

20

**STANDING COMMITTEE ON FINANCE
(2024-25)**

EIGHTEENTH LOK SABHA

**MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)**

[Action taken by the Government on the Observations/Recommendations contained in the Ninth Report of the Standing Committee on Finance on 'Demands for Grants (2025-26)' of the Ministry of Finance (Department of Revenue)]

TWENTIETH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

August, 2025/ Sravana, 1947 (Saka)

TWENTIETH REPORT

STANDING COMMITTEE ON FINANCE (2024-25)

(EIGHTEENTH LOK SABHA)

MINISTRY OF FINANCE (DEPARTMENT OF REVENUE)

[Action taken by the Government on the Observations/Recommendations contained in the Ninth Report of the Standing Committee on Finance on 'Demands for Grants (2025-26) of the Ministry of Finance (Department of Revenue)]

Presented to Lok Sabha on 04 August, 2025

Laid in Rajya Sabha on 05 August, 2025



**LOK SABHA SECRETARIAT
NEW DELHI**

August, 2025/ Sravana, 1947 (Saka)

CONTENT		
REPORT		
Composition of the Committee		(iv)
Introduction		(v)
PART-I NARRATION-ANALYSIS		
		Page No.
Chapter - I	Report	1
Chapter – II	Observations/Recommendations which have been accepted by the Government	15
Chapter- III	Observations/Recommendations which the Committee do not desire to pursue in view of the Government's replies	36
Chapter- IV	Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee	37
Chapter- V	Observations/Recommendations in respect of which final replies of the Government is still awaited	39
APPENDICES		
Appendix-I	Minutes of the Sitting of the Committee held on 29.07.2025	40
Appendix-II	Analysis of action taken by the Government on the Observations/Recommendations contained in the Ninth Report (Eighteenth Lok Sabha) of the Standing Committee on Finance on 'Demands for Grants (2025-26)' of the Ministry of Finance (Department of Revenue).	43

COMPOSITION OF STANDING COMMITTEE ON FINANCE (2024-25)

Shri Bhartruhari Mahtab - Chairperson

MEMBERS

LOK SABHA

2. Shri Arun Bharti
3. Shri P. P. Chaudhary
4. Shri Lavu Sri Krishna Devarayalu
5. Shri Gaurav Gogoi
6. Shri K. Gopinath
7. Shri Suresh Kumar Kashyap
8. Shri Kishori Lal
9. Shri Harendra Singh Malik
10. Shri Chudasama Rajeshbhai Naranbhai
11. Thiru Arun Nehru
12. Shri N. K. Premachandran
13. Dr. C. M. Ramesh
14. Smt. Sandhya Ray
15. Prof. Sougata Ray
16. Shri P. V. Midhun Reddy
17. Dr. Jayanta Kumar Roy
18. Dr. K. Sudhakar
19. Shri Manish Tewari
20. Shri Balashowry Vallabhaneni
21. Shri Prabhakar Reddy Vemireddy

RAJYA SABHA

22. Shri P. Chidambaram
23. Shri Milind Murli Deora
24. Dr. Ashok Kumar Mittal
25. Shri Yerram Venkata Subba Reddy
26. Shri S. Selvaganabathy
27. Shri Sanjay Seth
28. Dr. Dinesh Sharma
29. Smt. Darshana Singh
30. Dr. M. Thambidurai
31. Shri Pramod Tiwari

SECRETARIAT

- | | |
|-----------------------------|-------------------|
| 1. Shri Gaurav Goyal | Joint Secretary |
| 2. Shri Vinay Pradeep Barwa | Director |
| 3. Shri T. Mathivanan | Deputy Secretary |
| 4. Shri Manish Kumar | Committee Officer |

INTRODUCTION

I, the Chairperson, of the Standing Committee on Finance, having been authorised by the Committee, present this Twentieth Report on action taken by the Government on the Observations / Recommendations contained in the Ninth Report of the Committee (Eighteenth Lok Sabha) on Demands for Grants (2025-26) of the Ministry of Finance (Department Revenue).

2. The Ninth Report was presented to Lok Sabha / laid on the table of Rajya Sabha on 19 March, 2025. The Action Taken Notes on the Observations/Recommendations were received from the Ministry of Finance (Department Revenue) on 04 July, 2025.

3. The Committee considered and adopted this Report at their sitting held on 29 July 2025.

4. An analysis of the action taken by the Government on the recommendations contained in the Ninth Report of the Committee is given in the Appendix.

5. For facility of reference, the Observations / Recommendations of the Committee have been printed in bold in the body of the Report.

6. The Committee would also like to place on record their deep sense of appreciation for the invaluable assistance rendered to them by the officials of Lok Sabha Secretariat attached to the Committee.

**New Delhi;
29 July, 2025
07 Sravana, 1947 (Saka)**

**BHARTRUHARI MAHTAB
Chairperson
Standing Committee on Finance**

REPORT

CHAPTER-I

This Report of the Standing Committee on Finance deals with the action taken by the Government on the Observations/Recommendations contained in the Ninth Report (Eighteenth Lok Sabha) Demands for Grants (2025-26) of the Ministry of Finance (Department of Revenue) which was presented to Lok Sabha and laid in Rajya Sabha on 19th March, 2025. The Report contained 10 Observations/Recommendations.

1.2 Action taken replies in respect of all the 10 Observations/ Recommendations contained in the Report were received from the Ministry of Finance (Department of Revenue) on 04th July, 2025. The replies have been analyzed and categorized as follows:

- | | | |
|-------|---|-------------------------------|
| (i) | Observations/Recommendations that have been accepted by the Government:

Recommendation No. 1, 2, 3, 4, 5, 7, 8, 9 and 10 | Total - 09
(Chapter- II) |
| (ii) | Observations/Recommendations which the Committee do not desire to pursue in view of the Government's replies:

Recommendation No. Nil | Total - Nil
(Chapter- III) |
| (iii) | Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee:

Recommendation No. 6 | Total - 01
(Chapter -IV) |
| (iv) | Observations/Recommendations in respect of which final replies by the Government are still awaited:

Recommendation No. Nil | Total - Nil
(Chapter- V) |

1.3 The Committee desire that Action Taken Statement on the Observations/Recommendations contained in Chapter-I of this Report may be furnished to the Committee within three months of its presentation.

1.4 The Committee will now deal with action taken by the Government on some of their Observations/Recommendations that require reiteration or merit comments.

Recommendation No. 2

GSTAT

1.5 The Committee, in their Report, had observed/ recommended as under:

“The Committee note that The GST Appellate Tribunal (GSTAT) is the Appellate Authority established under the Central Goods and Services Tax Act, 2017, to hear various appeals under the said Act and the respective State/Union Territories GST Acts against the orders of the first appellate authority. It consists of a Principal Bench and various State Benches. As per the approval of the GST Council, the Government has notified the Principal Bench, to be located at New Delhi, and 31 State Benches at various locations across the country. The Committee further note that the Tribunal will ensure swift, fair, judicious and effective resolution to GST disputes, besides significantly reducing the burden on higher courts. It is also envisaged that the establishment of the GSTAT would further enhance the effectiveness of the GST system in India and foster a more transparent and efficient tax environment in the country. However, the Committee find that the GSTAT is yet to be operationalised. In regard to progress of work, the Ministry has submitted that the constitution of the Principal Bench and State Benches of GSTAT has been notified on 31.07.2024, with the President's appointment notified on 20.05.2024. Interviews for members are in progress, and 953 subordinate staff positions have been created with appointments underway. Recruitment rules for Group 'C' have been notified on 21.06.2024, while those for Group A and B are in progress. The jurisdiction of State Benches was notified on 26.11.2024. The Department has also assured that hearing of cases will start very soon. The Committee acknowledge that numerous considerations, infrastructure developments, and formalities need to be addressed before the operationalisation of the Tribunal. Nonetheless, given the time that has elapsed since the notification for its inception, the Committee recommend that utmost efforts be made to expedite and complete the remaining work related to GSTAT, ensuring it is operationalised at the earliest so that the envisaged benefits can be reaped without any further delay.”

1.6 In their Action Taken Reply the Ministry of Finance (Department of Revenue) have submitted as follows:

Status of GST Appellate Tribunal

The Goods and Services Tax Appellate Tribunal (GSTAT) is constituted under Section 109 of the Central Goods and Services Tax Act, 2017 (CGST Act), which provides for constitution of the GSTAT as the second appellate

authority within the GST framework. The process of original adjudication as well as the first appeal happens through individual officers under the Act but the second appeal against the orders of the first appellate authorities under Central as well as State tax administration lies with the GSTAT constituted under the CGST Act. GSTAT has been provided the responsibility to hear appeals under all the four GST laws passed by Central as well as State officers. Therefore, this is the first forum at which the adjudication process converges under all GST laws and across all tax administrations.

Notifications have been issued for the constitution of the Principal Bench and 31 State Benches of the GSTAT (at 46 locations including Principal Bench) vide Gazette Notification No. S.O. 3048(E) dated 31.07.2024. A separate notification has also been issued specifying the jurisdiction of the said Benches and / or the Sittings associated with the said Benches vide Gazette Notification No. S.O. 5063(E) dated 26.11.2024 & corrigendum Notification dated 29.11.2024.

Appointment of President and Members

The Search-cum Selection Committee for selection of Members of GST Appellate Tribunal except Technical Member (State) of a State Bench under the Chairmanship of Hon'ble Sh. Justice Dipankar Datta, Judge, Supreme Court of India was constituted vide Department of Revenue's O.M. dated 5th July 2024 which carried out the personal interaction of the candidates for appointment.

However, since some of the Members of the ScSC who took the interactions demitted office on being appointed to other positions, the Committee could not finalise the names to be recommended for appointment and hence the Committee was re-constituted under the Chairmanship of Hon'ble Mr. Justice M.M. Sundresh, Judge, Supreme Court of India vide Department of Revenue's O.M. dated 24th April 2025. In view of the fact that there are new Members of the Committee, the Committee decided to conduct personal interactions with a shortlist of candidates to assess their suitability. The process of personnel interaction was carried out and completed by the Committee till 30.05.2025.

With respect to the appointment of Technical Member (State) for the State Benches, it is the concerned State Governments under whose jurisdiction the bench lies which is entrusted with the responsibility to constitute the Search cum Selection Committee for selection of Members under the Chairmanship of the respective Chief Justice of that State. Till date, the recommendations have been received from Uttar Pradesh, Orissa, Gujarat, Bihar and Maharashtra/Goa, while the process for other states is under progress.

Appointment of Supporting Staffs

Total of 953 posts for supporting staff have been approved to be appointed in the GSTAT. One time relaxation has been obtained from the Union Public Service Commission (UPSC) to fill the posts through deputation to start the initial functioning of the Tribunal. Accordingly, 105 appointments have been made at various benches for 2/3 years and the staffs have already started

to join GSTAT. The Principal Bench is staffed with Registrar, Assistant Registrar, personal staffs of the President and some other staffs at various levels.

The power to frame the Recruitment Rules (RRs) in respect of Group “C” post lies with the Administrative Ministry. Accordingly, the RRs for the 5 (five) Group “C” posts viz, Stenographer Grade II, Upper Division Clerk, Lower Division Clerk, Staffs Car Driver and Multi-Tasking Staff was notified vide Gazette Notification G.R.R. 340(E) dated 21.06.2024.

The Appointing Authority, Disciplinary Authority and Appellate Authority in the GSTAT for imposing the penalties under the Rule 11 of the Central Civil Services (Classification, Control and Appeal) Rules, 1965 was notified vide Gazette Notification G.S.R. 454(E) dated 28.07.2024.

Preparation of reservation rosters and obtaining of NOC/NAC from the Surplus Cell, DoPT are required before sending requisition from Staffs Selection Commission. The reservation roster has been prepared in consultation with the Liaison Officers and the process of obtaining the NOC/NAC from the Surplus Cell, DoPT is under progress.

RRs for the Group “A” and Group “B” are to be framed in consultation with the Department of Personnel and Training (DoPT) and Union Public Service Commission (UPSC) and the present status are as below:

- a. 8 (Eight) RRs viz, Financial Advisor, Deputy Registrar, Assistant Registrar, Principal Private Secretary, Senior Private Secretary, Private Secretary, Assistant GSTAT and Stenographer Grade I has been finalised by the UPSC/DoPT. The same are undergoing legal vetting.
- b. 4 (Four) RRs viz, Registrar, Joint Register, Court Officer and Legal Assistant are being reviewed by the UPSC.
- c. 2 (Two) RRs viz, Accounts Officer and Senior Accountant are being reviewed by the DoPT were returned to DoR and have been sent to DoE for re-designating the names of the posts.

Software Portal and IT Infrastructure for GSTAT

GSTAT will be paperless tribunal from day one. E-courts software module has been developed by NIC in collaboration with GSTN. UAT has been completed. It is expected to rolled on a pilot basis for Principal Bench shortly. Tender for IT infrastructure of GSTAT (servers, VC facility etc) has been floated by GSTN. Vendor has been selected. Installation would be taken up along with physical infrastructure in each of the locations.

Physical Infrastructure of GSTAT

Process of identification of buildings of State Benches on rental basis in 45 locations across the country is progressing well. Out of these, the proposals of 36 locations have been received and examined. 20 proposals have been approved by the IFU for renting and 8 proposals are under examination of DoR/IFU/GST Zones.

Principal Bench is currently located temporarily in a well-furnished 10,000 SFT office in new Delhi. President and his Staff are operating from the said office. Permanent office space with approximately 20,000 SFT has been identified in New Delhi and mapping being finalised.

Rules for Conduct of Business

Rules for conduct of business of GSTAT has been notified vide G.S.R. 256(E) dated 24.04.2025. Anti-profiteering cases have been assigned to the Principal Bench.”

1.7 The Committee note developments in operationalising the Goods and Services Tax Appellate Tribunal (GSTAT) but remain concerned it is not fully operational nationwide. Significant delays persist in appointment of Members, particularly Technical Members (State), with recommendations received from only a few States, namely Uttar Pradesh, Orissa, Gujarat, Bihar, and Maharashtra/Goa. The Committee, therefore, urge the Ministry to actively pursue and coordinate with the remaining State Governments to expedite the constitution of Search-cum-Selection Committees and the forwarding of recommendations, to make benches functional without further delay. While initial support staff appointments on deputation are a positive ad hoc measure, the Committee emphasize the need for parallel, regular recruitment for long-term stability and efficiency. Further, the Committee note that a permanent office space of approximately 20,000 square feet for the Principal Bench has been identified in New Delhi. While temporary operations have begun from an interim facility, the Committee desire that concerted efforts are needed for its early development to realize GSTAT’s full benefits. The Committee would like to re-emphasise that the persistent delays in Goods and Services Tax Appellate Tribunal (GSTAT)’s full functionality adversely impacts the larger GST ecosystem, resulting in prolonged litigation, overburdening of High Courts, and denial of timely relief to taxpayers. The Committee, therefore, desire that the Ministry should adopt a time-bound approach to complete all remaining formalities.

Recommendation No.6

Bifurcation of Personal Income Tax Data

1.8 The Committee, in their Report, had observed/ recommended as under:
“During the deliberations of the Committee with the Department, it emerged that at present, Personal Income Tax (PIT) also includes about Rs. 1.5 lakh crore of business (non-corporate) income apart from individual income. The Committee observe that there have been instances when concerns have been raised from various quarters that the collection of Personal Income Tax

(PIT) in the country has surpassed Corporation Tax as PIT may not accurately reflect the true picture. The Committee believe that ideally, there should be separate data for Business Income and Individual Income for better analysis and understanding of income patterns in the country. This would also help in formulating targeted tax policies, identifying areas where tax evasion might be occurring, and addressing the peculiar needs and challenges of individuals and businesses separately. The Committee, therefore, recommend that ways and means should be explored to segregate the data of Personal Income Tax (PIT) as early as possible. It is needless to emphasize that the details of all concrete efforts made in this regard will be shared with the Committee when furnishing Action Taken Notes.”

1.9 In their Action Taken Reply the Ministry of Finance (Department of Revenue) have submitted as follows:

“The Direct Taxes accruing to the Union Government comprise of Corporation Tax and Taxes on Income. The Receipt Budget which is part of the Annual Budget contains the following classification for collections from Direct Taxes:

a. Corporate Income Tax (CIT): This is a tax levied on the income of Companies under the Income-tax Act, 1961.

b. Personal Income Tax (PIT): This is a tax on the income of Individuals, Hindu Undivided Families (HUF), firms (including Limited Liability Partnerships), Association of Persons/Body of Individuals (AOP/BOI), Trusts, Cooperative Society, Local Authority and Artificial Juridical Person, etc. other than Companies, under the Income-tax Act, 1961.

2. Companies paying Corporate Income Tax (CIT) file ITR-6, while Taxpayers who fall within the ambit of Taxes on Income (PIT) file ITR-1, ITR-2, ITR-3, ITR-4 and ITR-5. Within these taxpayers, Individuals with no business income file ITR-1 and ITR-2, while Individuals with business income (non-Corporate) file ITR-3 and ITR-4. Further, ITR-5 is filed by persons other than individuals and companies (including firms).

3. This data for non-corporate business income captured separately, combined with data of direct taxes paid by Corporates through ITR-6 will provide an accurate picture of data for Business Income and Individual income.

4. Presently, taxpayers are segregated into two categories; Corporate taxpayers (these are having business income as one of the constituents of the total income). Taxes paid by these taxpayers are categorized as Corporate Income Tax (CIT).

Non-corporate tax payers and taxes paid by these taxpayers are categorized as Personal Income Tax (PIT)

The non-corporate taxpayers can be further segregated into two categories based on the ITR forms:

Non-corporate taxpayer having business income as one of the constituents of the total income (it includes income for non-corporate such as individual/HUF, firm/LLP, AOP/BOI etc.) (ITR-3, 4 and 5)

Non-corporate taxpayer not having business income (ITR-1, 2 & 7).

Further details of income-tax can be segregated on the basis of type of Income-tax form e.g. ITR-1, ITR-2, ITR-3, ITR-4, ITR-5, ITR-6 and ITR-7.

“However, head-wise segregation of income-tax (e.g. Business and Profession, Capital Gain, Salary, House Property, Other sources) is not feasible as Income-tax return forms are not structured to collect tax details head-wise.”

1.10 The Committee find the reply of the Ministry regarding the disaggregation of income data to be less than satisfactory, as it does not adequately address the fundamental intent behind the recommendation. This disaggregation is vital for a clearer understanding of income patterns across individuals and non-corporate businesses. While the objective was not to prescribe a specific methodology, it is essential to leverage available digital systems and structured data for generating more meaningful classifications. Given that all income-tax data is now computerized, the Committee believe that there exists significant scope to analyze and generate reports that reflect a comprehensive picture of income sources. The Committee reiterate their recommendation and desire the Ministry to sincerely explore avenues and mechanisms to segregate PIT data. The Committee expect the Ministry to furnish a detailed action plan, including specific milestones and a timeline for implementation in the Action Taken Statement.

Recommendation No.7

Tax Arrears

1.11 The Committee, in their Report, had observed/ recommended as under:

“The Committee note that there are huge cumulative tax arrears of Rs. 48,73,028 crore, including Rs. 43,07,201 crore pertaining to Direct Taxes (upto 14.02.2025) and Rs. 5,65,827 crore to Indirect Taxes (upto Dec. 2024). The Committee also find that in respect of Direct Taxes, Rs. 10,55,906 crore tax arrears are pending for five or more years. The Committee has been given to understand that some of the arrears date back even to the mid-1990s. The Committee further note that as per tax authorities, out of Rs. 43,07,201 crore arrears, Rs. 28,95,851 crore which comes to 67%, is difficult to collect. The Committee also find that a lot of this demand arrear is also fictitious. Before the digitisation of processes, a manual register system was in place, which did not account for interest. However, the current system now calculates interest annually. Since income tax penalty is very heavy, every year of delay will keep on adding to the demand, which is in any case remains non-collectible. The Committee express their concern over the present scenario and believe that there is a pressing need to review the tax assessment system to make it more efficient in collection of taxes, keeping in view the ground realities. The Committee are of the view that while genuine demands should be strictly collected, the Tax Authorities should also undertake a thorough introspection of the existing tax assessment system and remain sensitive to the hardships faced by honest taxpayers due

to erroneous or inflated tax demands. The Committee, therefore, recommend that, since all the tax records have been digitized, it is high time to take decisive interventions, including writing off demands/ imposing moratoriums, to reduce and trueing up the huge backlog of demand arrears in a time-bound manner.”

1.12 In their Action Taken Reply the Ministry of Finance (Department of Revenue) have submitted as follows:

“CBIC

The Central Board of Indirect Taxes and Customs (CBIC), vide Circular No. 1081/02/2022-CX dated 19.01.2022, has issued comprehensive guidelines to the field formations regarding the recovery and write-off of arrears related to Indirect Taxes, including Central Excise, Service Tax, and Customs. These guidelines provide a structured framework for classification of arrears based on their recoverability, initiation of appropriate recovery action, and periodic review of the arrear cases.

As per the Circular, arrears have been categorized into recoverable and non-recoverable demands, with further sub-categorization of non-recoverable demands (e.g., assessee not traceable, units closed, liquidation/ bankruptcy, etc.), for effective action. The Circular also empowers the jurisdictional authorities to recommend write-off of irrecoverable demands. Accordingly, field formations are undertaking sustained efforts for recovery of recoverable arrears and processing of non-recoverable cases for write-off, wherever justified.

The matter is under continuous review and appropriate measures are being taken to reduce the pendency of arrears.

CBDT

Active coordination has been carried out with the Assessing Officers of various Pr. CCIT Regions, to ensure that the Recoverability Status of High Value Demands (i.e. Demands greater than Rs. 1 Crores) are correctly marked in the Demand Recovery Module of Income Tax Business Applications (ITBA).

2. Due to these efforts, the Net Collectible Demand has been reduced from Rs 33,75,763 Cr. out of total Outstanding demand of Rs. 41,65,064 Cr. (as on 30.06.2024) to Rs. 13,47,631 Crores out of the Total Outstanding Demand of Rs.48,17,763 Crores (as on 31.03.2025). This means that during the period (30.06.2024 to 31.03.2025), the Net Collectible Demand has been reduced by Rs.20,28,132 Crores.

3. Out of the demands uploaded from manual registers during the process of Digitisation, it has been found that certain entries that appear to be duplicate have been uploaded by the AOs. Since these demands are not verifiable on the system, a letter has been addressed to all the Pr. CCIT's requesting them to direct their Assessing Officers to verify these demands vis-à-vis the manual records and rectify fictitious

/duplicate demands. Demand Facilitation Centre (DFC) has also identified certain likely duplicate demands and notified the AOs separately. Consequently, during the month of March 2025, an amount of Rs. 25,834.93 crores have been reduced by the Assessing Officers as duplicate demands.

4. The data in respect of Order Giving Effect (OGs) pending to be passed for CIT(A) Orders, wherein the CITIA)s have partly or fully allowed Tax payers appeals, has been shared with each of the Pr CCITs.

5. The data of tax demands disagreed both by the Assessing Officer & Tax payer has been shared with respective Pr CCITs for initiating necessary action by the respective AOs for reduction of the Outstanding Demands.

6. Mail Campaigns has been undertaken in respect of taxpayers in all cases where tax demands raised under Section u/s, 143(1) are outstanding, urging them to either pay up the demand or file suitable applications for rectifications, in case the tax demand is claimed to be incorrect.

7. Demands raised u/s. 143(1) due to disallowance of exemptions claimed u/s 11 on account of late filing of Forms 9A, 10, 10B, 10BB have been identified. A mail campaign for educating the respective Tax payers for filing of Condonation applications u/s. 119(2)(b) based on Circular No. 16 of 2024 has been carried out.

8. Extinguishment of demands:

a. In accordance with CBDT Order in F. No. 375/02/2023-IT-Budget dated 13-02-2024, the eligible demands for extinguishment are identified on the following criteria:

Asst. Years to which the entries of outstanding tax demands as on 31-01-2024 pertain	Monetary limit of entries of outstanding tax demands which are to be remitted and extinguished (in Rupees)
Up to AY 2010-11	Each demand entry up to Rs. 25,000/-
AY 2011-12 to AY 2015-16	Each demand entry up to Rs. 10,000/-

b. Details of demands extinguished are as below:

Sl. No	Range	Count of Demands
1	Up to AY 2010-11	56,41,503
2	AY 2011-12 to AY 2015-16	56,57,660
Total		1,12,99,163

Total Number of PANs involved: 77,39,239

Value of demand extinguished: Rs. 3,338.40 Crore”

1.13 The Committee acknowledge CBDT's several measures to address the issue of large outstanding tax arrears, such as verification of legacy demands, correction of duplicate entries, targeted mail campaigns, and sharing of relevant data with field formations. As a result of these efforts, the Net Collectible Demand has been significantly reduced from Rs. 33.75 lakh crore (as on 30.06.2024) to Rs. 13.47 lakh crore (as on 31.03.2025), a reduction of over Rs. 20.28 lakh crore. The Committee also note that over 1.12 crore demand entries totaling Rs. 3,338.40 crore in value and involving 77.39 lakh PANs, have been extinguished through CBDT's recent rationalisation drive. While appreciating these efforts, the Committee stress that substantial arrears remain. The Committee desire that continuous and time-bound efforts must be made to further bring down the outstanding demand. The Committee also find that no specific data on indirect tax arrears has been furnished by CBIC. The Committee desire that such details be provided at the time of submission of the Action Taken Statement.

Recommendation No.8

Faceless Assessment and Appeals

1.14 The Committee, in their Report, had observed/ recommended as under:

"The Committee note that faceless e-Assessment Scheme was notified in 2019 and subsequently a Faceless Income Tax Appeals was launched in 2020, with a view to extend greater convenience to the taxpayers, ease of compliance, ensure fairness in the process and to minimise litigation. The Committee are of the opinion that these initiatives were the need of the hour and also have achieved their endeavour to a great extent. The Committee, however, observe that there are certain issues that are causing hardship to taxpayers in some cases that need to be addressed to make the system more convenient and effective. The Committee note that under faceless assessment, cases are allocated randomly, so there may be possibility that a peculiar type of a case is assigned to an assessing officer who may not have expertise in that area. Therefore, the Committee recommend that there is a need to make the system intelligent enough to match cases with the appropriate group of assessing officers who are better equipped to assess the income and address issues. Under faceless appeal system also, there are instance where taxpayers face challenges with online filing and hearings, as adapting to the digital format can pose difficulties for some individuals. The Committee, therefore, recommend that these issues should be addressed promptly by taking appropriate corrective measures to improve overall faceless eco-system. Furthermore, the Committee believe that conducting a regular survey to understand the perceptions/ experiences/ challenges faced by taxpayers in filing/ assessment/ appeal processes will go a long way in gathering valuable feedbacks for making necessary changes and improvements to the existing system."

1.15 In their Action Taken Reply the Ministry of Finance (Department of Revenue) have submitted as follows:

“1. Computerized random allocation is carried out in faceless assessment, as per the CBDT approved allocation rules. The faceless allocation rules take into account the complexity of the assessment cases, seniority of officer and senior and competent officers are allocated complex cases on an anonymized and randomized basis.

The faceless assessment cases are differentiated into several categories based on the type of ITR filed, turnover, total income and underlying issues that require verification. The complex category of cases are allocated to Assessment Units (AUs) located in Metro charges or AUs staffed by senior officer in the rank of Deputy/ Assistant Commissioner of Income Tax. The simpler cases are allocated to the officers in the rank of Income Tax Officer.

2. The Committee has observed that there are instances where taxpayers face challenges with online filing and hearings, as adapting to the digital format can pose difficulties for some individuals. The Committee has, therefore, recommended that these issues should be addressed promptly by taking appropriate corrective measures to improve the overall Faceless ecosystem.

In this regard, in the earlier years of implementing the Faceless Assessment there have been teething problems in respect of online filings and hearings faced by the taxpayers due to technical issues. However, over the last couple of years these problems have duly taken care of and have gradually reduced. Presently, there are very few of number of such instances that have been reported by the taxpayers.

3. The Committee has observed/ recommended that conducting a regular survey to understand the perceptions/experiences/ challenges faced by taxpayers in filing/assessment/ appeal processes will go a long way in gathering valuable feedback for making necessary changes and improvements to the existing system.

In this regard, as recommended by the Committee, the NaFAC has carried out 5 outreach programs with the taxpayers, industry/ trade bodies/ tax professionals' fraternity during Financial Year 2024-25 to collect feedback. These were as below:

- 3.1 With FICCI at New Delhi on 10.01.2025
- 3.2 With the taxpayers, industry/ trade bodies/ tax professionals' fraternity at Chennai on 28.01.2025
- 3.3. With the taxpayers, industry/ trade bodies/ tax professionals' fraternity at Kolkata on 07.02.2025
- 3.4 With the taxpayers, industry/ trade bodies/tax professionals' fraternity at Ahmedabad on 13.02.2025
- 3.5 With the taxpayers, industry/ trade bodies tax professionals' fraternity at Guwahati on 20.02.2025 & 21.02.2025

The inputs received in the above outreach programs are under process to be taken up as action points with the Systems Directorate for incorporating suitable improvements in the digital processes to mitigate the difficulties/ glitches reported to be faced by the external stakeholders.

1.16 The Committee note the Ministry's clarification that faceless assessment cases are now allocated based on complexity and income level, with complex cases assigned to more experienced officers. The Committee also take note of the Ministry's assurance that early technical issues in online filings and hearings which had previously posed difficulties for tax payers, have been largely resolved, with only limited instances currently being reported. While, the Committee desire that this claim be thoroughly corroborated with relevant data in the upcoming Action Taken Statement, they particularly welcome the Ministry's proactive approach in conducting outreach programmes as recommended. The Committee expect to be fully informed of the concrete system improvements resulting from this valuable feedback, which is currently being processed by the Systems Directorate.

Recommendation No.9

Tax Litigation Pendency

1.17 The Committee, in their Report, had observed/ recommended as under:

"The Committee note that the total numbers of appeals pending at various fora has increased from 5,53,678 in 2021-22 to 6,21,344 in 2024-25. Similarly, the amount involved has also risen from Rs. 20,82,699 crore to Rs. 29,79,470 crore during this period. Despite the introduction of the Joint Commissioners of Income tax (Appeals) [JCIT(A)] alongside the Commissioner of Income Tax (Appeals)[CIT(A)] in 2023, no Improvement has been observed at the Departmental Appellate level. Instead of decreasing, the number of appeals has slightly increased from 5,48,278 in 2023-24 to 5,49,666 in 2024-25. The committee also observe that there is a 40% shortage of manpower at first appellate level. The Committee further observe that only 40,597 eligible assessee opted for the Direct Tax Vivad-Se- Vishwas Scheme, 2024, between 1.10.2024 and 18.02.2025, compared to 1,39,384 eligible assessee who opted for the previous Direct Tax Vivad-Se- Vishwas Scheme, 2020. Although the Department is optimistic and expects more taxpayers to opt for the scheme in the future as it is still ongoing, this remains an issue warranting attention. The Committee further note that the cost of litigation to the Government was above Rs. 108 core in 2023-24. The Committee express their concern over the pendency of tax-related litigation in the country and emphasize the need for systemic reforms, at the measures taken so far have not succeeded in bringing out any significant improvement in the prevailing condition. The Committee

believe that the focus of the Government on simplification of tax-related Acts and Rules would certainly reduce a lot of litigation. However, the issue of the existing pendency of tax litigation, which is considerable in number, amount and duration, also need to be addressed in a mission mode. The Committee, therefore, recommend that the Government should constitute an expert panel to meticulously examine this matter and propose appropriate remedial measures. The Committee also desire that this matter should be addressed with utmost sincerity and urgency.

1.18 In their Action Taken Reply the Ministry of Finance (Department of Revenue) have submitted as follows:

“Vide 9th Report of Standing Committee on Finance on Demands for Grants(2025-26) under the head Tax Litigation Pendency the Committee has inter-alia made the following observations:

“.....However, the issue of the existing pendency of tax litigation, which is considerable in number, amount and duration, also needs to be addressed in a mission mode. The Committee, therefore, recommend that the Government should constitute an expert panel to meticulously examine this matter and propose appropriate remedial measures. The Committee also desire that this matter should be addressed with utmost sincerity and urgency.”

2. In view of the above, a Committee on expeditious disposal of appeal and litigation management is being constituted. The Terms of Reference (ToR) of the committee are as following:-

- 2.1 In depth examination of the reasons of rising litigation at various appellate level and measures that can be undertaken for litigation management.
- 2.2 Suggest the measures that can be undertaken to enable the first appellate authorities to expedite the disposal for instance bunching of appeals.
- 2.3 Examine the possibility of introduction of any out of the box solution to reduce the ageing of appeals and manage litigation.
- 2.4 Examine the impact of new measures/ targets and approach introduced by Central Action Plan 2025-26 on pendency of litigation and take feedback from Income Tax Department.
- 2.5 To consider any issue related to litigation management in the department that may lead to expeditious dispute resolution, reduce grievances of tax payers and make the appellate provisions tax payer friendly.
- 2.6 Any suggestion which provides mechanism for faster disposal of pendency of appeals.
- 2.7 The Chairperson of Committee may also examine and prescribe any other issue or points as deemed fit in his/her opinion for addressing the issue of existing pendency of tax litigation.

1.19 The Committee are glad to note that the Ministry has taken cognizance of their recommendation and is in the process of constituting a Committee on Expeditious Disposal of Appeals and Litigation Management. The Committee

appreciate this initiative and its comprehensive Terms of Reference (ToR) which focus on examining the root causes of pendency, proposing innovative solutions, and enhancing taxpayer-friendliness in appellate processes. The Committee desire that the matter be pursued with urgency and in a mission-mode approach and expect that the newly constituted expert committee submits its findings with actionable outcomes in a time-bound manner.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (SI No. 1)

Budgetary Allocation

Demand No.35

The Committee note that, with regard to Demand No. 35, which pertains to the Department of Revenue (HQ), there is a Budgetary Estimate (BE) of Rs. 1,33,880.25 crore for the Financial Year (FY) 2025-26. This includes Rs. 1,33,271.01 crore under the Revenue Section and Rs. 609.24 crore under the Capital Section. The Committee's scrutiny reveals that, although the Budgetary Estimate (BE) for the Capital Section has increased by 14.5% compared to the previous year, there was a shortfall in utilization during the previous year. For 2024-25 the BE of Rs. 531.96 was reduced to Rs. 475.74 crore at the stage of Revised Estimate (RE) and the actual utilization (till 11.02.2025) is only Rs. 119.42 crore. The Committee observe that the Capital Section has some important components such as 'Information Computer, Telecommunications (ICT) equipment' and 'Building and Structure' which are vital for the effective functioning of the Department. For ICT, the BE of Rs. 78.42 crore was revised upward to Rs. 140.67 crore; however, the actual utilization (upto December, 2024) is Rs. 39.38 crore only. Similarly, for Building and Structure, BE of Rs. 134.52 crore was reduced to Rs. 51.62 crore, and the actual utilization stands at only Rs. 0.02 crore. The Committee believe that the underutilization of funds under the Capital Section may not only result in delayed or deprived intended services or outcomes, but there is always a risk of cost escalation due to factors such as inflation, fluctuations in material prices, and the potential for increased labor costs over time. The Committee also note that the enhanced funds of Rs. 140.67 crore under ICT at the Revised Estimate (RE) stage are allocated for FINnet 2.0—an advanced platform utilized by the Financial Intelligence Unit - India (FIU-IND) to improve the processes of receiving, processing, analyzing, and disseminating information related to suspicious financial transactions - and the Budgetary Estimate (BE) for 2025-26 for ICT has been set at Rs. 147.53 crore, the Committee emphasize the need for close monitoring of the project progress. This will ensure the optimum utilization of funds for the timely execution of these critical projects without any delays. The Committee would also like

to be apprised of the progress made regarding the FINnet 2.0 project at the time of furnishing Action Taken Notes.

Reply of the Government

The funds amounting to Rs. 140.67 crore and Rs. 147.53 crore under ICT head at the Revised Estimate (RE) stage perhaps pertains to the Department of Revenue. As such, in FY 2024–25, only Rs. 26.56 crore and Rs. 76.33 crore were allocated to FIU-India under the ICT head at the Budget Estimate (BE) and Revised Estimate (RE) stages, respectively. Further in FY 2025-26, the amount allotted under ICT in the BE is Rs. 43 crores, which will be utilized for payment of the Managed Service Provider, Project Monitoring Unit, DC & DR & MPLS/ ILL for the Operation & Maintenance phase of Project FINnet 2.0.

A Project Steering Committee has been constituted to review the progress of implementation as well as operation phase of FINnet 2.0 with external members from CBDT, NICS & DoT, and regular Project Steering Committee (PSC) meetings are held to review/ monitor the progress of the project.

In addition, a Project Monitoring Unit team has been instituted to review and suggest preventive and corrective measures where-ever a delay or non-conformity is observed in Project FINnet 2.0 and the same is taken up before the appropriate authorities and the PSC for timely resolution.

The Project FINnet 2.0 became live on 1st February 2024 and currently it is under the second year of operation & maintenance phase.

**[Ministry of Finance (Department of Revenue),
O.M. No. H-11015/1/2025-Parl. Dated 04.07.2025]**

Recommendation (SI No. 2)

GSTAT

The Committee note that The GST Appellate Tribunal (GSTAT) is the Appellate Authority established under the Central Goods and Services Tax Act, 2017, to hear various appeals under the said Act and the respective State/Union Territories GST Acts against the orders of the first appellate authority. It consists of a Principal Bench and various State Benches. As per the approval of the GST Council, the Government has notified the Principal Bench, to be located at New Delhi, and 31 State Benches at

various locations across the country. The Committee further note that the Tribunal will ensure swift, fair, judicious and effective resolution to GST disputes, besides significantly reducing the burden on higher courts. It is also envisaged that the establishment of the GSTAT would further enhance the effectiveness of the GST system in India and foster a more transparent and efficient tax environment in the country. However, the Committee find that the GSTAT is yet to be operationalised. In regard to progress of work, the Ministry has submitted that the constitution of the Principal Bench and State Benches of GSTAT has been notified on 31.07.2024, with the President's appointment notified on 20.05.2024. Interviews for members are in progress, and 953 subordinate staff positions have been created with appointments underway. Recruitment rules for Group 'C' have been notified on 21.06.2024, while those for Group A and B are in progress. The jurisdiction of State Benches was notified on 26.11.2024. The Department has also assured that hearing of cases will start very soon. The Committee acknowledge that numerous considerations, infrastructure developments, and formalities need to be addressed before the operationalisation of the Tribunal. Nonetheless, given the time that has elapsed since the notification for its inception, the Committee recommend that utmost efforts be made to expedite and complete the remaining work related to GSTAT, ensuring it is operationalised at the earliest so that the envisaged benefits can be reaped without any further delay.

Reply of the Government

STATUS OF GST APPELLATE TRIBUNAL

The Goods and Services Tax Appellate Tribunal (GSTAT) is constituted under Section 109 of the Central Goods and Services Tax Act, 2017 (CGST Act), which provides for constitution of the GSTAT as the second appellate authority within the GST framework. The process of original adjudication as well as the first appeal happens through individual officers under the Act but the second appeal against the orders of the first appellate authorities under Central as well as State tax administration lies with the GSTAT constituted under the CGST Act. GSTAT has been provided the responsibility to hear appeals under all the four GST laws passed by Central as well as State officers. Therefore, this is the first forum at which the adjudication process converges under all GST laws and across all tax administrations.

Notifications have been issued for the constitution of the Principal Bench and 31 State Benches of the GSTAT (at 46 locations including Principal Bench) vide Gazette Notification No. S.O. 3048(E) dated 31.07.2024. A separate notification has also been issued specifying the jurisdiction of the said Benches and / or the Sittings associated with the said Benches vide Gazette Notification No. S.O. 5063(E) dated 26.11.2024 & corrigendum Notification dated 29.11.2024.

Appointment of President and Members

The Search-cum Selection Committee for selection of Members of GST Appellate Tribunal except Technical Member (State) of a State Bench under the Chairmanship of Hon'ble Sh. Justice Dipankar Datta, Judge, Supreme Court of India was constituted vide Department of Revenue's O.M. dated 5th July 2024 which carried out the personal interaction of the candidates for appointment.

However, since some of the Members of the ScSC who took the interactions demitted office on being appointed to other positions, the Committee could not finalise the names to be recommended for appointment and hence the Committee was re-constituted under the Chairmanship of Hon'ble Mr. Justice M.M. Sundresh, Judge, Supreme Court of India vide Department of Revenue's O.M. dated 24th April 2025. In view of the fact that there are new Members of the Committee, the Committee decided to conduct personal interactions with a shortlist of candidates to assess their suitability. The process of personnel interaction was carried out and completed by the Committee till 30.05.2025.

With respect to the appointment of Technical Member (State) for the State Benches, it is the concerned State Governments under whose jurisdiction the bench lies which is entrusted with the responsibility to constitute the Search cum Selection Committee for selection of Members under the Chairmanship of the respective Chief Justice of that State. Till date, the recommendations have been received from Uttar Pradesh, Orissa, Gujarat, Bihar and Maharashtra/Goa, while the process for other states is under progress.

Appointment of Supporting Staffs

Total of 953 posts for supporting staff have been approved to be appointed in the GSTAT. One time relaxation has been obtained from the Union Public Service Commission (UPSC) to fill the posts through deputation to start the initial functioning of the Tribunal. Accordingly, 105 appointments have been made at various benches

for 2/3 years and the staffs have already started to join GSTAT. The Principal Bench is staffed with Registrar, Assistant Registrar, personal staffs of the President and some other staffs at various levels.

The power to frame the Recruitment Rules (RRs) in respect of Group “C” post lies with the Administrative Ministry. Accordingly, the RRs for the 5 (five) Group “C” posts viz, Stenographer Grade II, Upper Division Clerk, Lower Division Clerk, Staffs Car Driver and Multi-Tasking Staff was notified vide Gazette Notification G.R.R. 340(E) dated 21.06.2024.

The Appointing Authority, Disciplinary Authority and Appellate Authority in the GSTAT for imposing the penalties under the Rule 11 of the Central Civil Services (Classification, Control and Appeal) Rules, 1965 was notified vide Gazette Notification G.S.R. 454(E) dated 28.07.2024.

Preparation of reservation rosters and obtaining of NOC/NAC from the Surplus Cell, DoPT are required before sending requisition from Staffs Selection Commission. The reservation roster has been prepared in consultation with the Liaison Officers and the process of obtaining the NOC/NAC from the Surplus Cell, DoPT is under progress.

RRs for the Group “A” and Group “B” are to be framed in consultation with the Department of Personnel and Training (DoPT) and Union Public Service Commission (UPSC) and the present status are as below:

- a. 8 (Eight) RRs viz, Financial Advisor, Deputy Registrar, Assistant Registrar, Principal Private Secretary, Senior Private Secretary, Private Secretary, Assistant GSTAT and Stenographer Grade I has been finalised by the UPSC/DoPT. The same are undergoing legal vetting.
- b. 4 (Four) RRs viz, Registrar, Joint Register, Court Officer and Legal Assistant are being reviewed by the UPSC.
- c. 2 (Two) RRs viz, Accounts Officer and Senior Accountant are being reviewed by the DoPT were returned to DoR and have been sent to DoE for re-designating the names of the posts.

Software Portal and IT Infrastructure for GSTAT

GSTAT will be paperless tribunal from day one. E-courts software module has been developed by NIC in collaboration with GSTN. UAT has been completed. It is expected to rolled on a pilot basis for Principal Bench shortly. Tender for IT infrastructure of GSTAT (servers, VC facility etc) has been floated by GSTN. Vendor

has been selected. Installation would be taken up along with physical infrastructure in each of the locations.

Physical Infrastructure of GSTAT

Process of identification of buildings of State Benches on rental basis in 45 locations across the country is progressing well. Out of these, the proposals of 36 locations have been received and examined. 20 proposals have been approved by the IFU for renting and 8 proposals are under examination of DoR/IFU/GST Zones.

Principal Bench is currently located temporarily in a well-furnished 10,000 SFT office in new Delhi. President and his Staff are operating from the said office. Permanent office space with approximately 20,000 SFT has been identified in New Delhi and mapping being finalised.

Rules for Conduct of Business

Rules for conduct of business of GSTAT has been notified vide G.S.R. 256(E) dated 24.04.2025. Anti-profiteering cases have been assigned to the Principal Bench.

**[Ministry of Finance (Department of Revenue),
O.M. No. H-11015/1/2025-Parl. Dated 04.07.2025]**

(For Comments of the Committee, please refer Para No. 1.7 of Chapter I)

Recommendation (SI No. 3)

Demand No.36

The Committee note that the Demand No.36 pertains to Direct Taxes. Direct Taxes has no Central Sector Schemes and Centrally Sponsored Schemes. The entire budget is for Salaries/Administrative expenses pertaining to field offices of Central Board of Direct Taxes (CBDT). Despite this the Committee find that there have been considerable variations in BE, RE and Actual figure related to this Demand. For the year 2024-25, the Budgetary Estimate of Rs. 10,340.38 crore was revised upward to Rs. 11575.17 crore; whereas, the actual utilization (upto 31.12.2024) is Rs. 7712.55 crore which is 66.63% of the RE. Under Capital Section, the underutilization of fund is more significant as against the RE of Rs. 2,372.82 crore only Rs. 761.20 crore could be utilized (upto 31.12.2024) which work out to just 32.08% of the RE. In regard to the reason for the same, it has been submitted that the major change in the RE was due to the increase in Object Head 4075 which was increased by around Rs. 1,000 crores. It has been assured that the amount is likely to be utilized as the bills are pending under the Object Head 4075. Nevertheless, the Committee would like to recommend that sincere efforts be made to ensure the optimal utilization of funds allocated under

this Head. Further, the Committee also emphasize the necessity of stronger financial discipline to prevent underutilization or the bunching of expenditures towards the end of the fiscal year in future.

Reply of the Government

During the Financial Year 2024-25, an expenditure of Rs 11441.27 crores has been incurred against the allocated budget of Rs 11573.1 crores which is 98.86% of RE 2024-25. Hence, this Directorate has made sincere efforts for optimal utilization of the funds and the performance has considerably improved.

**[Ministry of Finance (Department of Revenue),
O.M. No. H-11015/1/2025-Parl. Dated 04.07.2025]**

Recommendation (SI No. 4)

In regard to observation of the Committee in their previous year's Report on DFGs (2024-25) pertaining to the Demand No.36 that the Directorate of Expenditure Budget, as well as the Budget Controlling Authorities (BCAs) and the Sub-BCAs, did not have a proficient mechanism to monitor the requirement of funds or the expenditure incurred by the Drawing and Disbursing Officers (DDOs), the Department has stated that the Directorate of Expenditure Budget has digitized the Budget related data, automated the allocation of funds; integrated the expenditure data which facilitated the monitoring of their budget. The Committee express their satisfaction with the efforts made by the Department to strengthen the budgetary monitoring system and hope that these efforts will lead to the optimal and balanced utilization of allocated funds. The Committee also expect to be informed about the effectiveness of the new system when furnishing the Action Taken Notes.

Reply of the Government

With the help of Google work sheet it is possible maintain, track fund allocation and have a bird's eye view of the Reserves available on a real-time basis of all the 58 BCAs. By using this application of Google Worksheet, it is very helpful for the department to rationalize expenditure across various heads and subheads. With extensive efforts, it was possible to minimize the surrender amount of budget fund to near-about zero during this period. The new system also helps this Directorate to

monitor day to day expenditure of all the BCAs which can be tallied to the PFMS Expenditure Data Sheet.

[Ministry of Finance (Department of Revenue),
O.M. No. H-11015/1/2025-Parl. Dated 04.07.2025]

Recommendation (SI No. 5)

Demand No.37

The Committee note that the budgetary provisions under Demand No. 37- Indirect Taxes is for establishment related expenditure for the field offices of Central Board of Indirect Taxes & Customs (CBIC) and provision for Central Sector Schemes such as Remission of Duties and Taxes on Exported Products (RoDTEP) and various other Scrips-Based Schemes. The Committee find that there is a budgetary estimate of Rs. 42,889.33 crore for the year 2025-26, consisting of Rs. 40,904.73 crore under the Revenue Section and Rs. 1,984.6 crore under the Capital Section. However, the Committee also find that the past track record under the Demand No.37 as far as optimum utilization of funds are concerned leaves much to be desired. Even for the year 2024-25, the actual utilization (up to 20.02.2025) is Rs. 31,875.35 crore, which is 78.2% of the revised estimate (RE) of Rs. 40,752.17 crore, with only about a month remaining in the fiscal year. The underutilization of funds is more conspicuous under the Capital Section, where only 46% of the Revised Estimate could actually be utilized till the said period. In regard to efforts being made to ensure optimum utilization of funds, the Committee have been apprised that the field formations have been sensitized about the importance of sending accurate estimates of funds to ensure optimum utilization of the budget allocated through regular Emails and letters. Further, the expenditure incurred by the field formations is being monitored on monthly basis through e-lekha portal. The CBIC has already developed BEAMS application which is being utilized for better monitoring of expenditure vis –a –vis allocated funds. However, the Committee find that these efforts are yet to be translated into improved performance by the Department in terms of utilization of the allocated funds. The Committee, therefore, recommend stricter monitoring of the budgetary assessment and fund utilization processes at the highest level to ensure that the efforts being made in this regard also yield the desired results.

Reply of the Government

Recommendation of the committee have been duly noted for compliance. This office will take all necessary steps to further narrow the gap between allocation and utilization of budget. The field formations are being sensitized about the importance of sending accurate estimates of funds to ensure optimum utilization of the budget allocated through regular Emails letters and various advisories. A team of officers from EMC would be visiting the field formations and carry out hand holding exercise with the officers handling sizeable Revenue/ Capital Expenditure for realistic Budget forecasting and optimum utilization of funds. Further, regular and timely follow up with CPWD shall also be done regarding utilization of the funds transferred to them. Furthermore, this section is in process of formulating a SOP wherein stakeholders of all capital projects meet on bi-monthly basis and monitor its progress. This office is conducting regular webinars for educating field formations about optimum utilization of budget and addressing any other issue being faced by them, etc. The EMC officers would be monitoring the budget utilization trend with the senior officers of all the Budget Controlling authorities to ensure the highest level of monitoring. Fine tuning of BEAMS to push data in PFMS is under development and will address issues pertaining to mapping/ Surrender and effective utilization of funds.

**[Ministry of Finance (Department of Revenue),
O.M. No. H-11015/1/2025-Parl. Dated 04.07.2025]**

Recommendation (SI No. 7)

Tax Arrears

The Committee note that there are huge cumulative tax arrears of Rs. 48,73,028 crore, including Rs. 43,07,201 crore pertaining to Direct Taxes (upto 14.02.2025) and Rs. 5,65,827 crore to Indirect Taxes (upto Dec. 2024). The Committee also find that in respect of Direct Taxes, Rs. 10,55,906 crore tax arrears are pending for five or more years. The Committee has been given to understand that some of the arrears date back even to the mid-1990s. The Committee further note that as per tax authorities, out of Rs. 43,07,201 crore arrears, Rs. 28,95,851 crore which comes to 67%, is difficult to collect. The Committee also find that a lot of this demand arrear is also fictitious. Before the digitisation of processes, a manual register system was in place, which did not account for interest. However,

the current system now calculates interest annually. Since income tax penalty is very heavy, every year of delay will keep on adding to the demand, which is in any case remains non-collectible. The Committee express their concern over the present scenario and believe that there is a pressing need to review the tax assessment system to make it more efficient in collection of taxes, keeping in view the ground realities. The Committee are of the view that while genuine demands should be strictly collected, the Tax Authorities should also undertake a thorough introspection of the existing tax assessment system and remain sensitive to the hardships faced by honest taxpayers due to erroneous or inflated tax demands. The Committee, therefore, recommend that, since all the tax records have been digitized, it is high time to take decisive interventions, including writing off demands/ imposing moratoriums, to reduce and trueing up the huge backlog of demand arrears in a time-bound manner.

Reply of the Government

CBIC

The Central Board of Indirect Taxes and Customs (CBIC), vide Circular No. 1081/02/2022-CX dated 19.01.2022, has issued comprehensive guidelines to the field formations regarding the recovery and write-off of arrears related to Indirect Taxes, including Central Excise, Service Tax, and Customs. These guidelines provide a structured framework for classification of arrears based on their recoverability, initiation of appropriate recovery action, and periodic review of the arrear cases.

As per the Circular, arrears have been categorized into recoverable and non-recoverable demands, with further sub-categorization of non-recoverable demands (e.g., assessee not traceable, units closed, liquidation/ bankruptcy, etc.), for effective action. The Circular also empowers the jurisdictional authorities to recommend write-off of irrecoverable demands. Accordingly, field formations are undertaking sustained efforts for recovery of recoverable arrears and processing of non-recoverable cases for write-off, wherever justified.

The matter is under continuous review and appropriate measures are being taken to reduce the pendency of arrears.

CBDT

Active coordination has been carried out with the Assessing Officers of various Pr. CCIT Regions, to ensure that the Recoverability Status of High Value Demands (i.e. Demands greater than Rs. 1 Crores) are correctly marked in the Demand Recovery Module of Income Tax Business Applications (ITBA).

2. Due to these efforts, the Net Collectible Demand has been reduced from Rs 33,75,763 Cr. out of total Outstanding demand of Rs. 41,65,064 Cr. (as on 30.06.2024) to Rs. 13,47,631 Crores out of the Total Outstanding Demand of Rs.48,17,763 Crores (as on 31.03.2025). This means that during the period (30.06.2024 to 31.03.2025), the Net Collectible Demand has been reduced by Rs.20,28,132 Crores.

3. Out of the demands uploaded from manual registers during the process of Digitisation, it has been found that certain entries that appear to be duplicate have been uploaded by the AOs. Since these demands are not verifiable on the system, a letter has been addressed to all the Pr. CCIT's requesting them to direct their Assessing Officers to verify these demands vis-à-vis the manual records and rectify fictitious /duplicate demands. Demand Facilitation Centre (DFC) has also identified certain likely duplicate demands and notified the AOs separately. Consequently, during the month of March 2025, an amount of Rs. 25,834.93 crores have been reduced by the Assessing Officers as duplicate demands.

4. The data in respect of Order Giving Effect (OGs) pending to be passed for CIT(A) Orders, wherein the CITIA)s have partly or fully allowed Tax payers appeals, has been shared with each of the Pr CCITs.

5. The data of tax demands disagreed both by the Assessing Officer & Tax payer has been shared with respective Pr CCITs for initiating necessary action by the respective AOs for reduction of the Outstanding Demands.

6. Mail Campaigns has been undertaken in respect of taxpayers in all cases where tax demands raised under Section u/s, 143(1) are outstanding, urging them to either pay up the demand or file suitable applications for rectifications, in case the tax demand is claimed to be incorrect.

7. Demands raised u/s. 143(1) due to disallowance of exemptions claimed u/s 11 on account of late filing of Forms 9A, 10, 10B, 10BB have been identified. A mail

campaign for educating the respective Tax payers for filing of Condonation applications u/s. 119(2)(b) based on Circular No. 16 of 2024 has been carried out.

8. Extinguishment of demands:

- a. In accordance with CBDT Order in F. No. 375/02/2023-IT-Budget dated 13-02-2024, the eligible demands for extinguishment are identified on the following criteria:

Asst. Years to which the entries of outstanding tax demands as on 31-01-2024 pertain	Monetary limit of entries of outstanding tax demands which are to be remitted and extinguished (in Rupees)
Up to AY 2010-11	Each demand entry up to Rs. 25,000/-
AY 2011-12 to AY 2015-16	Each demand entry up to Rs. 10,000/-

- b. Details of demands extinguished are as below:

Sl. No	Range	Count of Demands
1	Up to AY 2010-11	56,41,503
2	AY 2011-12 to AY 2015-16	56,57,660
Total		1,12,99,163

Total Number of PANs involved: 77,39,239

Value of demand extinguished: Rs. 3,338.40 Crore

[Ministry of Finance (Department of Revenue),
O.M. No. H-11015/1/2025-Parl. Dated 04.07.2025]

(For Comments of the Committee, please refer Para No. 1.13 of Chapter I)

Recommendation (SI No. 8)

Faceless Assessment and Appeals

The Committee note that faceless e-Assessment Scheme was notified in 2019 and subsequently a Faceless Income Tax Appeals was launched in 2020, with a view to extend greater convenience to the taxpayers, ease of compliance, ensure fairness in the process and to minimise litigation. The Committee are of the opinion that these initiatives were the need of the hour and also have achieved their endeavour to a great extent. The Committee, however, observe that there are certain issues that are causing hardship to taxpayers in some cases that need to be addressed to make the

system more convenient and effective. The Committee note that under faceless assessment, cases are allocated randomly, so there may be possibility that a peculiar type of a case is assigned to an assessing officer who may not have expertise in that area. Therefore, the Committee recommend that there is a need to make the system intelligent enough to match cases with the appropriate group of assessing officers who are better equipped to assess the income and address issues. Under faceless appeal system also, there are instance where taxpayers face challenges with online filing and hearings, as adapting to the digital format can pose difficulties for some individuals. The Committee, therefore, recommend that these issues should be addressed promptly by taking appropriate corrective measures to improve overall faceless eco-system. Furthermore, the Committee believe that conducting a regular survey to understand the perceptions/ experiences/ challenges faced by taxpayers in filing/ assessment/ appeal processes will go a long way in gathering valuable feedbacks for making necessary changes and improvements to the existing system.

Reply of the Government

1. Computerized random allocation is carried out in faceless assessment, as per the CBDT approved allocation rules. **The faceless allocation rules take into account the complexity of the assessment cases, seniority of officer and senior and competent officers are allocated complex cases on an anonymized and randomized basis.**

The faceless assessment cases are differentiated into several categories based on the type of ITR filed, turnover, total income and underlying issues that require verification. The complex category of cases are allocated to Assessment Units (AUs) located in Metro charges or AUs staffed by senior officer in the rank of Deputy/ Assistant Commissioner of Income Tax. The simpler cases are allocated to the officers in the rank of Income Tax Officer.

2. The Committee has observed that there are instances where taxpayers face challenges with online filing and hearings, as adapting to the digital format can pose difficulties for some individuals. The Committee has, therefore, recommended that these issues should be addressed promptly by taking appropriate corrective measures to improve the overall Faceless eco-system.

In this regard, in the earlier years of implementing the Faceless Assessment there have been teething problems in respect of online filings and hearings faced by

the taxpayers due to technical issues. However, over the last couple of years these problems have duly taken care of and have gradually reduced. Presently, there are very few of number of such instances that have been reported by the taxpayers.

3. The Committee has observed/ recommended that conducting a regular survey to understand the perceptions/experiences/ challenges faced by taxpayers in filing/assessment/ appeal processes will go a long way in gathering valuable feedback for making necessary changes and improvements to the existing system.

In this regard, as recommended by the Committee, the NaFAC has carried out 5 outreach programs with the taxpayers, industry/ trade bodies/ tax professionals' fraternity during Financial Year 2024-25 to collect feedback. These were as below:

- 3.1 With FICCI at New Delhi on 10.01.2025
- 3.2 With the taxpayers, industry/ trade bodies/ tax professionals' fraternity at Chennai on 28.01.2025
- 3.3. With the taxpayers, industry/ trade bodies/ tax professionals' fraternity at Kolkata on 07.02.2025
- 3.4 With the taxpayers, industry/ trade bodies/tax professionals' fraternity at Ahmedabad on 13.02.2025
- 3.5 With the taxpayers, industry/ trade bodies tax professionals' fraternity at Guwahati on 20.02.2025 & 21.02.2025

The inputs received in the above outreach programs are under process to be taken up as action points with the Systems Directorate for incorporating suitable improvements in the digital processes to mitigate the difficulties/ glitches reported to be faced by the external stakeholders.

**[Ministry of Finance (Department of Revenue),
O.M. No. H-11015/1/2025-Parl. Dated 04.07.2025]**

(For Comments of the Committee, please refer Para No. 1.16 of Chapter I)

Recommendation (SI No. 9)

Tax Litigation Pendency

The Committee note that the total numbers of appeals pending at various fora has increased from 5,53,678 in 2021-22 to 6,21,344 in 2024-25. Similarly, the amount involved has also risen from Rs. 20,82,699 crore to Rs. 29,79,470 crore during this period. Despite the introduction of the Joint Commissioner of Income Tax (Appeals) [JCIT(A)] alongside the Commissioner of Income Tax (Appeals) [CIT(A)] in 2023, no improvement has been observed at the Departmental Appellate level. Instead of decreasing, the number of appeals has slightly increased from 5,48,278 in 2023-24 to 5,49,666 in 2024-25. The Committee also observe that there is a 40% shortage of manpower at first appellate level. The Committee further observe that only 40,597 eligible assessee opted for the Direct Tax *Vivad-Se-Vishwas* Scheme, 2024, between 1.10.2024 and 18.02.2025, compared to 1,39,384 eligible assessee who opted for the previous Direct Tax *Vivad-Se-Vishwas* Scheme, 2020. Although the Department is optimistic and expects more taxpayers to opt for the scheme in the future as it is still ongoing, this remains an issue warranting attention. The Committee further note that the cost of litigation to the Government was about Rs. 108 crore in 2023-24. The Committee express their concern over the pendency of tax-related litigation in the country and emphasize the need for systemic reforms, as the measures taken so far have not succeeded in bringing out any significant improvement in the prevailing condition. The Committee believe that the focus of the Government on simplification of tax-related Acts and Rules would certainly reduce a lot of litigation. However, the issue of the existing pendency of tax litigation, which is considerable in number, amount and duration, also needs to be addressed in a mission mode. The Committee, therefore, recommend that the Government should constitute an expert panel to meticulously examine this matter and propose appropriate remedial measures. The Committee also desire that this matter should be addressed with utmost sincerity and urgency.

Reply of the Government

Vide 9th Report of Standing Committee on Finance on Demands for Grants(2025-26) under the head Tax Litigation Pendency the Committee has inter-alia made the following observations:

“.....However, the issue of the existing pendency of tax litigation, which is considerable in number, amount and duration, also needs to be addressed in a mission mode. The Committee, therefore, recommend that the Government should constitute an expert panel to meticulously examine this matter and propose appropriate remedial measures. The Committee also desire that this matter should be addressed with utmost sincerity and urgency.”

2. In view of the above, a Committee on expeditious disposal of appeal and litigation management is being constituted. The Terms of Reference (ToR) of the committee are as following:-

- 2.8 In depth examination of the reasons of rising litigation at various appellate level and measures that can be undertaken for litigation management.
- 2.9 Suggest the measures that can be undertaken to enable the first appellate authorities to expedite the disposal for instance bunching of appeals.
- 2.10 Examine the possibility of introduction of any out of the box solution to reduce the ageing of appeals and manage litigation.
- 2.11 Examine the impact of new measures/ targets and approach introduced by Central Action Plan 2025-26 on pendency of litigation and take feedback from Income Tax Department.
- 2.12 To consider any issue related to litigation management in the department that may lead to expeditious dispute resolution, reduce grievances of tax payers and make the appellate provisions tax payer friendly.
- 2.13 Any suggestion which provides mechanism for faster disposal of pendency of appeals.
- 2.14 The Chairperson of Committee may also examine and prescribe any other issue or points as deemed fit in his/her opinion for addressing the issue of existing pendency of tax litigation.

**[Ministry of Finance (Department of Revenue),
O.M. No. H-11015/1/2025-Parl. Dated 04.07.2025]**

(For Comments of the Committee, please refer Para No. 1.19 of Chapter I)

Recommendation (SI No. 10)

Strengthening Tax Administration

The Committee observe that in recent years, several technological initiatives have been undertaken to strengthen tax administration in the country. The role of technology in tax administration is evolving continuously, and its importance has increased manifold. The Committee also observe that data handling requirements are increasing, necessitating system upgrades, which involve a considerable amount of funds. The Committee further feel that cybersecurity threats to such a massive data system are a genuine concern that requires utmost attention. In the calendar year 2024, the total number of attempted cybersecurity attacks on CBIC's IT ecosystem was 1.27 crores. Although none of these attempts succeeded, the sheer number itself speaks volumes. The Committee also believe that Artificial Intelligence (AI) can play a vital role in enhancing user experience, detecting and preventing fraud – particularly related to Input Tax Credit (ITC) of GST – and analyzing data to promote better tax compliance. Another issue brought to the Committee's attention is that, despite tax agencies collecting lakhs of crores in revenue, a significant number of their buildings are still rented. Considering the tax department performs a sovereign function that is not of a temporary nature, investing in owning buildings seems both a logical and prudent decision. In view of this, the Committee, emphasize that no compromises should be made concerning the technological and infrastructure requirements of tax agencies, as these will ultimately serve as crucial tools to enhance revenue collection in the country. However, they desire that there should be a clear-cut roadmap to ensure that these projects are executed timely and properly, without cost or time overruns. The Committee expect that such a roadmap will be shared with them at the time of furnishing Action Taken Notes.

Reply of the Government

The Goods and Services Tax (GST) is administered through the Front Office Portal for taxpayers (www.gst.gov.in) and the Back Office Portal for tax officers, both developed and maintained by GSTN (Goods and Services Tax Network). GSTN provides the technological backbone for the GST system and is one of the DPI under the Department of Revenue, Ministry of Finance.

Additionally, GSTN operates the BIFA (Business Intelligence and Fraud Analytics) module for tax officers, which leverages advanced machine learning and artificial intelligence to generate leads for enforcement actions. This has significantly enhanced tax administration and enforcement efforts, improving compliance monitoring.

The GST system continuously works towards automation of business processes by introducing system-based checks, nudging mechanisms, red flags reports, auto-populated statements, and other features. For example, it has implemented sequential filing of returns and automatic notices such as DRC-01B and DRC-01C, which address discrepancies between GSTR-1 and GSTR-3B as well as GSTR-2B and GSTR-3B. Thus, improving ease of compliance for taxpayers and ease of enforcement for tax administration.

Furthermore, GSTN has introduced several new technologies, including e-invoicing, biometric authentication at the time of registration, and a mobile app for Aadhaar-based face authentication. It has also integrated data from third-party sources such as CBDT, PFMS, and PDS to assess risks associated with registration applications. Additionally, GSTN has incorporated geocoding of addresses at the time of registration for precise address collection by integrating a geocoding module from MapmyIndia.

To further improve tax compliance and enforcement, GSTN has recently introduced GSTR-1A, enabling taxpayers to make amendment in GSTR-1, ensuring greater accuracy in return filing. The newly launched Invoice Management System allows taxpayers to accept, reject, or keep an invoice pending, which forms the basis for GSTR-2B generation, this helps in improving the Input Tax Credit (ITC) reconciliation and reduce the number of notices issued, ultimately strengthening the credit chain. Additionally, GSTN is working on starting a pilot project on B2C e-invoicing in selected states, with a Proof of Concept (POC) already completed. This initiative would allow consumers to receive e-invoices, which they can verify via the GST portal or mobile app, promoting transparency and compliance in the B2C chain. These developments reflect GSTN's commitment to leveraging technology to enhance efficiency, ease of compliance, and enforcement capabilities.

GSTN remains at the forefront of technological adoption, ensuring that the GST system leverages the best available technological innovations. Final policy decisions regarding implementation of these initiatives rest with the Government.

CBIC

The recommendation has been taken note of. All out efforts are being taken to improve infrastructure and security measures.

At present most of the infrastructure/system upgradation as well as cybersecurity needs are predominantly met through the "Saksham" contract, additional purchases of cybersecurity products are made outside the Saksham contract depending on need and the changing cyber-threat landscape. Accordingly, a Zero-trust solution has been procured. Sometimes the Govt. of India helps organisations under it to enhance their cybersecurity posture by providing free-of-cost products and solutions which can be used across all Central Government organisations. The provision of Honeypot sensors is a case in point. The same has been provided by Cert-IN free-of-cost for which the PoC is concluded and the same is being deployed in the CBIC's IT ecosystem to enhance the cybersecurity posture of CBIC.

To sum up, the system upgradation and cybersecurity needs are predominantly met through the Saksham contract supported with additional purchases made by DCCS as well as support provided by the Government of India through organisations/Ministries such as Cert-In and MeitY".

AI plays the following role in streamlining collection of taxes and widening the tax base:

- i. Stopping Fraud & Duplication: AI can detect fake Aadhaar IDs, bogus GST claims, and shell companies involved in tax fraud.
- ii. Simplifying Tax Filing: AI-powered assistants can help businesses and individuals file GST and income tax easily, reducing errors and delays.
- iii. Expanding the Tax Base: AI can analyze transactions to identify potential taxpayers who aren't currently in the tax net.
- iv. Faster Compliance & Support: AI chatbots can provide instant help for tax-related queries, making compliance smoother.

v. AI can make the GST and customs related matters like classification and valuation of goods more transparent and bring uniformity.

The field formations of CBIC, assess their infrastructure requirements and process as per CBIC Manual on Infrastructure 2022, wherever approval of the Ministry is required, the proposals are submitted to DGHRD (I&W / EMC) and processed as per CBIC Manual on Infrastructure 2022.

Further, those field formations under which construction projects are running, are requested to conduct regular meetings with the project manager to monitor the progress of the project and are advised to inform DGHRD (I&W / EMC) if any issue arises which is leading to delay in completion of projects. Moreover, they are directed to send the MPR timely. Letters are issued to the field formations for optimum utilization of funds released for the construction and also deprives the public of the intended benefits of the project. To check and sensitize the field formations that there is no delay in completion of ongoing construction projects, video conferences are conducted time to time with all the field formations."

CBDT

The CBDT through its various Information Technology (IT) projects has significantly enhanced the efficiency and transparency of tax-related processes by streamlining various tasks through IT-driven automation, reducing manual interventions. Robust cyber security measures have been implemented to protect sensitive taxpayer data from unauthorized access and cyber threats. The projects under the purview of DIT(S) such as Income Tax Business Application (ITBA), Project Insight, CPC-TDS, Integrated e-filing and Central processing center (IEC 2.0) conform to the extant cyber security standards. In this context, specific steps taken are as follows:

- 1.1 Declaration of four CBDT projects as Critical Information Infrastructure (CII)
 - 1.2 Comprehensive Security Audit (CSA)
 - 1.3 Cyber Crisis Management Plan and Incident Response Plan
 - 1.4 Regular audits and Risk Assessments
2. Further, the field offices of ITD are spread across India having presence in almost every district. There are a total of 723 buildings from where the ITD offices

operate. Out of the total, 312 are Government owned buildings and 411 are rented buildings.

Regular efforts have been made to shift ITD offices into Government owned buildings. In past three years, new Aaykar Bhawans have been constructed in Bhopal, Rajkot, Lucknow, Srinagar, Kochi and Gorakhpur. New IT office buildings are also under construction at Mumbai, Gurgaon, Kanpur and Delhi. Further, suitable plots of lands are being identified to construct more Government owned offices.

As ITD has entered into Faceless Assessment regime, the reliance on Information Technology (IT) infrastructure has grown exponentially. Currently, some of the Directorate of Systems and entire CPC operations (mainly in Delhi and Bengaluru) are housed in rented buildings, which present significant limitations. Therefore, suitable steps are being taken so that Government owned buildings could be constructed for Directorate of Systems and CPC.

**[Ministry of Finance (Department of Revenue),
O.M. No. H-11015/1/2025-Parl. Dated 04.07.2025]**

CHAPTER III

OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES

-NIL-

CHAPTER IV

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (SI No. 6)

Bifurcation of Personal Income Tax Data

During the deliberations of the Committee with the Department, it emerged that at present, Personal Income Tax (PIT) also includes about Rs. 1.5 lakh crore of business (non-corporate) income apart from individual income. The Committee observe that there have been instances when concerns have been raised from various quarters that the collection of Personal Income Tax (PIT) in the country has surpassed Corporation Tax as PIT may not accurately reflect the true picture. The Committee believe that ideally, there should be separate data for Business Income and Individual Income for better analysis and understanding of income patterns in the country. This would also help in formulating targeted tax policies, identifying areas where tax evasion might be occurring, and addressing the peculiar needs and challenges of individuals and businesses separately. The Committee, therefore, recommend that ways and means should be explored to segregate the data of Personal Income Tax (PIT) as early as possible. It is needless to emphasize that the details of all concrete efforts made in this regard will be shared with the Committee when furnishing Action Taken Notes.

Reply of the Government

The Direct Taxes accruing to the Union Government comprise of Corporation Tax and Taxes on Income. The Receipt Budget which is part of the Annual Budget contains the following classification for collections from Direct Taxes:

- a. Corporate Income Tax (CIT): This is a tax levied on the income of Companies under the Income-tax Act, 1961.
- b. Personal Income Tax (PIT): This is a tax on the income of Individuals, Hindu Undivided Families (HUF), firms (including Limited Liability Partnerships), Association of Persons/Body of Individuals (AOP/BOI), Trusts, Cooperative Society, Local Authority and Artificial Juridical Person, etc. other than Companies, under the Income-tax Act, 1961.

2. Companies paying Corporate Income Tax (CIT) file ITR-6, while Taxpayers who fall within the ambit of Taxes on Income (PIT) file ITR-1, ITR-2, ITR-3, ITR-4 and ITR-5. Within these taxpayers, Individuals with no business income file ITR-1 and ITR-2, while Individuals with business income (non-Corporate) file ITR-3 and ITR-4. Further, ITR-5 is filed by persons other than individuals and companies (including firms).

3. This data for non-corporate business income captured separately, combined with data of direct taxes paid by Corporates through ITR-6 will provide an accurate picture of data for Business Income and Individual income.

4. Presently, taxpayers are segregated into two categories;

- (i) Corporate taxpayers (these are having business income as one of the constituents of the total income). Taxes paid by these taxpayers are categorized as Corporate Income Tax (CIT).
- (ii) Non-corporate tax payers and taxes paid by these taxpayers are categorized as Personal Income Tax (PIT)

The non-corporate taxpayers can be further segregated into two categories based on the ITR forms:

- (i) Non-corporate taxpayer having business income as one of the constituents of the total income (it includes income for non-corporate such as individual/HUF, firm/LLP, AOP/BOI etc.) (ITR-3, 4 and 5)
- (ii) Non-corporate taxpayer not having business income (ITR-1, 2 & 7).

Further details of income-tax can be segregated on the basis of type of Income-tax form e.g. ITR-1, ITR-2, ITR-3, ITR-4, ITR-5, ITR-6 and ITR-7.

“However, head-wise segregation of income-tax (e.g. Business and Profession, Capital Gain, Salary, House Property, Other sources) is not feasible as Income-tax return forms are not structured to collect tax details head-wise.”

**[Ministry of Finance (Department of Revenue),
O.M. No. H-11015/1/2025-Parl. Dated 04.07.2025]**

(For Comments of the Committee, please refer Para No. 1.10 of Chapter I)

CHAPTER V

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED

-NIL-

**New Delhi;
29 July, 2025
07Sravana, 1947 (Saka)**

**BHARTRUHARI MAHTAB
Chairperson
Standing Committee on Finance**

Minutes of the Thirtieth sitting of the Standing Committee on Finance (2024-25). The Committee sat on Tuesday, the 29 July, 2025 from 1430 hrs to 1615 hrs in Committee Room '62', Samvidhan Sadan, New Delhi.

PRESENT

Shri Bhartruhari Mahtab – Chairperson

LOK SABHA

2. Shri P. P. Chaudhary
3. Shri K. Gopinath
4. Shri Chudasama Rajeshbhai Naranbhai
5. Thiru Arun Nehru
6. Smt. Sandhya Ray
7. Dr. Jayanta Kumar Roy
8. Dr. K. Sudhakar
9. Shri Balashowry Vallabhaneni
10. Shri Prabhakar Reddy Vemireddy

RAJYA SABHA

11. Shri S. Selvaganabathy
12. Shri Sanjay Seth
13. Smt. Darshana Singh

SECRETARIAT

- | | | | |
|----|----------------------------|---|------------------|
| 1. | Shri Gaurav Goyal | - | Joint Secretary |
| 2. | Smt. Bharti Sanjeev Tuteja | - | Director |
| 3. | Shri Kuldeep Singh Rana | - | Deputy Secretary |
| 4. | Shri T. Mathivanan | - | Deputy Secretary |

PART I

2.	XX	XX	XX	XX	XX	XX
	XX	XX	XX	XX	XX	XX.

(The witnesses then withdrew)

PART II

3. Thereafter, the Committee took up the following draft Action Taken Reports for consideration and adoption:

- (i) Fourteenth Report on Action taken by the Government on the Observations/Recommendations contained in the First Report of the Standing Committee on Finance on 'Demands for Grants (2024-25)' of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services, Public Enterprises and Investment and Public Asset Management).
- (ii) Fifteenth Report on Action taken by the Government on the Observations/Recommendations contained in the Second Report of the Standing Committee on Finance on 'Demands for Grants (2024-25)' of the Ministry of Finance (Department of Revenue).
- (iii) Sixteenth Report on Action taken by the Government on the Observations/Recommendations contained in the Third Report of the Standing Committee on Finance on 'Demands for Grants (2024-25)' of the Ministry of Corporate Affairs.
- (iv) Seventeenth Report on Action taken by the Government on the Observations/Recommendations contained in the Fourth Report of the Standing Committee on Finance on 'Demands for Grants (2024-25)' of the Ministry of Planning.
- (v) Eighteenth Report on Action taken by the Government on the Observations/Recommendations contained in the Fifth Report of the Standing Committee on Finance on 'Demands for Grants (2024-25)' of the Ministry of Statistics and Programme Implementation.
- (vi) Nineteenth Report- Action taken by the Government on the Observations/Recommendations contained in the Eighth Report of the Standing Committee on Finance on 'Demands for Grants (2025-26)' of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Public Enterprises and Investment and Public Asset Management).
- (vii) Twentieth Report- Action taken by the Government on the Observations/Recommendations contained in the Ninth Report of the Standing Committee on Finance on 'Demands for Grants (2025-26)' of the Ministry of Finance (Department of Revenue).
- (viii) Twenty-First Report on Action taken by the Government on the Observations/Recommendations contained in the Tenth Report of the Standing Committee on Finance on 'Demands for Grants (2025-26)' of the Ministry of Corporate Affairs.
- (ix) Twenty-Second Report on Action taken by the Government on the Observations/Recommendations contained in the Eleventh Report of the Standing Committee on Finance on 'Demands for Grants (2025-26)' of Ministry of Planning.
- (x) Twenty-Third Report on Action taken by the Government on the Observations/Recommendations contained in the Twelfth Report of the Standing

Committee on Finance on 'Demands for Grants (2025-26)' of Ministry of Statistics and Programme Implementation.

- (xi) Twenty-Fourth Report on Action taken by the Government on the Observations/Recommendations contained in the Thirteenth Report of the Standing Committee on Finance on 'Demands for Grants (2025-26)' of Ministry of Finance (Department of Financial Services).

After some deliberations, the Committee adopted the above draft Action Taken Reports and authorised the Chairperson to finalise them and present the Reports to the Parliament.

The Committee then adjourned.

* * *

(*Vide* Introduction of Report)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE
OBSERVATIONS/RECOMMENDATIONS CONTAINED IN THE 9TH REPORT
(EIGHTEENTH LOK SABHA) ON DEMANDS FOR GRANTS (2025-26) OF THE
MINISTRY OF FINANCE (DEPARTMENT OF REVENUE)

		Total	% of total
(i)	Total number of Recommendations	10	
(ii)	Observations/Recommendations which have been accepted by the Government (<i>vide</i> Recommendation at Sl. Nos. 1,2,3,4,5,7,8,9 & 10)	09	90%
(iii)	Observations/Recommendations which the Committee do not desire to pursue in view of the Government's replies	Nil	0.00
(iv)	Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee (<i>vide</i> Recommendation at Sl. Nos. 6)	01	10%
(v)	Observations/Recommendations in respect of which final reply of the Government are still awaited	Nil	0.00