To,

Smt Nirmala Sitharamanji

Hon’ble Union Minister Of Finance

Government of India

New Delhi

Subject: **Problem Being Faced In Direct Tax Matters**

Hon’ble Madam,

We are very much thankful to Your Goodself for giving us Your precious time to the delegation of National Chamber of Industries and Commerce, UP, Agra.

**Introduction of the chamber**

At the very outset, we would like bring to your kind notice that National Chamber of Industries and Commerce, UP, Agra is an apex federal and registered body in Western Uttar Pradesh since 1949(i.e. 75 years old), which works in the interest of industry and trade. More than approx. 1600 reputed industrial and commercial establishments are associated with this institution as members, which are located in Agra and adjoining districts/cities. About 25 associations are also attached to this Chamber as affiliated organizations. The members of this Chamber who are experts in their field with deep experience are nominated by the State and Central Government in various advisory committees and the suggestions made by them are considered by the Government in policy formulation. We are representing the concerns and suggestions of our members regarding certain aspects of income tax regulations. We appreciate the ongoing efforts of the government to streamline tax procedures and create a conducive environment for businesses. However, we believe that clarification/ modification are necessary to address the challenges faced by taxpayers, particularly in the following areas:

1. **Section 43B(h) –(Disallowance For Late Payment To MSME Creditors)**: The current provisions under Section 43B(h) regarding non allowability of expenditure for delay payment to MSME is creating hardships for businesses, particularly in cases where liabilities are disputed. We recommend a review of this section to allow for a more reasonable treatment of disputed liabilities in tax assessments. This section also creates a sense of bias between the manufacturers and the traders. We are enclosing herewith a detailed representation which was sent by us. We request You to kindly give a clarification on relaxation/deferment of the provision at the earliest as books of accounts have to be closed in month of March.
2. **Faceless Appeals**

**Time Frame for Deciding Appeals**: Timely resolution of appeals is crucial for maintaining trust in the tax administration system. Multiple times submissions are filed by the appellant but even after lapse of considerable time frame, no order is passed by the adjudicate authority. We suggest establishing a specific time frame for deciding appeals to provide certainty to taxpayers and reduce prolonged litigations.

**Vivad Se Vishwas –II -** With the piling up of appeals and high demand involved, it is necessary that once again scheme like Vivad se vishwas is brought in especially keeping in mind the appeals wherein sec 115BBE has been triggered.

**Amnesty Scheme Required-** Furthermore, it is worthwhile to note that the government in 2016 came up with the Income Declaration Scheme under Chapter IX of the Finance Act of 2016 whereby any individual with undisclosed income could surrender his income before the Income Tax department without revealing the source of such income at a tax rate of 30% along with 25% surcharge on such tax, and the Krishi Kalyan Cess applicable at 25%. In 2016 the IDS saw deposits to the tune of INR 62,500 Crores.Considering that taxation rates have gone up and avenues for investment of black money have substantially gone down because of limits imposed on cash payments and legislations like the Benami Act, the success of an Income Declaration Scheme looks highly probable. Hence, in addition to the aforementioned amendment, the government must also come up with an Income Declaration Scheme with the applicable tax rate being 30% along with a Health cess applicable at 25% (of the tax payable) and a penalty of 25% (of the tax payable), thereby making the total tax and penalty payable to stand at 45%.

**3. Charitable Orgainsations:-**

**a)**If trust is not registered in time or there is delay in getting registration than sec 115TTA will get attracted. It’s a harsh provision and huge demands would be created on trusts. There can be ample number of unintentional reasons for delay in getting registration and taxing the assets at market value will cause a great hardship to them. The said provision needs to be re-visited and genuine cause of delay must be condoned.

b) Filing Form 10B or 10BB within the prescribed timeframe can be challenging for certain taxpayers due to various technical reasons. We propose introducing provisions for condonation of delay in filing these forms under reasonable circumstances to prevent undue hardships. The Circular No 2/2024 dated 5th March in respect of Form 10B/10BB should be retrospective and not limited to assessment year 2023-24 only.

**4. Section 115BBE**:

Post-demonetization, there has been large scale cash deposits in bank accounts, to tax them at higher rate and to penalize people keeping black money, Government had brought in section 115BBE wherein unexplained income, investment, expenditure, the source of which could not be satisfactorily explained by assesse , has been made liable for being taxed at higher rate @ 60% u/s 115BBE , irrespective of whether such unexplained income is suo moto offered by an assessee as income in the return of income filed or in survey/search proceedings. As demonetisation was a one of its kind activity which was undertaken to curb evasion of taxation and black money, the period of demonetization is over and so is the assessment proceedings connected with it, but now this section 115BBE has become a big harassment for the taxpayers because whenever any addition is done by the assessing officer in regular course of proceedings the same is taxed at higher rate of sec 115BEE, resulting in very high pitched and astronomical demands which causes general hardship to assesse, the same should be scrapped now.   
We urge for a reconsideration of the provisions under Section 115BBE to ensure that genuine taxpayers are not unduly burdened. There is a need to provide clarity and flexibility in the application of this section to prevent unintended consequences.

**5. Deduction Of Employee’s Contribution To Provident Fund Etc. – Section 43B**

Deduction for employee contribution to PF should be allowed even if the employee contribution is deposited after the statutory time limit but before the due date of filing the return of income, which has been changed in last year budget.

**6. Section 56-(deemed Income between Circle rate & actual purchase price)**

Section 56 of the Income-tax Act, 1961 brings to tax all such properties which have been purchased by Individuals & HUF at a price lower than the Circle Rate. This provision is causing genuine hardships as   assessable value under stamp duty act in many states are not yet  rationalized and far are more than the market value of property

**7. Rule 9B - (double taxation in hands of firm as well as partners)**

Rule 9B of income tax is leading to double taxation on firms and is in a way acting as hindrance for new entities to be set up in form of firms/LLP.This rule should be scrapped.

We believe that addressing these concerns will contribute to a more taxpayer-friendly and efficient tax regime, promoting ease of doing business and fostering economic growth. We are committed to supporting the government's efforts towards achieving these objectives and are available to provide further assistance or clarification on any of the points raised.

Thank you for considering our recommendations. We look forward to positive reforms in the upcoming amendments to the income tax regulations.

(Rajesh Goyal) (Advocate Anil Verma) (CA Prarthana Jalan)

President Past President & Member Income Tax Cell

Chairman Income Tax Cell