

Tax Administration Reform Commission (TARC)

Various commissions and their recommendations are very important for the IAS exam. The Tax Administration Reform Commission or TARC, set up by the government in 2013, deals with the issues of taxation and its reform in the country. This is an important topic for the [UPSC](#) coming under the Indian Economy segment.

TARC [Parthasarathi Shome Commission]

The Tax Administration Reform Commission or TARC was established by the Government of India in 2013 via a notification in August that year. The formation of this commission had been announced by the then Finance Minister in that year's Budget session in the Parliament.

- The chief mandate of the commission was to review the application of tax laws and tax policies in India with respect to the global best practices and to suggest measures for reforms needed in tax administration in order to augment its effectiveness and efficiency.
- The commission was an advisory committee and was headed by Dr. Parthasarathi Shome as the Chairman.
- TARC made 385 recommendations out of which 291 recommendations are relating to CBDT and 253 to CBEC.

TARC Recommendations

Some of the broad recommendations of the Parthasarathi Shome Commission were changes in structure, greater use of ICT, improvement in taxpayers services, exchange of information with other agencies, customs capacity building, strengthening of human resource management, key internal processes, compliance management, expansion of the base, revenue forecasting, tax governance among others.

Some of the observations made by the TARC are mentioned below.

1. The current organisational setup has the Revenue Secretary at the top of the tax administration hierarchy, above the [Central Board of Direct Taxes \(CBDT\)](#) and the Central Board of Excise and Customs (CBEC).
 1. Despite the Revenue Secretary not being a tax administration expert, he has the last word in matters of tax administration before it reaches the Union Finance Minister.
- **Note:-** The CBEC is now named the Central Board of Indirect Taxes and Customs (CBIC).
2. The second observation, with respect to the CBDT and the CBEC, was that, there seemed to be an artificial separation between both and that there was a lack of coordination between the two boards.
3. India has one of the highest numbers of tax disputes between the taxpayers and the administration and also, the lowest rate of recovery of tax arrears.
4. The members of the two boards were selected not on the basis of expertise, specialization, policy experience, etc. but on the basis of seniority.
5. There is pressure on tax officers to meet externally imposed revenue targets. Also, there is no protection for tax officers from the huge number of anonymous vigilance complaints.
6. Another observation was in respect of information and communication technology. TARC observed that ICT benefits were not adequately reaped by the tax administration set-up in India.
7. There is no research-based analysis of policy and no impact assessment studies in this domain in the country.

Some of the important recommendations given by the TARC are discussed below.

- **Consumer focus**
 - There should be a separate vertical for the delivery of taxpayer services in both the CBDT and the CBIC. At least 10% of the tax administration's budget must be spent on taxpayer services.
 - The Ombudsman's decision with respect to redressing taxpayer grievances ought to be binding on tax officers.
 - Pre-filled tax returns should be provided to all persons. The taxpayer will have the option of accepting the tax return or modifying it.
- **Human resource development**
 - IRS officers should specialize in a particular domain of tax administration. The commission recommended specialization including the lateral entry of specialists into the two boards.
 - The [Central Vigilance Commission](#) (CVC) should have a member who has been an [Indian Revenue Service](#) (IRS) officer. The policy of not taking cognizance of anonymous complaints should be strictly adhered to.
- **Structure and Governance**
 - The commission recommended the abolition of the post of the Revenue Secretary. It suggested that the functions of that post should be assigned to the two boards.
 - There should be a Tax Council to make recommendations on policy and recommendations; and a Governing Council to oversee the two boards' working.
 - The TARC recommended the complete integration of the CBDT and the CBEC.
- **Dispute resolution and management**
 - Retrospective legislation should be avoided.
 - Both Boards should commence a special drive for the review and liquidation of cases that are currently clogging the system by forming dedicated task forces.
 - Each board should set up a separate dispute resolution mechanism vertical.
 - Also, a pre-dispute consultation process before a tax demand notice is issued should be put into practice.
- Another recommendation of the commission was that the Permanent Account Number (PAN) should be developed as a Common Business Identification Number (CBIN), to be used by other departments such as customs, excise, etc.
- The commission had recommended that the [General Anti-Avoidance Rule \(GAAR\)](#) be introduced in India after a deferment period of three years. It finally came into effect in 2017.

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