needs a National tax Tribunal is itself debatable. Hence, it would be appropriate if a provision is made for filing an appeal to High Court.

Para 6.9: Power of Revision

Clause 194 gives very wide power to the Commissioner to revise the order passed by the Assessing officer. At present, the assessee can file an appeal to the Tribunal against the order of Commissioner. However, no provision is made to file an appeal to the Tribunal against an order of revision by the Commissioner under Clause 194. The assessee has no option but to file a writ against the order of Commissioner and this will increase the litigation. It would be very appropriate to provide for provision for an appeal to the Tribunal against such an order.

Section 264 of the Income Tax provides that an assessee can approach to the Commissioner for revision of order passed by subordinate authorities under certain circumstances. However, the Direct tax Code does not provide for any such provision for approaching to the Commissioner. It is very essential to have provision similar to section 264 in the code to render justice to the assessee.

CHAPTER –XIII - PROSECUTION

Para 8:
Section 245(1) of the draft code provides for Presumption of existence of a culpable mental state on the part of the accused person in a prosecution case under the Code.

In a prosecution case, the existence of culpable mental state should be proved by the revenue. A person should be prosecuted only on willful violation of the provisions of the Act and the burden of proof should be on the revenue.

It is the duty of the prosecution to prove such guilt. The deeming provisions of culpable mental state are totally improper and against the settled law. It is surprising that the accused will be burdened to prove a negative fact i.e. that he was not guilty. In a democracy, where rule of law is to prevail such provisions should not be enacted.

CHAPTER –XV – GENERAL

Para 9.1 : Deemed service of notice clause 264 (2) and (3):

DTC has provided for deemed service of notice on 5th day after the day on which a notice is sent by post or by courier service. For failure of postal department and courier service providers the assessee may have to suffer due to such proposal. Moreover sub cl (3) provisions are more draconian in nature which states that regardless of the fact that the notice etc has not been actually received by the person, the notice would still be deemed to have been served on the assessee. Thus the said proposal would legalize all settled issues on failure to follow Principals of natural justice as applicable to taxation laws.

OTHERS:

1. Accountability.

What is missing in the Code is provision relating to accountability. e.g. when a refund due to the assessee is not granted within the time specified under the Act, the assessee may have to file an appeal and pursue the remedy. No questions will be asked to the Officer why no refund is granted. Similarly, the Officer may make huge addition knowing well that the said additions will be deleted by the appellate authorities still no question will be asked to the Officer as to why he has made such an addition. We therefore are of the opinion that the accountability provision should have been introduced as recommended by Dr Raja Chelliah in his committee report. (1992) 197 ITR 257 (ST).

2. Tax Services

The approach of the tax officials must be changed from ‘tax collection’ to ‘tax service’, which aspect is conspicuously missing in the Code. The Government should have stated in the preamble that as they are relying on voluntary compliance of the assessee based on a certificate of Chartered Accountant. The attitude of the tax officials must be changed from ‘tax collection’ to ‘tax services’.

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