A panel headed by Parthasarathi Shome on Monday recommended abolishing the post of revenue secretary as part of needed reforms in the tax administration. It also said the Central Board of Direct Taxes and the Central Board of Excise & Customs should be merged to achieve efficiencies.

"The present functions of the department of revenue should be allocated to the two Boards. This would empower the tax departments to carry out their assigned responsibilities efficiently," the Tax Administration Reform Commission (TARC) said.

Instead of a revenue secretary who is an Indian Administrative Service officer, it suggested a governing council, headed by a chairperson of the two Boards, by rotation, and with participation from outside the government, to be set up at the apex level to oversee the functioning of the two Boards.

MAJOR RECOMMENDATIONS

- Set up an Independent Evaluation Office to monitor the performance of tax administration, promote accountability, evaluate the impact of tax policies and assess all factors that affect tax administration
- A tax council to develop a common tax policy, analysis and legislation for both direct and indirect taxes
- A separate budget allocation to ensure time-bound tax refund and a passbook scheme for Tax Deduction at Source
- Develop PAN as a common business identification number, to be used by other government departments also such as customs, central excise, service tax, DGFT and EPFO

The panel also said retrospective amendments to tax laws should be avoided as a principle. It said the approach to retrospective amendments had resulted in protracted disputes, apart from having deeply harmful effects on investment sentiment and the macroeconomy.

In its first report to the finance ministry, the Shome panel also suggested setting up an Independent Evaluation Office to monitor performance of the tax administration, promote accountability, evaluate the impact of tax policies and assess all factors that affect tax administration.

Further, it recommended a tax council headed by the chief economic advisor in the finance ministry be set up to develop a common tax policy, analysis and legislation for both direct and indirect taxes. It pitched for a separate budget allocation to ensure time-bound tax refunds and a passbook scheme for Tax Deduction at Source. “Each rule, regulation and other tax policy measure such as exemptions should be reviewed periodically to see whether they remain relevant to the contemporary socio-economic conditions and meet the changing requirements,” the 594-page report suggested.

On PAN, the report said it should be developed as a common business identification number, to be used by other government departments also such as customs, central excise, service tax, Directorate General of Foreign Trade and Employees’ Provident Fund Organisation. The panel suggested income tax returns should also include wealth tax return, so that the taxpayer need not separately file wealth tax returns. It called for a dedicated organisation for delivery of taxpayer services with customer focus and made a strong case for “pre-filled tax returns”.

TARC also suggested that in line with international practice, a minimum of 10 per cent of the tax administration’s budget must be spend on taxpayer services. At least 10 per cent of the Budget should be allocated and spent for information and communication technology-based taxpayer services. It also recommended providing pre-filled tax returns to all taxpayers.