Opinion | Common taxpayers suffered this tax filing season due to frequent changes

4 min read. Updated: 26 Aug 2019, 11:50 PM IST Gautam Nayak

In the last month or so, several professional associations from across India have raised issues with the finance minister about the manner in which certain procedures, including online systems, followed by the tax department are causing difficulties for common taxpayers, instead of making life easier for taxpayers. At times, the systems cause insurmountable difficulties at the time of filing their income tax returns (ITR).

One of the significant items pointed out is the late availability and constant changing of the ITR filing utility, which is an excel or java software that you fill in, and upload on the tax filing website. Earlier, the ITR formats for the year were notified sometime in May. Due to a high court order, these are now notified in the first week of April. However, you cannot file your ITR until the ITR filing utility is available, which generally (for most forms) does not come out till June.

The problem does not end there. The tax utility often throws up mistakes like incorrect computation. For instance, till the first week of July, the tax utility did not compute the correct long-term capital gains (LTCG) on the sale of listed shares. Taxpayers with such LTCG had to wait till then to file their ITR. Further, the utility changes at frequent intervals, of a few days each. Therefore, if you download a utility, fill it partly and complete it after a week of getting all the relevant details, which most taxpayers do, you may not be able to upload the same utility. You will have to fill up a new utility all over again, and then upload it.

The worst part is that there are many provisions in the tax utilities, whereby the income is computed in a particular manner once the details are fed in, which is at times inconsistent with court decisions. You are, therefore, forced to compute your taxable income in a particular manner, which follows the views taken by the tax authorities, though the law has been interpreted differently by the courts. When you had manual returns, you could choose to follow the views taken by the courts, and append a note explaining your stand. There is unfortunately no facility available to make such claims in the ITR, or to give an explanation regarding your view while computing your income.

One, therefore, has to figure out an ingenuou

s way of filling in the ITR utility, whereby the income computed is in accordance with the stand that you adopt. Therefore, a taxpayer now has to understand tax laws, and also rack his brains to figure out a way whereby the utility computes income and taxes correctly. This makes tax filing a fairly complex and daunting experience for most taxpayers, who opt to outsource this task to professionals.
The story does not end here. Many taxpayers receive notices from the Centralised Processing Centre stating that their ITR is defective and asking why they should not be treated as invalid since they are not correctly filled in, or threatening to increase their taxable income and their tax liability. Very often, such defects or mistakes are on account of the fact that taxpayers have used earlier versions of the tax filing utility, while the software processes all the returns on the basis of the latest utility. A clear case of early worms being penalized, instead of being rewarded.

One of the major reasons for these problems is the fact that every year, so many changes are made in our tax laws, that the tax return forms necessarily have to be amended. Amendment in ITR requires amendment in tax filing utilities, often in a short period of time. The brunt of the defects in the software due to changes made in such a hurried manner is borne by the taxpayer. Perhaps, with the new direct tax law coming in, it is time that changes in tax laws and the format of tax return forms are carried out only once in five years, instead of every year. This will stabilize the systems and reduce the problems substantially.

The other major problem is that the tax department is seeking to extract too much information from taxpayers, all of a sudden, or introducing such complicated provisions in laws that the software is not able to compute the income properly in the first instance. A classic case being LTCG computation for listed shares, with substitution of fair market value as of 31 January 2018. There are so many permutations and combinations at times, as in the case of capital gains for different types of assets, that bugs in the software are inevitable in the first instance. What we need, perhaps, are simpler and clearer laws, which again one hopes that one will soon have, with the new income tax law.

Add to this, the penalties and the horrendous provisions for prosecution if you are lax in filing your ITR—that makes for a classic painful story for taxpayers. As Chanakya rightly said, “The ruler should act like a bee which collects honey (tax) without causing pain to the plant.” One hopes the government understands the underlying problems, and takes care to address these, rather than focusing on superficial issues.

_Gautam Nayak is a chartered accountant_