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December 20, 2022

Shri Nitin Gupta
Chairman
Central Board of Direct Taxes (CBDT)
Ministry of Finance

Subject: Ease of Doing Business challenges pertaining to Direct Tax faced by the Electronics and IT Hardware sector

Ref: (i) MAIT Representation No.MAIT/PY/2513 dated 5th August 2022
(ii) MAIT meeting with Shri Kamlesh Chandra Varshney, Joint Secretary (TPL-I),
Central Board of Direct Taxes on 9th September 2022

Respected Sir,

Greetings from MAIT!

We would like to take the opportunity to thank you for the continuous support to the electronics and IT Hardware sector by your department and applaud the numerous measures taken to reduce and simplify compliance burden to promote Ease of Doing Business (EoDB) in the country. Furthermore, the way the Government has used digitization to improve transparency and contain delays in its compliance framework, providing a fillip to all industries, is admired globally.

However, there are still some EoDB issues which are creating roadblocks for the industry which we would like to bring to your notice. The issues we want to draw your attention relate to Direct Taxation. A brief synopsis on the issues is given below. **(Details about each issue along with recommendations have been provided as Annexure).**

DIRECT TAX ISSUES

- 1. Increase the Threshold in Section 194R (Finance Act, 2022) from 20,000 to 100,000:**
Section 194R makes it mandatory to deduct 10 percent tax at source on the value of any benefit or perquisite received by a resident Indian. This section was introduced by the Government to widen the tax base and reduce tax evasion, but it is increasing the compliance burden. Reducing this compliance burden would really benefit the industry.
- 2. Removal of section 206C (IH) on Tax Collection at source under the income tax act**
- 3. Fixing a limited number of categories based on which a flat rate of TDS can be deducted:**

Different TDS deductions are made which leads to multiple compliances. At times, TDS provisions may be overlapping resulting in conflicting views which at times may end up in litigation. Industry suggests rationalizing the TDS provisions to only 2 to 3 categories.

4. Multiple issues in servicing tax assessment notices, CIT filings & appeal proceedings:

- Time given for responding to notices is short and adjournment requests are not being processed/acknowledged by the tax department
- Difficulties are faced in assessing to track/identifying the right date and time of service of notices/orders.
- In some cases, notice/order will get reflected on the PAN log-in of the taxpayer after the due date.
- No notification to the taxpayer which means one must always keep on checking the portal on a daily basis which can lead to delays in compliance in case notification gets missed
- Short response time of 15 days even for queries that are complex in nature. An extended period (say up to 30-60 days) should be allowed to the taxpayer to collate the details and respond through the e-filing portal
- In MNCs, multiple people/teams are responsible for tracking/carrying out various types of tax compliances. The current platform does not allow multiple user log-in a single time and does not have any option to include multiple credentials

5. Speedy Disposal of Appeals pending before Commissioner of Income Tax - Appeals (CIT-A): Many appeals filed before the CIT-A are pending active hearing & disposal. Tax paid under protest or refunds are stuck even in cases where one has a jurisdictional Tribunal or High Court ruling.

6. Interim resolution guidelines to be issued to tax authorities to process rectifications & issue tax refunds: Appeals filed and pending before the CIT-A is pending active hearing & disposal. This is leading to taxes paid under protest, refunds stuck for years and litigation.

7. Removal of Clause 44C in form 3CD (tax audit report): Clause 44 of Form 3CD seeks details of total expenditure between entities registered under GST & not registered under GST. Due to the inherent limitations in capturing desired information for the purpose of audit and reporting requirements under Clause 44C should be removed.

We would like your support and guidance on these issues falling under your purview. We hope that you will consider our recommendation and welcome an opportunity to interact further with you on the subject. Therefore, we request your permission and time for a meeting soon as per your convenience to discuss these challenges as enunciated above thereby, promoting ease of doing business and growth of the electronics industry in the country.

Thank you for your leadership and support.

Warm regards,



Col. AA Jafri, Retd.
Director General

CC: Shri Kamlesh Chandra Varshney, Joint Secretary (TPL-I), Central Board of Direct Taxes