

# I-T scrambles to recover ₹7.7 trn of tax arrears

Constitutes 40% of total pending demand; focus on revenue boost

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The income-tax (I-T) department has stepped up its enforcement efforts to recover about 40 per cent of the outstanding tax demand, or ₹7.7 trillion out of the total arrears of ₹19.35 trillion, in the remaining months of the current financial year (FY23).

This follows the directives from the Central Board of Direct Taxes (CBDT) in a meeting on December 21. At that meeting, senior tax officials were told to “optimise” the disposal of pending cases involving high amounts, a top official told *Business Standard*.

The CBDT also told them to focus on cash collection from the arrears and current-year demand so that the target for FY23 was achieved and the overall revenue position improved, the official added. The ₹7.7-trillion recovery target for FY23 includes ₹2.05 trillion in cash.

The move is being seen as a revenue-maximisation exercise ahead of the Union Budget. This comes at a time when the Centre is determined to meet the FY23 fiscal deficit target of 6.4 per cent of gross domestic product (GDP) in spite of substantial expenditure commitments.

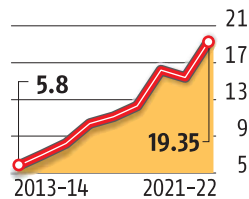
Tax arrears are demands raised against assesseees in the past that have not been paid.

Looking at the past trends, less



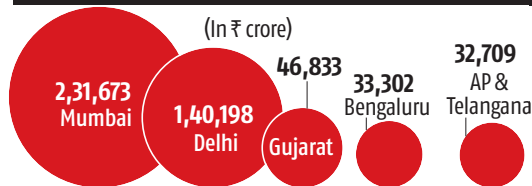
## MOUNTING TAX ARREARS

Between FY21 and FY22, arrears jumped over 25% (In ₹ trn)



## RECOVERY RUSH

Jurisdiction-wise target allocation



Overall recovery target for FY23  
₹7.7 trn

Note: Cumulative amount pending at the end of the respective financial years

Sources: CBDT; CAG

than 10 per cent of tax arrears have been recovered annually. Tax arrears are piling up because of litigation, liquidation of companies, untraceable taxpayers, and a mismatch in tax deduction at source. There are also cases stayed by courts or tribunals.

During the December meeting, the CBDT reviewed the difficulties in tax recoveries and finalised a road

map to clear the backlog in a time-bound manner.

“Tax sleuths have been asked to carry out recovery surveys in a large number in suitable cases after due diligence,” said another tax official privy to the directive. In addition, recovery notices to several entities and individuals across the country would be sent out, the official said.

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of its fleet on green hydrogen.

However, the sector has been demanding sovereign support since the cost of electrolyzers and the overall cost of manufacturing green hydrogen is high. The current cost of green hydrogen in the country is around \$5 per kilogram.

“The incentive programme makes the green molecule from India competitive. This is required for the initial few projects and to create green hydrogen hubs, which will allow supply chains to be established and the scale of production to increase. Several nations have come up with green hydrogen subsidies and support programmes,” said Rajat Seksaria, chief executive officer, ACME Group.

The nodal department for the mission will be the Ministry of New and Renewable Energy. To meet the 5 mt target, it is expected an associated renewable energy capacity of close to 125 gigawatt will be required. The Centre expects close to 50 mt per annum of carbon emissions to be averted by 2030.

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The total arrear demands increased to over ₹19 trillion in April 2022 from ₹15 trillion in the previous year, a jump of about 25 per cent.

The CBDT is learnt to have raised concern over rising litigation and the quantum of revenue locked up in appeals, and told officials to give maximum attention to the matter

in the remaining months of FY23.

In the recently concluded monsoon session, the parliamentary standing committee on finance, led by senior BJP leader Jayant Sinha, highlighted the issue of tax arrears in both the direct and indirect tax matters and suggested that legislative and administrative steps should be taken to clear the backlog.

The standing committee also recommended that the department should rely upon the initiative to mediate and settle disputes in as many cases as feasible in order to reduce pending disputes.

### Reviewing pending demand

To tackle each case, the CBDT suggested that a 5 per cent weighting be given in respect of demands where assesseees were not traceable. It said “efforts may be made for tracing the assesseees through use of data and enquiries through banks, intelligence agencies, social media searches on internet for public databases like electoral rolls, etc”.

Besides, a minimum of 15 per cent of brought-forward entries of arrear demands to be reduced in corporate and international taxation charges, and a minimum 25 per cent of such entries to be reduced in non-corporate charges.

It has also reviewed measures like reconciliation of arrear demands, issuance of appeal effect orders, modified notices for insolvency matters, and rectification orders.

The CBDT, during the meeting, also took stock of the jurisdiction-wise target allocation for reduction in arrears where Mumbai and Delhi were asked to recover dues of ₹2.3 trillion and ₹1.4 trillion, respectively.

