

FinMin plans 100% I-T e-refunds

Soon, income tax refunds will be quick and hassle-free, if the finance ministry has its way. The ministry plans to make all refunds directly to the taxpayer's bank account.

A permanent account number (PAN) linked with the bank account number, just like Aadhaar, is integral to the Income Tax Department's plans. This way, the scope of the amount being transferred to a wrong account number is eliminated.

However, RBI is not comfortable with the idea of making PAN linkage mandatory for electronic transfer of all income tax refunds.

"We want to move towards 100 per cent ECS (electronic clearance service). But for that, we will need both the PAN and the bank account number. The system will process the refund only when both the numbers entered by the tax department are correct. At the moment, RBI has some reservations and we are trying to convince them," said a finance ministry official.

The tax department was not asking RBI to make PAN mandatory for all bank accounts, said another official. "We are concerned with only those 35 million bank account holders who have a PAN card. So it should not be a problem."

Refunds of Rs 70,000 crore have been given so far this year. Last year, refunds stood at Rs 95,000 crore. In 2009-10 and 2010-11, refunds of about Rs 57,000 crore and Rs 73,000 crore, respectively, were issued.

At present, refunds are provided through the refund banker scheme, launched in 2007, to non-corporate taxpayers assessed all over India. The State Bank of India (SBI) is the refund banker to the I-T department.

Refunds are generated in two modes - ECS and paper. If the taxpayer has selected mode of refund as ECS at the time of submission of income return, his/her bank account number and MICR (magnetic ink character recognition) code of bank branch and communication address are mandatory.

For taxpayers who have not opted for ECS, refund will be disbursed by cheque or demand draft. For generation of refund through paper cheque, correct address is mandatory. In the ECS mode, refunds are credited to the taxpayer's bank account within 24 hours of receiving intimation from the tax department, while for paper refunds, the cheque is dispatched within three days.

In Budget 2013-14, Finance Minister P Chidambaram extended the refund banker system to refunds of more than Rs 50,000.

(Business Standard)