

E-woes

Finmin sees reason in the demand for extending deadline for filing corporate returns electronically

Corporate tax-payers, as also their tax advisors and chartered accountants, got a much needed respite last fortnight with the finance ministry extending by a month its 31 October deadline for filing their returns electronically.

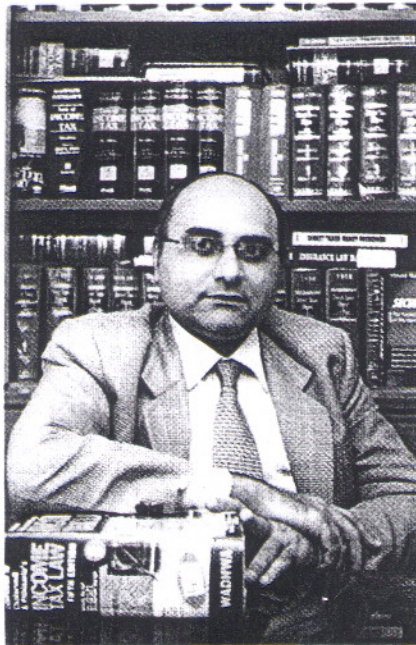
A mulish finance ministry finally got off its high horse and acceded to the overwhelming demand for just such relief. Its notification mandating the e-filing of a combined return of Income Tax and Fringe Benefit Tax (FBT), in Form 1, for all corporate taxpayers for assessment year 2006-07 had caused much heartburn. Though the corporate sector had welcomed the step, it was deterred by the abruptness of the time limit.

To aggravate the situation, finance minister P. Chidambaram had held firm against any postponements on the contention that the system was eminently workable and the deadline, more than indulgent. Chartered accountants, advocates and tax practitioners *Business India* spoke to indicated that policy reforms were fine so long as they were backed by rationale. "Just as the civil aviation ministry opened up the skies without thought to the airport infrastructure, the finance ministry is foisting measures when its own software set up for the purpose is proving to be a barrier," said one CA. "Besides, the deadline ignored the Diwali and Id festival holidays when everyone is preoccupied with their personal commitments."

* In a representation to Chidambaram for extension of the deadline, Himanshu Kishnadwala, president of the Bombay Chartered Accountants' Society (BCAS), and Pinakin Desai, chairman of the Society's Taxation Committee, had written: "It is no exaggeration to say that a number of mid-sized and small-sized companies and their advisors' offices are not aware of the intricacies or

requirements. It is with this background in mind that this representation is made."

In a separate representation to the finance minister, T.N. Manoharan, president of the Delhi-based Institute of Chartered Accountants of India (ICAI), indicated that since the new Form 1 was notified as late as in August 2006, it afforded little time for the corporate taxpayers to comply with the deadline. According to him, confounding the situation was the fact that the software was provided as



Kishnadwala says the abrupt deadline and an error-prone software burdened corporate assessee inordinately

late as in the latter part of September, effectively granting just a month to file the returns. Worse, even during this truncated time, the authorities went on modifying the system in an effort to work over the malfunctions encountered during implementation. Kishnadwala says the faults have not all been rectified as yet, with the authorities attending to each problem as and when it is highlighted by the aggrieved assessee.

The e-filing of income-tax returns has been flaunted by the finance ministry as part of the e-governance initiatives of the government of India. But while furnishing e-returns has been made mandatory for corporate

assessee, it is optional for other taxpayers, such as individuals, non-corporates and trusts. Some CAS maintain, however, that this stipulation is part of the government's larger pursuit of data collection, which helps it track corporate, as also non-corporate, assets. Previously, the revenue department used to have the returns in hard copy format keyed in manually. But the new obligation for e-filing obviates this need, Form 1 being 26 pages long and requiring detailed inputs.

Incompatible software

The BCAS points out that some of its members have been relying on privately available software, which proved to be incompatible. Many CAS also experienced that even when all the data are correctly filled in Form 1, unidentified mistakes resulted while running the programme for error identification. Kishnadwala reflects the genuine concern of other CAS that tax returns thus filed may be rejected as defective. "Taxpayers not yet conversant with the software can well commit errors inadvertently in filling in the numerous details prescribed in the new forms," he remarks. He adds that there is also lack of clarity on how foreign companies will be able to file such returns if they do not have permanent account numbers (PAN), because the return forms cannot be uploaded without the number.

The ICAI too maintains that preparation and filling up of each Form 1 takes between three and six hours and in many places, accessibility to the Web site consumes additional time. Moreover, error message and rejection is commonly experienced in uploading the returns. The balance-sheet, which is part of Form 1, is not the same as in the Schedule VI format of the Companies Act, 1956, leading to regrouping of figures and consequent delays. "The returns, which fell due in July 2006, are also being filed now, as the due date was shifted to October 2006," Manoharan mentions. "Hence, with professionals busy filing those returns, non-corporate tax audit cases and also corporate returns, work pressure has enhanced tremendously."

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