

Why is the filing of tax return so complex a task?

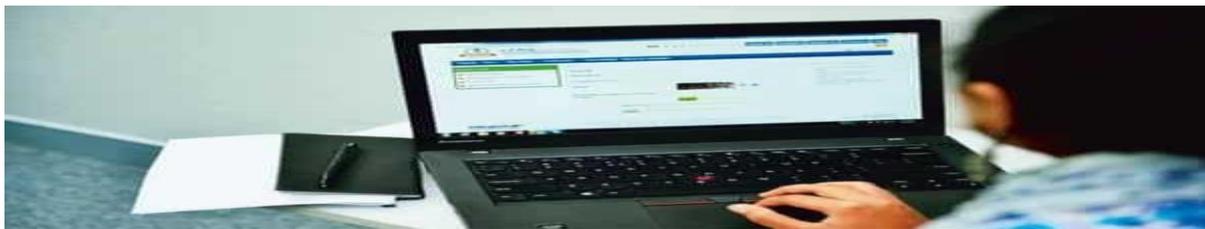


Photo: Mint *4 min read* . Updated: 28 Sep 2021, 12:00 AM IST **Gautam Nayak**

Patches to tax laws have made them extremely complex and inconsistent at times

The due date for the filing of tax returns by individual taxpayers was recently extended to 31 December from the earlier extended date of 30 September. Such an extension was necessitated as taxpayers faced problems in filing returns on the new income tax portal, which was launched on 8 June. The finance minister had set deadline of 15 September for the software company that built the portal to sort out the issues. The deadline has come and gone, but problems persist. This begs a question: Are our tax laws and procedures too complex and convoluted to be easily understood and incorporated even by a world-renowned software developer, or were the development plans for the new portal too ambitious, without first getting the nuts and bolts right?

The complexity of our tax laws is undoubtedly a significant factor. In its eagerness to plug every loophole discovered through court or tribunal judgments holding in favour of the taxpayer, the government adds dozens of patches to existing tax laws each year. This has made the tax laws a massive quilt, with many patches, some of which are not consistent with others.

There are so many permutations and combinations for even simple things, that every time even a seasoned tax practitioner or chartered accountant has to try really hard to figure out what the law really says. A classic case in point is that of capital gains—there are differing rates of tax, depending on the period of holding, type of asset, etc., different rules for different types of assets regarding indexation of cost, different holding periods for different types of assets to qualify as long-term capital assets, etc. Even for your basic tax computation, you have to do two parallel computations to figure out which method of taxation is advantageous for you—and to opt for a particular method, you may need to file a form within a particular time. If not, you may not be able to follow that method.

Filling in tax forms is another complex task by itself. Tax returns at times require various details because of the complexities in law—for instance, in the case of capital gains and dividends, you have to give quarter-wise details to enable computation of interest liability, you have to give transaction wise details of shares sold on stock markets for computation of your capital gains, etc. Invariably, you will find that the form shows some mistakes while you try to upload it, which you may have to correct before retrying. Finally, after three or four rounds, you are able to breathe a

sigh of relief when the form is finally free of mistakes. Thereafter, verification of the form is another challenge you have to surmount, particularly if your email address or mobile number with the tax department is different from the ones registered with the Aadhaar card or bank account.

Having filed return for one year, you cannot relax and take it for granted that you will succeed next year, too, as laws and forms change each year; so does the manner in which various sections are to be filled in, and the software utility.

It is a well-known fact that even most chartered accountants who are not in tax practice are unable to file their own tax returns, given the complexities involved, but have to get it outsourced to those who are familiar with the complexities. Those who are not computer savvy cannot even dream of filing their own returns.

The worst part of the electronic tax returns is that these are often designed on the basis of the tax department's interpretation of the legal provisions, and give you no choice to fill up the returns in an alternative manner, even if your view is supported by high court decisions. There have been at least a couple of cases where the taxpayer had to obtain an order of writ from the high court to direct the tax authorities to accept a manual return, because the electronic tax return did not provide him the option of claiming a benefit to which he was entitled.

Given all these existing problems, one wonders whether it was wise to try and set up an altogether new tax portal from scratch and launch it during times of covid lockdown, and expect that it would deliver to expectations. Perhaps, it could either have been implemented in stages, or it could have been designed after extensive consultations with the taxpayers and tax return filers, and after simplifying tax laws.

As the Supreme Court rightly observed last week in a tax case: "The tax an individual or a corporate is required to pay is a matter of planning for a taxpayer and the government should endeavour to keep it convenient and simple to achieve maximization of compliance." One hopes these words of the Supreme Court act as a wake up call for the government.

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