

TAX

Travails of a Common Man

How honest taxpayers suffer

The common man rarely seems to get a fair deal from the government. In November 2011, the government notified an increase in the Public Provident Fund (PPF) limit from Rs70,000 to Rs1 lakh. This was long overdue because other securities under Section 80C attracted a tax-free investment limit of Rs1 lakh. The PPF notification is dated 25 November 2011. One expects that before such notification is made public, necessary systems would already have been put in place. Nor should this be a tall expectation, considering that the State Bank of India (SBI) and a few large, profitable nationalised banks are empowered for the purpose. And yet, as late as January 2012, when we approached one of the SBI branches to deposit an additional Rs30,000 in our PPF accounts, the Bank refused to accept this investment, as their computer program had not yet been reset to accept an amount in excess of Rs70,000! A little perseverance yielded another branch that was willing to accept the amount, but only in cash!

Here is another instance, and I am sure this is a problem faced by most taxpayers. You have a fixed deposit (FD) with SBI. Towards the year-end, you ask for a TDS (tax deducted at source) certificate from the Bank (Form 16A) which it provides. You file this certificate along with your tax returns, computing the taxes payable for the interest income from the FD, net of the TDS as indicated in Form 16A. One would think, with this, your duty, as a diligent taxpayer, is done. But no. Not yet.

You receive a notification from the income tax office (ITO) rejecting your credit for the TDS as per the above form and, hence, demanding additional taxes to the extent of the TDS, because SBI has not uploaded the form online on Form 26 AS! You can file a rectification online for which your tax consultant will charge you and the online rectification often requires more than four or five attempts because the data that you have received as online acknowledgement may not match! If

it does not, you must cough up additional taxes to the extent of the TDS a second time.

If you are wondering what on earth is Form 26 AS, and why you are supposed to know about it; well, it is like this: When any entity provides you a TDS certificate, it is supposed to upload that form online (called Form 26 AS) so that the tax authorities can verify that the attachment supplied by you for tax credit (for the TDS) matches the uploaded version!

SBI is government-controlled and the tax department is an arm of the government of India. But when one of them does not do its job—in this case SBI—somehow it becomes your problem. Never mind that you are a long-since retired octogenarian trying to file your taxes honestly.

But there is something funny going on here. Given that SBI has not uploaded Form AS 26, there is no way for the tax authorities to know about the interest income on your FD except through your own disclosure made *vide* your TDS form. While your TDS form is good enough for them to collect the taxes on the entire FD income, it is not good enough to allow you the credit for tax deducted at source by SBI. Nor is the problem limited to SBI. Any other agency, whether the LIC (Life Insurance Corporation of India) or UTI (Unit Trust of India) or whoever, that did not file their Form 26 AS, could potentially make you liable for double taxation to the extent of the TDS.

My correspondence with LIC on this subject has grown into a respectable file, but LIC shows no promise of uploading the blasted form, because they have outsourced this task, and say they have no control on when the task would be completed! Now, in the vast ocean of LIC, how do you escalate the matter for resolution? Besides why on earth should it be the honest taxpayer's problem to get the corporate giants like SBI or LIC or whoever, to do their job? And, if they don't, why should the taxpayer be penalised? ■



The author has been a banker—with ING Vysya Bank, as president (2001-04)—and has been working in the field of corporate social responsibility. He is an author and was professor of finance & accounting at IIM-Ahmedabad (1982-2001). His website is <http://www.vraghunathan.com>. He has been an adjunct professor since 1990 with Bocconi University, Milan, Italy.