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Central Board of Direct Taxes issues office order to broaden the scope of 'Terms of Reference' for the new Direct Tax Code

The 'Terms of Reference', which provide the broad framework for drafting of new Direct Tax Code has been broadened to include five new terms of reference.

- Office order of Central Board of Direct Taxes dated 24 June 2019

A. Background

In November 2017, the Government of India constituted a Task Force to redraft the Income-tax Act. The new proposed draft is widely referred as the new 'Direct Tax Code'. The Task Force was constituted under the Convenorship of Mr. Akhilesh Ranjan, Member (Legislation) – Central Board of Direct Taxes ('CBDT'), and prominent figures having Indian Revenue Services background and leading tax professionals were nominated to the Task Force.

'Terms of Reference' ('TORs') of the Task Force was to draft an appropriate legislation in view of:

- i) the direct tax system prevalent in various countries,
- ii) international best practices,
- iii) economic needs of the country, and
- iv) any other matter connected thereto.

v) Highlights of the office order

CBDT, vide an office order dated 24 June 2019, has broadened the scope of TORs for drafting the new direct tax legislation. The additions to the TORs are:

- i) The faceless & anonymous verification/scrutiny/assessment.
- ii) The mechanism for system based cross verification of the financial transactions.
- iii) Reduction in litigation and expeditious disposal of appeals.
- iv) Reduction of compliance burden by simplification of procedures.
- v) Sharing of information between GST authorities, Customs, CBDT & FIU.

The office order has also replaced Mr. Arvind Subramanian (erstwhile Chief Economic Advisor) with Mr. Krishnamurthy Subramanian (present Chief Economic Advisor) as a 'permanent special invitee member to the Task Force.

Further, the office order also provides for inclusion of Mr. Ritvik Pandey, Joint Secretary (Revenue), as a member to the Task Force. Mr. Ritvik Pandey's inclusion is aimed to incorporate appropriate provisions in the new legislation law to enable seamless exchange of data/information between different Governmental agencies.

vi) Key takeaways

In past few years, the Government has made extensive push for electronic proceedings under the income tax law, which reduces the physical interface between the taxpayers and the tax authorities. Also, there has been a significant reduction in timelines for tax filings (timeframe for revision of tax returns has been substantially reduced) and in completion of tax assessments.

The broadening of scope of terms of reference provides emphasis to the aims of the Government to use technology as much as possible in order to conduct various proceedings under the income tax law, and at the same time reduce the compliance burden on the taxpayers. The new TORs provide a fair direction to the Task Force for drafting new legislation and re-emphasises the priorities of Govt.

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