

SIGNING OFF

My Dear Members of the Aayakar Family,

Today as I demit office as Chairperson of CBDT after putting in more than 37 years of service in Income Tax Department, I take the opportunity to thank you all for all the support you extended to me during all these years. I feel proud of being a part of this great Department and feel beholden to you all for reposing faith in me and for cooperating whole heartedly in many ventures that we undertook together.

Serving the Dept. with all sincerity, it has always been my endeavour to foster highest standards of ethics and morality in public service and to guard against any tendencies which could bring a bad name to the Department. Upholding ethical values and human dignity always remained my guiding principle. Today I feel deeply satisfied that I have been able to live upto the standards that I had set for myself. Certain decisions taken responding to the call of duty might have appeared harsh at times, but trust me, welfare of this great family and service to the people of this great nation have been the only consideration with me while dealing with the official matters.

Dear friends, when I took over as the Chairperson of the Dept. in June, 2013, one of the biggest challenges that faced the Dept. was to implement the new cadre restructuring whereby 20751 new posts at all levels were added to the department. With the support of you all, much of the task has already been accomplished: DPCs for promotions at all levels from ACIT to Pr. CCIT with the exception of CIT to Principal CIT have been completed. DPC for grant of NSFG to Officers of 2000 & 2001 batch has also been completed. The file for giving NFU grade to Officers of 1980 and 1981 Batches is already under process. It gives me pleasure to inform you that all the APARs from ITO to Apex Grade CCIT have been scanned and systematised. Briefly, the following has already been accomplished:

- (i) DPC of AC to DC for 2008 and 2009 batches

- (ii) DPC for Addl. CIT to CIT 1991 and 1992 batches
- (iii) DPC of CIT to CCIT 1980 , 1981 and part of 1982
- (iv) Proposal for DPC of ITO to ACIT has been submitted to UPSC
- (v) DPC of CCIT to CCIT Apex Grade has been held and the approval of ACC is awaited.
- (vi) Proposal for DPC of CIT to Principal CIT shall be submitted to the UPSC shortly.
- (vii) Proposal for Empanelment in the grade of JS for 1988 and 1989 batches is being sent to DoPT shortly.

As for the recruitment and promotion of staff, the process of new recruitment through SSB is already in process. For promotion, the matter has been thrashed out by sub committees, Core Committee and the Board. The Board has already approved the new Recruitment Rules and the Allocation of Posts to implement restructuring proposals. Allocation of posts for various functional units such as assessment, TDS, Exemption, International Taxation, Investigation, Central and I&CI etc. has been finalised by the Board and sent to the FM for approval. Allocations for all Regions and Directorates have also been finalised. The CsCIT(CCA) have already been asked to keep their records complete and ready. I will be handing over the baton to my successor now and I hope that the remaining process will also be completed soon by the Board.

As tax collectors of the country, we have a pivotal role to play in national development. The huge target of budget collection for the year 2013-14 was also not an easy task. The revised target has been fixed at Rs.6,36,318 Crore. As on today we have made a gross collection of Rs. 5,44,891 Crore, which after adjustment of refunds gives a net collection of Rs. 4,65,998 Crore, with a growth rate of 14% and 73.23 % of the total Budget target. I am confident that with your efforts in the coming month and the last instalment of Advance Tax in the month of March, you will be able to achieve the target. Please keep it up. I am sure you can do it.

In the field of infrastructure, as many as 131 projects were sanctioned involving an amount of Rs.737.54 Crore. Details of these projects are being separately put up on the departmental website. For facilitating taxpayers' services, 55 ASK centres out of the proposed 58 during the year are already in place. The building projects at the NADT which were to be completed by 2012 were

monitored on day to day basis and, as a result, the foreign trainees' hostel "Indshala" has been completed. The Mess building is in the process of completion and time lines have been fixed for the remaining structures as well.

The working of FT&TR, International Taxation and TPL divisions was streamlined. The work distribution within the FT&TR division was rationalised. The training of the officers posted in TP and International Taxation was worked out; more DRPs were set up; MAP negotiations and APAs were pursued in big way; DTAAs were negotiated. This resulted in signing/enforcing of 6 new DTAAs, 4 Tax Exchange Information Agreements (TIEAs) and resolution of 21 MAP cases. Processing of 117 cases under unilateral APAs and 32 cases under bilateral APAs has been done, out of which, 20 papers have been finalised and exchanged with other Competent Authorities. India's representation on International Fora was vigorously followed and process of posting 9 officers in overseas tax units has been accomplished. Also, Safe Harbour rules were notified. Two Peer Reviews by Global Forums were done during this period and India was rated as 'Compliant' on all the ten essential elements. There are only 9 other jurisdictions who have been rated as 'Compliant' on all the ten parameters. The details of the work done have been put on the website separately.

In the area of Tax Policy and Legislation, as many as 17 notifications were issued up to 31st October 2013, the details of which have been separately put on the website. This process is being carried forward by the TPL division under the leadership of Member (L&C).

Another remarkable achievement of the Board has been to formulate the Guidelines for Media interaction which have been duly approved by the Hon'ble Finance Minister.

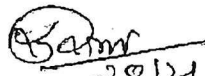
When I took over as Chairperson, I had emphasized transparency and humane approach as also the need for promoting voluntary compliance and a hassle-free service to the honest tax payers as part of our policy. I had also underlined the need to focus on non-filers and stop-filers with a view to achieving a tax regulation regimen in India which can match the best in the world. This gives me immense pleasure to share that this policy was strictly adhered to and taken forward. During the current year, through NMS, we collected tax of more than Rs1900 cr; more than five lakh new returns were filed and about 150000 self-assessed tax defaulters were detected. We have also registered a great deal of

progress in the use of technology- establishment of CPC(TDS); receiving all forms through e-mode; strengthening of e-filing portal and processing portal at CPC, Bangaluru. The process is also on for establishing CPC (Data-mining) and ITBA project. The new Technical Training Centre with a capacity to train 20000 officers per year, which is a part of the ITBA project, has been completed in January, 2014 within the stipulated time-frame. With the kind of technological advancements taking place in the Department, I am sure the day is not far when Indian Tax-System will be considered one among the best in the world.

Friends, our Department has a great future. It is full of talented, diligent and dedicated officers and members of staff, and that is its biggest strength. I am sure each one of you will use your talent for the progress of the Department and for the service of the nation. Every Indian should feel proud of your services.

Good Bye and all the Best to you all.

Jai Hind


28/2/14.

(Dr. Sudha Sharma)

DATED: 28.02,2014

Chairperson

Work Accomplished by the TPL and FT&TR Divisions of CBDT as well as DGIT(Logistics) up to February 2014

A. TPL DIVISION

During the period 01.04.2013 to 31 October 2013, as many as 17 Notifications were issued by the TPL Division which are enumerated hereunder:

- ITR forms for the assessment year 2013-14 have been notified.
- Section 35CCC of the Income-tax Act provides for deduction in respect of expenditure incurred on agricultural extension project notified by the Board. Accordingly, Rules 6AAD, 6AAE and form 3C-O have been inserted to prescribe the guidelines for approval of agricultural extension project.
- TDS rules have been amended to prescribe a simplified procedure relating to tax deposit and furnishing of information for the deductor deducting tax under section 194-IA (in respect of payment on transfer of certain immovable property other than agricultural land) by introducing a single page challan cum statement - form no. 26QB .
- Commodities Transaction Tax was introduced vide Finance Act, 2013 to come into effect from the date of notification. Commodities Transaction Rules have been notified and 01.07.2013 has been notified as the date from which the Commodities Transaction Tax and Commodities Transaction Rules come into force.
- Rules for transfer pricing in relation to "specified domestic transactions" defined under section 92BA of the Income-tax Act (introduced vide Finance Act, 2012) have been notified by amending the Rules.
- Section 94A of the Income-tax Act provides for special measures in respect of transactions with persons located in notified jurisdictional area. Accordingly, Rule 21AC and Form '10FC' for furnishing of authorization and maintenance of documents etc. for the purpose of the said section has been notified.
- Clause (e) of the proviso to section 43(5) provides that an eligible transaction in respect of trading in commodity derivatives carried out in a recognized association shall not be deemed to be a speculative transaction. Accordingly, rules 6DDC and 6DDD have been inserted in the Income-tax Rules in respect of requirement to be fulfilled by a recognized association to be notified as one for the purposes of the said section.

- Section 35CCD of the Income-tax Act provides for deduction in respect of expenditure incurred on skill development project notified by the Board. Accordingly, Rule 6AAF has been inserted to prescribe guidelines for approval of skill development project under the said section.
- Section 194LD of the Income –tax Act provides for tax deduction at source on income by way of interest on Government securities and rupee denominated bond of an Indian Company provided that the rate of interest in respect of the rupee denominated bond shall not exceed the rate as may be notified. Rates of interest for the purposes of the section have accordingly been notified.
- Under the provisions of sections 90 and 90A, a non-resident is required to furnish a certificate of his being a resident in any country/specified territory outside India. Accordingly, Rule 21AB has been amended to prescribe the format of the certificate to be obtained by the assessee and Form '10F' has been inserted for providing the information that is to be furnished under the said sections.
- The procedure for remittances to non-residents has been revised by amending Rule 37BB of the Income-tax Rules.
- Under the provisions of section 115U of the Income-tax Act, a statement in respect of income paid or credited by the Venture Capital Company or the Venture Capital Fund has to be furnished as prescribed. Rule 12C and form no. 64 prescribing the details in respect of the said statement have been amended.
- Chapter XII-EA inserted by the Finance Act, 2013 provides for special provisions relating to tax on distributed income by Securitization Trusts. Section 10(23DA) exempts from tax any income of a securitization trust from the activity of securitization. Rule 12BA and form no.63AA have been inserted in the Income-tax Rules to prescribe the details and format of the statement to be furnished by the securitization trust.
- Under the provisions of section 92CB of the Income-tax Act, the Board may make rules for Safe Harbour. Accordingly, rule 10TA prescribing Safe Harbour Rules has been inserted in the Income-tax Rules.
- As per the provisions of General Anti-Avoidance Rule (GAAR) inserted in the Income-tax Act vide Finance Act, 2013, guidelines and conditions for application of GAAR would be as may be prescribed. Accordingly, Rule 10U and forms 3CEG, 3CEH and 3CEI prescribing the same have been inserted in the Income-tax Rules.

- Under the provisions of section 245Q, an applicant desirous of obtaining an advance ruling may make an application in such form and in such manner as may be prescribed. Accordingly, Form 34EA has been inserted in the Income-tax Rules.
- Under the provisions of section 47(xvi), any transfer of a capital asset in a transaction of reverse mortgage under a scheme made and notified by the Central Government shall not be regarded as transfer. Accordingly, amended Reverse Mortgage Scheme has been notified.

B. FT&TR Division

FT&TR Division accomplished the following:

- Three new Double Taxation Avoidance Agreements (DTAA) with Uruguay, Albania and Latvia were entered into force taking the total number of DTAA's to 88.
- Further, three new DTAA's with Macedonia, Fiji and Croatia were signed.
- In addition, protocols amending the existing DTAA's with Bangladesh, Sweden, Australia, Romania and United Kingdom entered into force during this period and Protocols amending the existing DTAA were signed with South Africa, Morocco, Denmark and Brazil.
- Three new Tax Exchange Information Agreements (TIEAs) with Bahrain, Belize and Liechtenstein entered into force during this period taking total number of TIEAs to 15. Another new TIEA was signed with San Marino.
- Discussions on MAP were held with Japan, United Kingdom, Switzerland, Finland and USA and, 11 cases with Japan, 6 cases with UK and 4 cases with USA were resolved, while significant progress was made in respect of many other cases.
- During the year, the MAP process with USA was resumed after a gap of more than a year, and two rounds of discussions were held between the Competent Authorities, on arriving at a mutually acceptable framework under which the cases can be resolved expeditiously.
- A total of 117 cases under unilateral APA and 32 cases under bilateral APA were processed and papers have now been finalized and exchanged with the other Competent Authority in 7 cases of bilateral APA. The Indian position is also finalized in respect of 13 of cases of Unilateral APA.

- Safe Harbor Rules were notified on 18th September, 2013 by SO 2810(E), with a view to reduce tax litigation and disputes in transfer pricing matters and provide greater certainty to the taxpayers.
- Circular No. 6/2013 was issued on 29th June, 2013 on conditions relevant to identify development centres engaged in contract R&D services with insignificant risk. A clarification on section 195 read with section 201 of the Act, as proposed by the CBDT was concurred by the Ld. Attorney General and the instruction is being issued.
- Information has been requested in a number of cases under the provisions of DTAAs/TIEAs/Multilateral Conventions and the information received have been utilized by the officers of the tax department in assessment and investigation. Since Cyprus has not been providing the information requested by tax authorities, it was notified as a notified jurisdictional area under section 94A of the Income-tax Act, 1961.
- India as a vice-chair of the Peer Review Group (PRG) of the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) and has provided valuable inputs, both in written form and also during the meetings of the PRG, for the assessments and peer review of a number of jurisdictions. The Global Forum in its November, 2013 meeting in Jakarta, also approved the ratings for fifty jurisdictions whose Phase 2 reviews were completed. India was rated as "Compliant" on all the above ten essential elements and accordingly was allocated an overall rating of "Compliant". There are only nine other jurisdictions who have been rated as Compliant on all the ten essential elements.
- Negotiations were held with US Treasury officials for entering into an Inter-Governmental Agreement (IGA) for exchanging tax related information on an automatic basis.
- As a G20 country, India worked with OECD to develop a Common Reporting Standards (CRS), on a fully reciprocal basis, for automatic exchange of financial information, which when fully implemented will enable us to receive information of Indians having bank accounts in offshore jurisdictions. Roadmap for implementing the CRS in India including effectively using the information received from foreign jurisdictions while maintain confidentiality lay down.
- To ensure that the profits are taxed where economic activities deriving the profits are performed and where value is created India joined the G20/OECD BEPS project on an equal footing. India was also elected by the non-OECD G20 countries to be part of the CFA Bureau Plus, which will be overseeing the implementation of the BEPS Project. During the year, India actively participated in the drafting of proposals

regarding Preventing of Treaty Abuse, Artificial Avoidance of PE Status, Dispute Resolution, Transfer Pricing Issues, Taxation of Hybrid instruments, Addressing Harmful Tax Practices and Controlled Foreign Corporation rules, and it was ensured that concerns of India are included in the BEPS project.

- India also actively participated in the drafting of the report on addressing challenges arising from Digital Economy, highlighting the need to change international tax rules requiring physical presence for taxation of business income in source country. The initiative taken by India to create a common stand of BRICS countries also resulted in greater acceptance of the concerns faced by emerging economies.

- Tax issues were discussed extensively in the G20 meetings of the Finance Ministers and G20 Leaders, particularly on the issues of "Base Erosion and Profit Shifting", "Exchange of Information including on an Automatic basis" and "Assistance to developing countries for capacity building" and India's comments were taken on Board in the final communiqué/declarations.

- Three areas of cooperation as mandated by the BRICS Leaders were finalized and are (a) Base Erosion and Profit Shifting (b) Common Approach on International Forum and (iii) I-T Inter Connectivity for Customs Co-operation. 8th meeting of IBSA Heads of Revenue Administrations Working Group (HRAWG) was held on 8th November 2013 and the 11th meeting of IBSA Revenue Administrations Steering Group (RASG) was held on 4-7 November, 2013 at Rio de Janeiro, Brazil. Cooperation in the areas of international taxation and transfer pricing, exchange of information, cooperation in multilateral fora, digital economy, aggressive tax planning and capacity building were identified and sub-groups have been constituted to work in these areas for enhanced cooperation.

- A dedicated module on International Taxation, including Exchange of Information, and Transfer Pricing was added in the syllabus of the Induction Course of the IRS probationers, and training was imparted on these topics to ensure that IRS officers are properly equipped to handle international tax and transfer pricing topics.

- A total of 34 officers of the Department were deputed to OECD training events at different centres outside India on tax issues as part of capacity building process. Two OECD training programmes on international taxation and transfer pricing were organized at NADT for officers of the Department.

- Training sessions on international taxation and transfer pricing was organized for officers posted in Directorate of International Taxation and Transfer Pricing on 12-13 July, 2013 and 25-27 July, 2013.

- A training programme was organized from 22-25 July, 2013 on Indian APA provisions for tax officers of South Africa Revenue Service, at New Delhi.
- The National Academy of Direct Taxes (NADT) conducted an "Auditor Sensitization Seminar" in collaboration with Global Forum at Nagpur from 31st July to 2nd August, 2013, which was inaugurated by the Chairperson, CBDT.
- Training on Exchange of Information was also conducted at each of the eighteen cadre controlling regions and the officers were sensitized of the usefulness of Exchange of Information.

C. DGIT(Logistics)

The DGIT(Logistics) oversees the work of DsIT (Infrastructure), DIT(Expenditure Budget) as well as DIT(BPR) and DIT(O&MS). During the period under review, the following work was accomplished:

- Till 25th February 2014, 131 Infrastructure projects involving an amount of Rs.737.54 crores were sanctioned. Some significant sanctions are briefly as under:
 - a. Purchase of Land for Office Building and Residential Quarters at Mohali. (Rs.14.5 crores)
 - b. Purchase of land for construction of new office Building at Kochi(Rs.12.26 crores)
 - c. Construction of Type VI Residential Quarters at Nugambakkam, Chennai. (Rs.38.2 crores)
 - d. SFC proposal for construction of Office building & Residential Quarters in Belgaon, Panaji.(Rs.44.33 crores)
 - e. Purchase of land for construction of new office Building at Mysore.(Rs.3.84 crores)
 - f. CNE proposal for revision in cost of construction of Type-V Residential Quarters at Bandra Kurla Complex, Mumbai (16.80 crores additional cost.)
 - g. SFC Proposal for construction of Type-VI Residential Quarters and Community Hall/ Guest House at Hadapsar, Pune(Rs.37.78 crores)
 - h. Construction of Annexe to the Office Building at Rourkela.(Rs. 6.77 crores)
 - i. Construction of Office Building at Jharsuguda, Odisha. (Rs.3.65 crores)
 - j. Construction of Type V & VI Residential Quarters at Telibandha, Raipur. (Rs. 32.37 crores)
 - k. Purchase of land for construction of office building and residential quarters at Rajsamand (Rs.2.17 crores)

- Out of total no. of 59 ASKs which were proposed to be set up during F.Y. 2013-14, the infrastructure for setting up 56 new ASKs across the country has been completed.
- Internal Audit and Management Review has been completed by the Directorate of O& MS and final application for certification has been submitted to the Bureau of Indian Standards for BIS certification IS: 15700 for 21 ASKs across the country identified for such certification during 2013-14.
- All ASK centers are having at least one stand alone dedicated PC with Internet connection. Earlier this was available only at the ASK kiosk. This facility will make all the services provided through e-portal available to the visiting taxpayers. These include:
 - i) PAN enquiry
 - ii) Viewing of 26AS
 - iii) Downloading of circulars and latest press releases for information of tax payers,
 - iv) Jurisdiction related enquires
 - v) Checking refund status for e filed returns
- A list containing names and contact numbers of all TRPs is being prominently displayed in all ASK Centre for use of taxpayers.
- All ASK centers are having a dedicated desk for receiving PAN/TAN application through representatives of NSDL/UTIISL.
- The facility to receive appeal papers in respect of CsIT(Appeals) and RTI applications is to be provided at ASK Centers. The issue is currently under consideration of DIT(Systems).
- A comprehensive guest house policy was piloted which was approved by the Full Board. This policy will serve as a guide to the field-formations for in administering the guest houses of the Income Tax Department within their jurisdiction with due observance of Rules and Procedures.
- A self-contained manual on expenditure budget was compiled and circulated to the field-formations for their guidance and speedy action in expenditure budget matters.