

Significant reform to cut audit delays: CBEC relaxes tax regime

In a significant reform that would cut the audit delays concerning indirect taxes, give relief to taxpayers and reduce litigation, CBEC has eased and expedited the procedure of dealing with audit objections raised by the CAG.

In a significant reform that would cut the audit delays concerning indirect taxes, give relief to taxpayers and reduce litigation, the Central Board of Excise and Customs (CBEC) has eased and expedited the procedure of dealing with audit objections raised by the Comptroller and Auditor General (CAG).

According to a CBEC circular issued to its field formations, the practice of issuing protective show-cause notices (SCNs) to assessees in cases where the audit objections are not accepted by the CBEC has been done away with. If the CBEC accedes to the objections, the SCNs would henceforth be issued forthwith and adjudicated expeditiously. No SCNs will be transferred to the call book, where they used to get piled up.

“The revamp of the procedure to deal with audit objection including time-bound responses by the tax authorities, discontinuing the practice of transferring SCNs to the call book and early adjudication of SCNs will lead to certainty of tax liability of the assessees. Further, quarterly coordination meetings to track the progress of audit objections will add momentum to the closure of long-pending audit objections,” said Santosh Dalvi, partner (indirect tax) at KPMG in India.

The CBEC circular has prescribed time limits within which departmental officers are expected to complete their internal procedures. This will, in turn, help in the issuance of SCNs in a timely manner and so interest liability on the taxpayer, which used to accrue for unnecessary long periods, could get reduced.

An audit objection raised by the CAG’s Central Excise Revenue Audit (CERA) and Customs Revenue Audit (CRA) could potentially mature into an audit paragraph and become part of the apex auditor’s audit report tabled in Parliament. Citing the recommendation of the Tax Administration Reform Commission, the CBEC via the latest circular rescinded all past instructions and circulars regarding the procedure of dealing with audit objections. Instead, new timelines have been prescribed by the CBEC for itself and the field officers from directors and assistant commissioners to principal chief commissioners to reply to queries from CAG in the life cycle of an audit objection.

“The provisions like non-issuance of SCNs unless department has accepted the objections of CERA team and dropping of proceedings basis the judgment of the apex court or CBEC circular are beneficial for taxpayers and will save time and cost of tax payers wasted in futile proceedings,” said Abhishek Jain, tax partner, EY.

In the past, various field formations used to adopt different approaches to deal with these matters and the formulation of a uniform guideline to deal with various issues emanating from CERA or CRA audits will go a long way in streamlining the entire process. The new circular, tax experts said, would result in a reduction in litigation and bring attendant benefits to the taxpayer and the economy at large.

“These guidelines would help in providing a clear procedure for field officers to deal with CERA or CRA objections and at the same time improve the ease of doing business in India along with bringing certainty regarding tax liability of an assessee,” said Tanushree Roy, director (indirect taxation), Nangia & Co.

(Financial Express)