

Issues with Tax Collection Mechanism

Click [here](#) to know more about irregular ways carried out by tax officials to collect taxes.

\n\n

Why in news?

\n\n

Comptroller and Auditor General of India (CAG) has tabled its report on Central Board of Direct Taxes and the income tax department.

\n\n

Why income tax officials claim an exaggerated demand?

\n\n

\n

- In a recent report CAG had found that Income tax department has made 'exaggerated' demands on large companies.

\n

- Exaggerated demand are Quid pro quo deals between the assessing officer and the assessee in the understanding that it will be refunded to the latter a few months later with interest.

\n

- This exaggerated demands usually happens to meet the stiff, and often unrealistic, targets set by the Government for tax collections.

\n

\n\n

How irregular methods of tax collection affects economy?

\n\n

\n

- The assessee are troubled by unreasonable demands and they have little choice but to comply.

\n

- Irregular mechanism of income tax collection and refunds make the assessee to avert from paying taxes.

\n

- Investor-friendliness of a nation is measured not only by helping an investor to start a business but also by ensuring a trouble-free access to factors of production.

\n

- Placing impromptu and unreasonable tax demands seriously affects the being investor-friendly metric.

\n

\n\n

\n\n

Source: Business Line

\n

