



Income-Tax dept feels new norm will make CBDT a subordinate body; to convey displeasure to FM

New tax code hits bureaucratic wall

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THE new direct tax code, launched with much fanfare by finance minister Pranab Mukherjee and his predecessor P Chidambaram recently, is up against a bureaucratic wall with the Indian Revenue Service (IRS) brigade complaining that it will reduce this elite service into a mere tax collection machinery.

The Income-Tax department is apprehensive that the new code, which is set to be effective from April 1, 2011, subject to the approval by Parliament, will undermine the role of Central Board of Direct Taxes (CBDT). Top I-T officials have already conveyed their displeasure in this regard to the finance minister, two senior officials from the ministry told **SundayET** on condition of anonymity.

According to the officials, the code was kept in high secrecy and it was drafted not in North Block but in a guest house at Golf Link area of Delhi where the then finance minister P Chidambaram had regularly visited to oversee the progress of the draft. The preparation of the direct tax code, which will replace the I-T Act of 1961, had begun almost four years ago.

In a board meeting held on August 27, the CBDT had decided to constitute a committee to examine suggestions of I-T officials and present them to the finance minister. The bone of contention is Section 133 (2) of the new code that seeks to strip CBDT off the power to issue cer-

BONE OF CONTENTION

- **Under Section 133 (2) of the code, CBDT is curbed of issuing certain orders, instructions, direction and circulars**
- **Under Section 127, the CBDT is bound by the government's directions on policy matters. Central government would be able to question the Board on a number of matters**
- **No consultation with CBDT while preparing the code**



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tain orders, instructions, directions and circulars. Another contentious section is 127 under which the CBDT would be bound by the government's directions on policy matters. It will make the Board a subordinate body of the revenue department of the finance ministry which would be able to question the Board on a number of matters.

though many of them said off-the-record that the board was not consulted at all when the code was being drafted.

"Even for the Budget, which is a secret affair, our suggestions are taken. But in this case, the Board was not consulted at all," said an official. A CBDT spokesman refused to comment for this story.

Former chairman of CBDT, R Prasad, said he had no idea about the code. Another retired taxman who served as CBDT chairman when the draft code was being prepared said that he was never consulted for this code. "I don't think, the Board was taken into confidence while preparing the direct tax code. I feel, the present board too did not have any idea till the last moment," he said.

The finance ministry is now receiving suggestions from the public on the direct tax code which needs to be passed by the Parliament to become an Act.

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"It's a major ploy to curtail the power of the Indian Revenue Service officials. We will virtually have no power and end up becoming just a tax collecting machinery," said an official.

None of the officials and members in CBDT were willing to talk on the subject