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Ref: CAAS/Representations/2024-25/06

Date: 05-09-2025

To,
The Chairman,
Central Board of Direct Taxes,
North Block,
New Delhi - 110011

Sub: Chronicles of Compressed Compliance in Income Tax

Respected Sir,

Chartered Accountants Association, Surat (CAAS), representing thousands of tax professionals at the grassroots level, is once again compelled to voice its deep anguish over the manner in which the compliance machinery of the Income-tax Department continues to treat stakeholders with contempt.

Until now, CAAS had deliberately remained silent on 1st April when utilities were not released on time, and again when Non-Audit ITRs were given extensions, because we did not wish to be seen as crying wolf at every opportunity. But the present crisis has crossed all limits and silence now would be dereliction. This letter is marked in copy to the Hon'ble Finance Minister and to the Hon'ble Prime Minister, for the issues herein are not mere technical lapses but repeated administrative blunders that bring disrepute to the governance framework. It is indeed ironic that while the Department hurriedly announced a suo motu extension for Non-Audit ITRs with much fanfare, no such urgency or empathy is shown when it comes to Audit Cases-leaving



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professionals to wonder whether audit assesseees are considered second-class citizens of the tax ecosystem.

1. Utilities Released Late - Compressed Compliance Windows

We have studied the official “Latest Updates” of the Department. The facts speak for themselves:

- **ITR-5 released only on 08-08-2025, ITR-6 on 14-08-2025, ITR-7 on 21-08-2025.**
- **Tax Audit Utilities (Form 3CA/3CB-3CD) latest release only on 14-08-2025.**

In other words, the very tools which are indispensable for statutory compliance were served to stakeholders only in the fag end of August. For Audit-assesseees, whose statutory deadline remains **30-09-2025**, the Government has left **barely 40 days** to execute the most exhaustive compliance work of the year, finalising audited accounts, completing reconciliations, preparing Form 3CD, generating UDINs, and uploading XML/JSON files.

This is not a relief situation but a hostage situation. Tax professionals are being forced to compress six months of painstaking work into six weeks, while being held at gunpoint with threats of penalty, interest, and prosecution. The accountability of those who approved such late release is conspicuous by its absence.

2. Portal Glitches - A Recurring Nightmare

Despite repeated judicial reminders, including the **Hon'ble Gujarat High Court's order dated 11-01-2022 in SCA/272/2022**, where CBDT was clearly directed to attend to portal glitches “at the earliest”, the Department still displays the same nonchalance.



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That solemn order, instead of being a wake-up call, seems to have been treated like background noise by those in charge. Three years later, the portal continues to behave like an experimental laboratory where taxpayers are unwilling guinea pigs, compelled to test half-cooked patches rolled out at odd hours. Grievances continue to be closed without redressal, uploads fail at the eleventh hour, and acknowledgements vanish into thin air. The officials approved to supervise the IT backbone of the nation's tax administration have once again failed in their solemn duty, revealing not just incompetence but a startling absence of accountability for repeated contempt of judicial directions.

3. First-Year Burden of ICAI's Non-Corporate Entity (NCE) Formats

As if late utilities and a dysfunctional portal were not enough, this year carries the first-time adoption of ICAI's Guidance Note on NCE financials. Every proprietorship, partnership, AOP, trust, HUF, and BOI now needs to re-map its accounts to the prescribed format, prepare comparative figures in the new style, and draft additional disclosures and notes to accounts that were never required earlier. Auditors must now spend hours re-training staff, aligning ledgers to the new taxonomy, and validating that the new format tallies with the Income-tax reporting requirements.

For Tax Audits the process-based time calculations are as follows:

Tax Audit under Income Tax Act of SMEs by SMPs	
Task	Manhour required
Planning	00:30
Vouching	09:00
Confirmation from Parties	24:00



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Documentation	12:00
Resolution of queries	02:00
Finalization of Audited Balance Sheets with notes	01:30
Preparation of Tax Audit Report	02:00
Preparing XML in ITD Java Utility	01:00
Preparing Computation of Total Income	01:30
Confirmation from Client on Computation & Tax	00:30
Payment of Tax	01:00
Preparing of IT Return in ITD Excel Utility	01:00
Uploading of IT Return (using DSC)	00:45
UDIN Generation	00:15
Total Man-Hours required per Tax Audit	57:00

Incremental tasks now required for proprietorships, partnerships, HUFs, trusts, AOP/BOI, private trusts, etc.:

New NCE-format tasks (FY 2024-25 first year)	Typical extra time*
Determine NCE category & AS exemptions (Large/MSME)	0:30-1:00
Map Trial Balance/ledgers to NCE line-items & sub-heads	1:00-2:00
Prepare/realign comparative year in NCE layout	1:00-3:00
Draft/expand notes & policies per Guidance Notes	1:00-2:00
Prepare cash-flow statement (where applicable)	0:45-1:30
Cross-checks (sub-totals, equity reconciliation, disclosures)	0:45-1:30
Partner review & sign-off specific to NCE adoption	0:30-1:00
Indicative incremental total (first year)	~6-12 hrs/audit



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Inferring from the above:

Activity	Manhours required
Man-Hours required per Tax Audit	57:00
Indicative incremental total (first year) (Average)	9:00
Total Man-Hours required per Tax Audit with NCE Compliance	66:00
Total Man-Hours required for 60 Tax Audits	3960:00
Man hours Available for SMP CAs	
1 CA x 48 hours a week	48:00
3 Assistants x 48 hours a week	144:00
Total Manhours available in a Week	192:00
Weeks required to complete tax audit work with NCE Compliance	21 Weeks

Having appraised you about the practical timelines, any bargain in time would be a bargain in quality of work, and ultimately the nation would suffer. Further, the onus of creating trust amongst business is on you and not just us.

The NCE exercise takes conservatively **6-12 additional hours per audit**, over and above the already documented **57 hours per audit** as per our earlier empirical data, and in many cases it may stretch to even more depending on complexity. Compressing this unprecedented first-year adoption work into the artificial window left open by CBDT is nothing short of administrative cruelty. It is akin to asking a marathon runner to sprint a 100-metres after shackling his legs, then penalising him for failing to complete on time.



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4. Floods and Natural Calamities - Zero Sensitivity

States including Himachal Pradesh, Gujarat, Maharashtra, Punjab, Uttarakhand and Delhi are under the duress of the worst floods in decades. Offices are submerged, staff are stranded, power and internet services are disrupted, data servers are down, and yet, no thought seems to be spared by those who sign off compliance circulars from the comfort of their air-conditioned rooms in North Block. The human tragedy of families battling floodwaters is being casually ignored in favour of deadlines.

What adds insult to injury is the contrast: for Non-Audit ITRs, suo motu extensions are rolled out with speed and self-congratulation, but for Audit Cases, where documentation is ten times more involved and now further aggravated by NCE adoption, the Board exhibits a stunning apathy. Should taxpayers in flood-hit states be penalised for not defying nature, or should the officials be penalised for defying common sense, compassion, and their own sense of parity?

5. Where is the Accountability?

We are not blaming the Government of India. We are blaming the **anonymous officials** who continue to sign off on belated forms and the **software agency** that has turned delay into a business model. Together, they have institutionalised tax terrorism under the veil of governance, while hiding behind the name of the Government. For a minor lapse of an assessee, penalties rain instantly, late fees auto-populate without mercy, and prosecution threats are churned out at machine speed. But for colossal blunders of the system utilities released in mid-August, portals crashing on due dates, and acknowledgements vanishing-silence is the only reply. Why are there no penalties on erring officials who repeatedly certify forms late? Why is there no recovery from the



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agency that has gobbled thousands of crores, advertised milestones, but still serves half-baked products year after year? Accountability cannot remain a one-way street.

6. Our Demand - Time Compensation, Not Charity

We do not beg for “extensions”. We demand **time compensation** for the days and weeks lost due to systemic failure, which are attributable solely to delayed approvals of forms and the software agency’s sluggish execution.

In addition, we cannot ignore that the great festivals of **Navratri, Dusshera, Diwali, Bhai Dooj and Chhath** fall between 22nd September 2025 and 27th October 2025. These are days for cultural celebration, devotion, and family bonding-not days to engage, involve, or submerge ourselves in statutory compliances. Festivals are meant for enjoying, not for slogging over half-functional utilities and glitchy portals. To deny taxpayers and professionals this breathing space is to trample upon social and cultural life itself. It also strikes at the heart of **Article 21 of the Constitution**, which guarantees the right to life and personal liberty-liberty that includes the freedom to practice religion and to partake fully in festivals of cultural significance. When officials delay utilities and force statutory deadlines into the very window of Navratri to Chhath, they are effectively robbing citizens of their right to celebrate their religion and culture, substituting joy with compulsion.

Specifically, after analysing workload patterns and lost days due to utility delays, we insist on the following:

1. **Tax Audit Reports (3CA/3CB/3CD):** Time Compensation upto **30-11-2025**, to restore the nearly two months lost because the audit utility itself was released only on 14-08-2025.



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- ITR for Audit Cases:** Time Compensation upto **31-12-2025**, to ensure auditors and taxpayers have a realistic window to finalise accounts and reconcile disclosures.
- Transfer Pricing Reports/Returns:** Time Compensation upto **31-01-2026**, in line with the complex documentation and cross-border reconciliations these cases require.

What we demand is not indulgence, but restoration of fairness, consistency, and constitutional parity with the treatment given to Non-Audit cases. The same Board which could, with lightning reflexes, extend Non-Audit ITR dates and proudly publicise it, cannot feign helplessness when it comes to Audit assessees. Parity is not a concession; it is a constitutional expectation under Article 14. Consistency in administration is not generosity; it is a minimum requirement of rule of law. And fairness is not charity; it is the only antidote to the perception of tax terrorism which flourishes when deadlines are selectively relaxed for one class and weaponised against another.

7. Our Warning – Do Not Repeat 2021's Discriminatory Circulars

We remind CBDT that the infamous **Circulars 9/2021 and 17/2021**, which purported to extend due dates but continued to levy interest u/s 234A, remain under judicial challenge in our pending Writ Petition (SCA/272/2022). Those circulars, issued under the guise of relief, in reality weaponised interest provisions and mocked the very concept of extension. The Hon'ble Gujarat High Court has already recorded its displeasure in earlier hearings, and the matter is sub judice even today. To now repeat that blunder in 2025 would not merely be bad administration, it would be a constitutional affront, undermining equality before law and fair treatment under Article 14. It would amount to contempt of judicial directions, and would reinforce the



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perception that CBDT is eager to collect penalties and interest even when its own infrastructure is the culprit. We therefore strongly caution that issuing another discriminatory circular in 2025 would be constitutionally untenable, administratively suicidal, and ethically indefensible. The Board must this time act with foresight, accountability, and respect for both Parliament and the Judiciary.

We appeal to the Hon'ble Finance Minister and Hon'ble Prime Minister to intervene, not to save taxpayers from law, but to save the law from being mocked by its own administrators. A Government that prides itself on "Ease of Doing Business" cannot preside over an era of "Ease of Passing Blunders" in its own machinery. The tax system cannot run on fear and force; it must run on fairness and functionality. What taxpayers demand is not benevolence, but justice.

Return to taxpayers the time that your machinery has stolen, and in doing so, restore dignity to the very law you administer.

Regards,

For Chartered Accountants Association, Surat.

President | Secretary

Copy to: -

(1) **The Finance Minister**

Ministry of Finance,
134, North Block, New Delhi - 110001

(2) **The Prime Minister,**

152, South Block, Raisina Hills, New Delhi - 110011
Through PG Portal

- for urgent intervention

- for information and appropriate action