
CBDT issues Instruction to address taxpayer grievances from High Pitched Scrutiny Assessments

10 November 2015



The Central Board of Direct Taxes ('CBDT') has issued an Instruction No. 17/2015 dated 9 November 2015 providing for the constitution of 'Local Committees' to deal with taxpayer grievances in relation to high pitched scrutiny assessments.

The Instruction, inter alia, notes that it has been brought to the notice of the CBDT that the tendency on the part of tax officers to frame high-pitched and unreasonable assessment orders continues to persist, which leads to harassment of taxpayers and the generation of unproductive work for the Income-tax Department as well as appellate authorities.

To address this, the CBDT Instruction proposes to lay down an institutional mechanism to resolve taxpayer grievances in this regard.

The mechanism

Local Committees are to be constituted across the country comprising of 3 selected officers of the rank of Commissioner of Income-tax. It is expressly provided that such Local Committees are not an alternative/appeal channel.

Taxpayers would be able to file grievance petitions with such Committee, who shall endeavour to dispose of such petitions within two months.

If the Committee finds that unreasonable and high-pitched assessments have been made by the Assessing Officer, it shall send a report to the Principal Chief Commissioner of Income-tax, who shall after considering the views of the Committee, take suitable administrative action, wherever required.

The departmental position determined by the Local Committee will also be appropriately presented before Appellate Authorities so as to curb litigation.

Factors to be considered by the Local Committee

The factors to be evaluated by the Local Committee while dealing with the grievance petition listed in the Instruction are:

- a) Prima facie case of a high pitched assessment
- b) Non-observance of the principles of natural justice
- c) Non-application of mind
- d) Gross negligence or lack of involvement of the assessing officer
- e) Whether the assessment order is backed by sound reason or logic
- f) Gross misinterpretation of law
- g) Ignoring of obvious/established facts

Our Comments

This Instruction marks the latest in the series of recent initiatives announced by the Government on the tax front. While steps have been initiated to deal with substantive tax issues (such as applicability of MAT to FIIs/Foreign Companies, simplification of income-tax laws etc.), there had been little action so far on the administrative front. In this backdrop, this Instruction is, thus, very a welcome first step in administrative reform.

If implemented in letter and spirit, this initiative has the potential to go a long way in addressing challenges faced by taxpayers, and in improving accountability as well the overall quality of tax assessments.

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