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STANDING COMMITTEE ON FINANCE
(2025-26)

EIGHTEENTH LOK SABHA

MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

DEMANDS FOR GRANTS
2026-27

THIRTIETH REPORT



LOK SABHA SECRETARIAT
NEW DELHI

March, 2026/ Phalguna, 1947 (Saka)

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

**DEMANDS FOR GRANTS
(2026-27)**

Presented to Lok Sabha on 12 March, 2026

Laid in Rajya Sabha on 12 March, 2026



**LOK SABHA SECRETARIAT
NEW DELHI**

March, 2026/ Phalguna, 1947 (Saka)

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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. Smt. Bharti Tuteja | Director |
| 3. Shri T. Mathivanan | Deputy Secretary |
| 4. Shri Manish Kumar | Under Secretary |

INTRODUCTION

I, the Chairperson, of the Standing Committee on Finance, having been authorised by the Committee, present this Thirtieth Report (Eighteenth Lok Sabha) on Demands for Grants (2026-27) of the Ministry of Finance (Department of Revenue).

2. The Demands for Grants (2026-27) of the Ministry of Finance (Department Revenue) have been examined by the Committee under Rule 331E (1)(a) of the Rules of Procedure and Conduct of Business in Lok Sabha.

3. The Committee took oral evidence of the representatives of the Ministry of Finance (Department Revenue) on 19th February, 2026. The Committee wish to express their thanks to the representatives of the Department Revenue for appearing before the Committee and furnishing the material and information which the Committee desired in connection with the examination of the Demands for Grants (2026-27).

4. The Committee considered and adopted this Report at their Sitting held on 11th March, 2026.

5. For facility of reference, the Observations / Recommendations of the Committee have been printed in bold at the end 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;
11th March, 2026
Phalguna 20, 1947 (Saka)

BHARTRUHARI MAHTAB
Chairperson,
Standing Committee on Finance

REPORT

PART – I

NARRATION ANALYSIS

I. INTRODUCTORY

1.1 Article 113 of the Constitution mandates that the estimates of expenditure from the Consolidated Fund of India included in the Annual Financial Statement and required to be voted by the Lok Sabha, be submitted in the form of Demands for Grants. The Demands for Grants are presented to the Lok Sabha along with the Annual Financial Statement. Generally, one Demand for Grant is presented in respect of each Ministry or Department.

1.2 Rule 331E (1) (a) of the Rules of Procedure and Conduct of Business in Lok Sabha states that each of the Departmentally Related Standing Committees shall consider the Demands for Grants of the concerned Ministries/ Departments and make a report on the same to the Houses. Accordingly, this Committee examined the Demands for Grants of the Department of Revenue (Demand No. 35 – Department of Revenue, Demand No. 36 – Direct Taxes, and Demand No. 37 – Indirect Taxes) for the year 2026-27 in detail and prepared this Report. This is one of the six reports of the Standing Committee on Finance prepared after the examination of the Demands for Grants (2026-27) of the Ministries/Departments under their purview.

II. ORGANIZATIONAL SET-UP OF THE DEPARTMENT OF REVENUE

2.1 The Department of Revenue functions under the overall direction and control of the Secretary (Revenue). It exercises control in respect of matters relating to all the Direct and Indirect Taxes through two Statutory Boards, namely, the Central Board of Direct Taxes (CBDT) and the Central Board of Indirect Taxes and Customs (CBIC). Each Board is headed by a Chairman who is also ex-officio Special Secretary to the Government of India. Matters relating to the levy and collection of all the Direct Taxes are looked after by CBDT whereas those relating to levy and collection of Good and Services Taxes (GST), Customs and Central Excise duties, Service Tax and other indirect taxes fall within the purview of the CBIC. The two Boards were constituted under the Central Board of Revenue Act, 1963. Each Board has a sanctioned strength of 6 (six) Members.

2.2 The Department of Revenue administers the following Acts:

- i. Income Tax Act, 1961
- ii. Black Money (Undisclosed Foreign Income & Assets) Imposition of Tax Act, 2015
- iii. Benami Transactions (Prohibition) Act, 1988
- iv. Chapter - VII of Finance (No.2) Act, 2004 (Relating to Levy of Securities Transactions Tax)
- v. Central Excise Act, 1944 and related matters
- vi. Customs Act, 1962 and related matters
- vii. Central Sales Tax Act, 1956
- viii. Custom Tariff Act, 1975
- ix. Central Excise Tariff Act 1985
- x. Narcotic Drugs and Psychotropic Substances Act, 1985
- xi. Prevention of Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act, 1988
- xii. Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976
- xiii. Indian Stamp Act, 1899 (to the extent falling within jurisdiction of the Union)
- xiv. Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974
- xv. Prevention of Money Laundering Act, 2002
- xvi. Foreign Exchange Management Act, 1999.
- xvii. Union Territory Goods & Services Tax Act, 2017
- xviii. Goods & Services Tax (compensation to States) Act, 2017
- xix. Central Goods & Services Tax Act, 2017
- xx. State Goods & Services Tax Act, 2017
- xxi. Integrated Goods & Services Tax Act, 2017

2.3 The Department looks after the matters relating to the above-mentioned Acts through the following attached/subordinate offices:

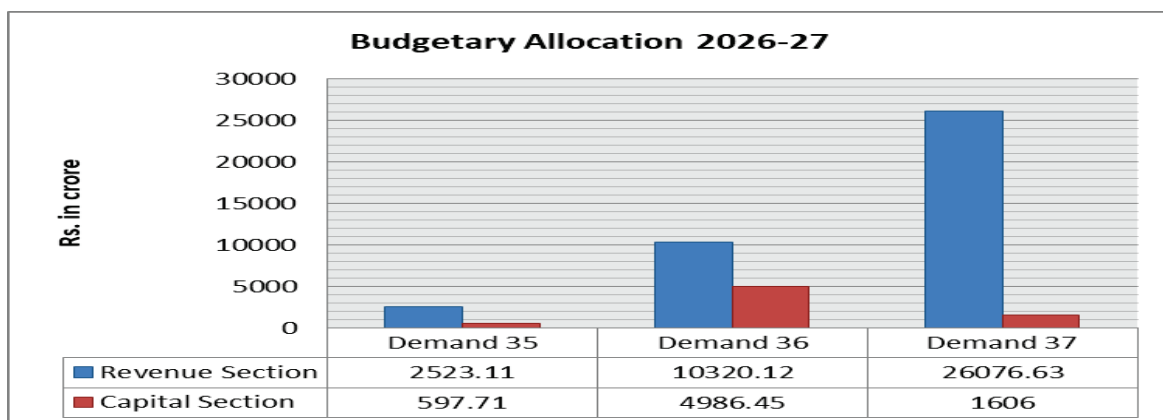
- i. Commissionerates/Directorates under Central Board of Indirect Taxes and Customs
- ii. Commissionerates/Directorates under Central Board of Direct Taxes
- iii. Central Economic Intelligence Bureau
- iv. Directorate of Enforcement
- v. Central Bureau of Narcotics
- vi. Chief Controller of Factories
- vii. Appellate Tribunal under SAFEMA
- viii. Customs, Excise and Service Tax Appellate Tribunal
- ix. Authority for Advance Rulings (for Income Tax and Central Excise, Customs & Service Tax)
- x. Competent Authorities appointed under Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 & Narcotic Drugs and Psychotropic Substances Act, 1985
- xi. Financial Intelligent Unit, India (FIU-IND)
- xii. Adjudicating Authority under Prevention of Money Laundering Act
- xiii. Revision Application Unit.

III. OVERVIEW OF DEMANDS FOR GRANTS (2026-27)

3.1 The detailed Demands for Grants (2026-27) of the Ministry of Finance were presented to Lok Sabha on 9 February, 2026. The details of the Demand No. 35, 36, and 37 for the year 2026-27 related to the Department of Revenue are as follows:

(Rs. in crore)

Demand No. 35 Department of Revenue (HQ)	Description	BE 2026-27
	Total-Revenue Section	2523.11
	Charged	0.00
	Voted	2523.11
	Total-Capital Section	597.71
	Charged	0.00
	Voted	597.71
	Total (Revenue Capital)	3120.82
	Charged	0.00
Voted	3120.82	
Demand No. 36 Direct Taxes	Description	BE 2026-27
	Total-Revenue Section	10320.12
	Charged	0.00
	Voted	10320.12
	Total-Capital Section	4986.45
	Charged	0.00
	Voted	4986.45
	Total (Revenue& Capital)	15306.57
	Charged	0.00
Voted	15306.57	
Demand No. 37 Indirect Taxes	Description	BE 2026-27
	Total-Revenue Section	26076.63
	Charged	0.00
	Voted	26076.63
	Total-Capital Section	1606.00
	Charged	0.00
	Voted	1606.00
	Total (Revenue& Capital)	27682.63
	Charged	0.00
Voted	27682.63	



IV. ANALYSIS OF DEMANDS AND PAST PERFORMANCE

A. Demand No. 35 Department of Revenue (HQ)

4.1 The Grant No 35 of Department of Revenue (HQ) does not have any Central Sector or Centrally Sponsored Schemes. The Budget provision under Grant No. 35 is for GST Compensation to States/UTs and for establishment related expenditure of Secretariat and its attached and subordinate offices.

4.2 The Revenue Headquarter looks after matters relating to all administration work pertaining to the Department, coordination between the two Boards (CBIC and CBDT), the administration of the Indian Stamp Act 1899 (to the extent falling within the jurisdiction of the Union), the Central Sales Tax Act 1956, Goods and Services Tax (GST), the Narcotic Drugs and Psychotropic Substances Act 1985 (NDPS), the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act 1976 (SAFEMA), the Foreign Exchange Management Act 1999 (FEMA), the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974 (COFEPOSA), the Prevention of Money Laundering Act, 2002 (PMLA) and matters relating to the following attached/ subordinate offices of the Department:

- a. Enforcement Directorate
- b. Central Economic Intelligence Bureau (CEIB)
- c. Competent Authorities appointed under SAFEMA and NDPS
- d. Chief Controller of Factories
- e. Central Bureau of Narcotics
- f. Customs, Excise and Service Tax Appellate Tribunal (CESTAT)
- g. Appellate Tribunal under SAFEMA
- h. National Committee for Promotion of Social and Economic Welfare
- i. Financial Intelligence Unit, India (FIU-IND)
- j. Adjudicating Authority under Prevention of Money Laundering Act
- k. National Institute of Public Finance and Policy (NIPFP)

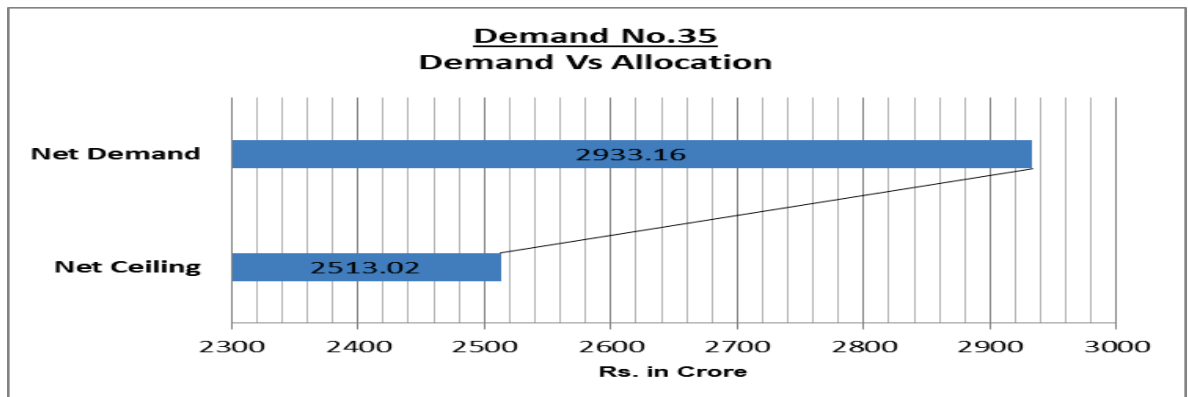
4.3 The Headquarters also undertakes the works relating to the appointments of:

- ✓ Chairman and Members of CBIC and CBDT
- ✓ Chairman, Vice Presidents and Members of CESTAT
- ✓ Director General of CEIB
- ✓ Director of Enforcement
- ✓ Competent Authorities (SAFEMA and NDPS)
- ✓ Director (FIU-IND)
- ✓ Chairperson and Member of Adjudicating Authority set up under PMLA
- ✓ Chairman and Members of "Appellate Tribunal" established under SAFEMA, 1976.
- ✓ Appointment of CVO, CBDT/ CBIC/ ED

4.4 In response to the query of the Committee regarding the projected demand (2026-27) by the Department of Revenue vis-à-vis allocation made by the Ministry of Finance and the impact of lesser allocation and proposed plan of action to meet the shortfall, the Department in its written reply has stated as follows:

“Department of Revenue has placed the net demand of Rs.2933.16 crore and against this Budget Division; DEA has provided the net ceiling of Rs.2513.02 crore only for BE 2026-27. It may be seen that there is a shortfall of Rs.430.14 crore with respect to the demand proposed, and accordingly the funds have been allocated to the budgetary authorities against their demand which is as under:

(Rs. in crores)		
Unit	Proposed BE 2026-27	Allocated BE 2026-27
Revenue Section		
D/o Revenue	284.26	255.84
ED	694.02	594.97
GSTN-SPV	588.90	400.00
CBN	133.95	118.85
Capital Section		
FIU-IND	43.17	29.59
MH 4059 : ED & CBN	424.48	389.82
CCF	20.00	9.00



4.5 When the Committee desired to know as to how the Department will deal with the shortfall of Rs.430.14 crore in fund allocation, the Department in its written reply has stated as under:

“The Budget Estimates for the next year i.e., 2026-27 have been finalized based on the expenditure trends, requirement and fund utilization by the department in the past few years. However, Budget Division has also conveyed that based on the actual expenditure at the time of Revised Estimates as well as the stage of different projects, additional fund may be provided. Based on the actuals, the status of the approval of various projects/events and pace of the expenditure,

Supplementary Grant may be sought for GSTN, Secretariat Services, Other fiscal services etc. Any additional requirement would be factored during the RE discussion and the fund would be provided accordingly.”

4.6 Explaining the budgetary provision and their purpose, the Department in its written reply has stated as under:

“The total proposed Budget provision under the Demand No.35 – Department of Revenue for the FY 2026-27 is Rs. 3120.82 crores. Out of this Rs. 2523.11 crores is under the Revenue Section and Rs.597.71 crores is for expenditure under Capital Section.

On the Revenue Side, the major provision is as under:

- In the establishment related expenditure of Revenue Headquarters & its Secretariat and various attached offices [Central Economic Intelligence Bureau; Financial Intelligence unit of India; Goods & Service Tax Council Secretariat; Principal Chief Controller of Accounts, CBDT; Principal Chief Controller of Accounts, CBIC; Competent Authorities, Tax Policy Research Unit; Pay & Accounts Office (Revenue)] a provision of Rs.405.55 crore has been estimated for FY 2026-27 against the RE 2025-26 of Rs.397.05 crore.
- The BE 2026-27 provision for Enforcement Directorate has been kept as Rs.594.97 crore for Revenue Section in comparison to BE of Rs.550.75 crore for 2025-26.
- A budget provision of Rs. 400.00 crore has been kept towards payment of User Charges to GSTN for the year 2026-27 against the BE 2025-26 provision of Rs.350.00 crore under Demand No.35- Department of Revenue.
- There are some other expenditure like grant-in-aid (salaries) to National Institute of Public Finance & Policy (NIPFP), an autonomous body under the Department of Revenue, Contributions to International Organizations in which India is an active participant and establishment related expenditure of Central Bureau of Narcotics, Special Investigation Team (SIT) and various tribunals [(Appellate Tribunal for Forfeited Property; Customs, Excise and Service Tax Appellate Tribunal (CESTAT), Adjudicating Authority under Prevention of Money Laundering Act (AA-PMLA) and newly created Goods and Service Tax Appellate Tribunal (GSTAT)] functioning under the Department.
- The other major expenditure under this Grant is on operating of Government Opium & Alkaloid Works, processing of raw opium for exports, supply of alkaloids for medicinal use by domestic pharma companies, manufacturing of opiate alkaloids and other related functions through its two factories at Ghazipur (Uttar Pradesh) and Neemuch (Madhya Pradesh). A provision of Rs.645.29 crore has been kept for FY 2026-27.

Under the Capital Section, the major requirement (Rs.389.82 crores) is under the MH 4059, to meet out the various infrastructural related proposals of Enforcement Directorate and Central Bureau of Narcotics.”

4.7 The details of fund allocation and utilization for the past three years, related to Demand No. 35, are as follows:

(Rs. in crore)

	FY 2022-23		FY 2023-24		FY 2024-25	
	Allocation	Utilization	Allocation	Utilization	Allocation	Utilization
Revenue Section	314259.29	314132.75	190135.79	190017.07	165054.06	159472.47
Capital Section	34.30	28.98	306.76	260.40	531.98	449.68
Total	314293.59	314161.73	190442.55	190277.47	165586.04	159922.15

**Demand No.35
Budgetary Performance**

The chart displays the following data points (in Rs. in Crore):

Financial Year	Allocation	Utilization
FY 2022-23	314293.59	314161.73
FY 2023-24	190442.55	190277.47
FY 2024-25	165586.04	159922.15

4.8 On being asked by the Committee for the Object-wise budgetary performance for the past three years along with the reasons for delays and cost overrun, the Department in its reply has furnished the following information:

“Object head wise details of Capital Section along with the performance details for the past three years is as under:

FY 2023-24

(Rs. in crore)

Object Head	Budget Estimate	Revised Estimate	Expenditure	Remarks
Motor Vehicles	5.18	4.81	3.46	Due to less requirement of funds.
Machinery and Equipment	14.30	19.82	16.26	(Pr. CCA, CBDT) Due to AMC for AC & photocopy machine was not finalized.
Information, Computer, Telecommunications (ICT) equipment	88.69	72.48	63.01	Less utilization of funds is due to (i) CEIB: -The engagement of cloud service was cancelled due to technical constraints. (ii) FIU-IND: Remaining balance was insufficient for payment of Data Migration, Go-Live and O&M payments.
Buildings and Structures	0.43	69.25	63.43	Utilization of fund is above 91% of RE.
Furniture & Fixtures	9.38	7.64	7.65	Utilization of fund is above 99% of RE.
Arms and	0.45	1.21	1.22	Utilization of fund is above 99%

Ammunitions (Capital)				of RE.
Other Fixed Assets	1.26	1.32	0.37	Less requirement during the FY 2023-24.
Land	0.05	130.00	102.28	Less utilization of fund is due to J&K Govt. failed to accept the payment of land because the approval of ministry was obtained at the fag end of FY 2023-24.

FY 2024-25

Object Head	Budget Estimate	Revised Estimate	Expenditure	Remarks
Motor Vehicles	14.81	3.72	3.32	The funds at RE stage was reduced due to delay in getting office space for Principal and State Benches of GSTAT. However, utilization of fund is approx. 90% of RE.
Machinery and Equipment	16.62	12.31	11.32	Utilization of fund is above 90% of RE.
Other Capital Expenditure	14.00	0.01	0	The funds at RE stage was reduced due to delay in getting office space for Principal and State Benches of GSTAT.
Information, Computer, Telecommunications (ICT) equipment	78.42	140.67	117.14	Less utilization of funds was due to non-finalization of tender for GIS project of CBN and also due to non-operationalization of benches of GSTAT.
Buildings and Structures	134.52	51.62	41.63	The funds were reduced at RE stage as the office, complex for Principal Bench, GSTAT was not materialized as the said complex were already sold. Further, funds of Rs.9.96 crore were re-appropriated from this head to the object head "Land" for purchasing of land for Mumbai Zonal Office, ED from MMRDA.
Furniture & Fixtures	16.40	13.53	13.24	Utilization of fund is above 97% of RE
Arms and Ammunitions (Capital)	1.82	2.72	1.81	Less utilization of funds under this head as the proposal for purchasing of weapons worth Rs.91 lakhs approx. was forwarded in the last week of March, 2025.

Other Fixed Assets	5.55	1.29	0.56	The funds at RE stage was reduced due to delay in getting office space for Principal and State Benches of GSTAT.
Land	249.00	249.00	259.86	Additional funds of Rs.9.96 crore were re-appropriated to this head for purchasing of land for Mumbai Zonal Office, ED from MMRDA.

FY 2025-26

Object Head	Budget Estimate	Revised Estimate	Expenditure upto December, 2025	Remarks
Motor Vehicles	2.63	2.56	0	Financial Concurrence for purchasing of 13 vehicles granted for the O/o ED.
Machinery and Equipment	16.92	16.93	5.31	Proposals are under consideration/examination.
Other Capital Expenditure	0.08	0.08	0	Provision is for Goods & Service Tax Appellate Tribunal.
Information, Computer, Telecommunications (ICT) equipment	147.53	125.76	44.24	Funds have been reduced by the Budget Division, DEA as per Actuals of September, 2025. The projects namely FINnet 2.0 and NEOR has fixed timeline for payment in Feb.2026.
Buildings and Structures	113.74	103.76	10.34	Proposals are under examination for purchasing of buildings & structures for the O/o ED.
Furniture & Fixtures	51.56	39.24	0.90	Funds have been reduced by the Budget Division, DEA as per Actuals of September, 2025.
Arms and Ammunitions (Capital)	2.66	2.59	0.04	A Proposal for purchasing of weapons & allied items for the O/o CBN has already been financially concurred.
Other Fixed Assets	2.26	1.19	0.16	Major provision is for ED and GSTAT. The funds have been reduced by the Budget Division, DEA as per Actuals of September, 2025.
Land	270.00	279.95	166.11	Approx. 61% of funds of BE has already been utilized.

4.9 On being asked by the Committee, the Department of Revenue has provided the following year-wise explanation for the variation in BE, RE and Actuals in regard to Demand No.35:

“FY 2022-23

Total Budget provision under the Demand No. 35 – Department of Revenue for the FY 2022-23 is Rs.227552.52 crores including Capital Expenditure of Rs.4.30 crore and establishment related expenditure of Department of Revenue. On the revenue side, the major component of Budget under Grant No. 35- Department of Revenue is for providing GST Compensations to the State Govts./UTs due to revenue loss on tax reforms. A budget provision of Rs.106000.00 crores was kept for the year 2022-23 to meet the expenditure on payment of compensation to States/UTs with legislatures. An amount of Rs.12000.00 crores compensation cess was also kept towards transfer to GST compensation Fund. The Revised Estimates for 2022-23 was fixed as Rs.247295.02 crores, however taking into account the supplementary grant of Rs.67012.58 crore granted in the 2nd and final batch of supplementary demands for grants 2022-23, the total amount for the FY 2022-23 was Rs.314293.59 crores.

Against the total provision for the year 2022-23 of Rs.314293.59 crore, the actual expenditure was Rs.314161.73 crore resulting in saving of Rs.131.86 crores which was mainly due to the closure of arbitration cases in the FY 2022-23, a lot of planned capital expenditure of GSTN could not be implemented due to the shut down across the globe because of covid-19, import of Codeine Phosphate at the reduced rate and also due to postponement of repair & maintenance of Alkaloid Plant.

FY 2023-24

The total proposed Budget Provision under the Demand No. 35 – Department of Revenue for the FY 2023-24 is Rs.189827.37 crores. Capital Expenditure forms a small part of the total budget grant and is Rs.119.84 crore.

Department of Expenditure vide Notification dated 16th December, 2022, has notified the amendment of Rule 8 of DFPR, 1978 w.e.f. 1st April, 2023 and various new object heads under Revenue and Capital Section has been inserted. As per the description/definition of the newly created object heads, some of the newly created object heads for which presently, the expenditures are booked under Revenue Section i.e. under object head Office Expenses, Information Technology (OE) etc., has been transferred under Capital Section like object heads Information, Computer, Telecommunication (ICT) equipment, Furnitures & Fixtures etc. Due to which, provision under Capital Section has been enhanced and kept Rs.119.84 crore in BE 2023-24, against the BE 2022-23 and RE 2022-23 provision of Rs.4.30 crores and Rs.34.30 crores respectively.

Against the BE 2023-24 provision of Rs.189827.37 crores, the Revised Estimates was fixed as Rs.190442.55 crore. Now, at the end of the FY i.e.

upto 31st March, 2024, expenditure of Rs.190277.46 crore has been made after leaving the saving of Rs.165.09 crores. The saving was mainly due to the following reasons:

ED- delay in approval for hiring of new offices for zones of ED, delay in joining of officers on deputation, delay in receipt of bills for renovation in the hired office space in Lucknow Zonal office. Also, due to Jammu & Kashmir Govt. failed to accept the payment for purchase of land as the approval was granted at the fag end of FY 2023-24.

CCF- This office has reduced the funds in the final requirement due to the Shutdown of Alkaloid Plant from January, 2024 to March, 2024 due to non-completion of some anticipated work and non-receipt of expected bills from the parties. Further, the amount of book entry for cost of Opium transfer from Opium Factory to Alkaloid Plant, also reduced due to the shutdown of Alkaloid Plant.

FIU-IND- The saving in the capital section is due to the fact that the available fund was insufficient for payment of Go-Live, Data Migration and Operation & Maintenance payments in the FY 2023-24 related to the Project FINnet 2.0.

FY 2024-25

Under the Demand No. 35 of Department of Revenue, a budget provision of Rs.165586.01 crore [Rs.165054.05 crore under Revenue Section and Rs.531.96 crore under Capital Section] was made for the FY 2024-25. In the 1st batch of Supplementary Demands for grants, a token supplementary of Rs.0.01 crore under MH 4070 (capital section) was granted and in the 2nd and final batch of supplementary, a token supplementary of Rs.0.01 under MH 2047 (revenue section) and MH 4047 (capital section) was granted. With these supplementary, the sanctioned grant stood revised to Rs.165586.04 crore [Rs.165054.06 crore under Revenue Section and Rs.531.98 crore under Capital Section]. The Revised Estimates for the FY 2024-25 was fixed as Rs.163078.11 crore [Rs.162602.37 crore under Revenue Section and Rs.475.74 crore under Capital Section], taking into account the ceiling fixed by the Budget Division, DEA.

Against the total provision for the year 2024-25 of Rs.165586.04 crore, the actual expenditure was 159922.15 crore resulting in saving of Rs.5663.89 crore. The major saving(s) has been reported under the MH 3601 & MH 3602 due to less-requirement of funds for GST Compensation to be paid to States/UTs on account of revenue loss due to implementation of GST and non-receipt of AG certified figures from Sate Govt. for FY 2022-23 (April to June, 2022). Further, it was also expected that the GST compensation liability of Centre would come down in future and there would be less fluctuations in budget estimates required for releasing final GST compensation to States/UTs based upon AG certified figures. Saving was also due to the non-operationalization of benches of GSTAT in the FY 2024-25.”

4.10 When asked by the Committee, the Department provided the performance data related to the Quarterly Expenditure Plan (QEP) under Demand No. 35 for the last three years, as follows:

(Rs. in crores)

FY 2022-23*				
(Total allocation incl. Supplementary Grants- 314293.59 cr.)				
	Plan	Actuals	% as per BE	% as per actual allocation
Q1	75871.00	90252.16	118.95%	28.72%
Q2	37973.00	24759.56	65.20%	7.88%
Q3	75775.00	54307.22	71.67%	17.28%
Q4	37933.52	144842.79	381.83%	46.08%
Total	227552.52	314161.73		99.96%

* In the 1st batch of Supplementary Demands for grants, Rs.19728.49 crore and in the 2nd and final batch of Supplementary Demands for grants, Rs.67012.58 crores were granted due to which the sanctioned grant in the FY 2022-23, stood revised to Rs.314293.59 crores.

(Rs. in crores)

FY 2023-24#				
(total allocation incl. supplementary grants- 190442.55 cr.)				
	Plan	Actuals	% as per BE	% as per actual allocation
Q1	63312.23	3488.53	5.51%	1.83%
Q2	31682.00	69734.03	220.11%	36.62%
Q3	63195.14	5149.49	8.15%	2.70%
Q4	31638.00	111905.42	353.70%	58.76%
Total	189827.37	190277.47		99.91%

In the 1st batch of Supplementary Demands for grants, Rs.523.96 crore and in the 2nd and final batch of Supplementary Demands for grants, Rs.91.22 crores was granted due to which the sanctioned grant in the FY 2023-24, stood revised to Rs.190442.55 crores.

(Rs. in crores)

FY 2024-25@				
(total allocation incl. supplementary grants- 165586.04 cr.)				
	Plan	Actuals	% as per BE	% as per actual allocation
Q1	63312.23	4524.61	8.20%	2.73%
Q2	31682.00	51857.67	187.43%	31.32%
Q3	63195.14	24785.49	44.98%	14.97%
Q4	31638.00	78754.38	284.79%	47.56%
Total	165586.01	159922.15		96.58%

@ In the 1st batch of Supplementary Demands for grants, a token supplementary of Rs.0.01 crore under MH 4070 (capital section) was granted and the 2nd and final batch of supplementary, a token supplementary of Rs.0.01 under MH 2047 (revenue section) and MH 4047 (capital section) was granted due to which the sanctioned grant in the FY 2024-25, stood revised to Rs.165586.04 crores.

4.11 In regard to reasons for deviation in quarterly utilisation of funds, the Department has stated as under:

“Reason for deviation was mainly due to release of funds towards GST compensation to the States and Union Territories with legislature, as the quantum of GST compensation is based on the subsumed tax collection by

States and collection trends of SGST/IGST and actual GST Compensation cess collection. Final compensation arising out of reconciliation of provisional figures with audited figures was released immediately as and when the AG's certificate is received. Sometimes, this may lead to release of additional compensation and sometimes it may even lead to reduction in compensation. Releasing of final GST compensation depends on the receipt of AG certified figures from the Accountant Generals of State and the same may be received in any quarter/month of the financial year.

4.12 When inquired by the Committee regarding the supplementary Demands posted by the Department, it was stated by the Department that in the FY 2025-26, only a token supplementary of Rs.1 lakh in the MH 2047 under Grant No. 35- Department of Revenue, has been obtained for allotting funds through Re- appropriation under the object head "Grants for creation of Capital Assets" for National Institute of Public Finance and Policy.

B. Demand No. 36 – Direct Taxes

4.13 The Demand No.36 pertains to Direct Taxes. Direct Taxes has no Central Sector Schemes and Centrally Sponsored Schemes. The CBDT, created by the Central Boards of Revenue Act 1963, is the apex body entrusted with the responsibility of administering direct tax laws in India. CBDT is the cadre controlling authority for the officers of the Indian Revenue Service and controlling authority for the officials of the Income Tax Department (ITD). The CBDT consists of a Chairman and six members and is assisted by the following Directorates: 1) Directorate of Income Tax (Administration & Tax Payer Services) 2) Directorate of Income Tax (Systems) 3) Directorate of Income Tax (Training) 4) Directorate of Income Tax (Human Resource Development) 5) Directorate of Income Tax (Vigilance) 6) Directorate of Income Tax (Legal & Research).

4.14 The Income Tax Department is the subordinate organization of the CBDT having jurisdiction across the country. It is divided into 18 regions headed by Principal Chief Commissioners of Income Tax (Pr. CCIT), who are entrusted with the supervision and collection of direct taxes and taxpayer services. The Directors General of Income Tax (Investigation) supervises the investigation functions and deal with tax evasion and unearthing unaccounted income. The Director General of Income Tax (Intelligence and Criminal Investigation) supervises the intelligence gathering and

investigation in tax related crimes. The Principal Chief Commissioner of Income Tax (Exemptions) supervises the work of exemption and nonprofit organizations/ trusts across the country and the Principal Chief Commissioner of Income Tax (International Taxation) supervises the work in the field of International Tax and Transfer Pricing. The Principal Chief Commissioners of Income Tax are assisted by Chief Commissioners, Principal Commissioners and Commissioners of Income Tax and Principal Directors General/ Directors General of Income Tax are assisted by Principal Directors/ Additional Directors General of Income Tax within their jurisdictions. Commissioners of Income Tax posted as Commissioners of Income Tax (Appeals) perform appellate functions.

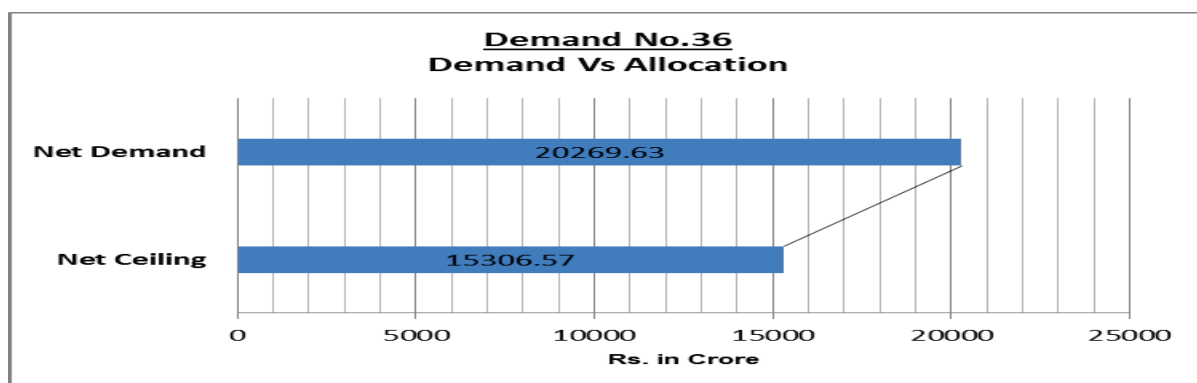
4.15 In response to the query of the Committee regarding the projected demand (2026-27) by the Department of Revenue vis-à-vis allocation made by the Ministry of Finance and the impact of lesser allocation and proposed plan of action to meet the shortfall, the Department in its written reply has stated as follows:

“The details of projected demand and final allocation for the FY 2026-27 in respect of Grant no. 36 Direct Taxes is as hereunder:

(₹ in crore)

BE 2026-27 demand by DIT(EB)	BE 2026-27 allocated by Budget Division	Shortfall
20269.63*	15306.57	4963.06

* The demand was projected mainly due to requirement of Rs.6430.00 crores in 'Lands' object head. However, the BE 26-27 allocated by the budget division is Rs.15306.57 crores and the shortfall of Rs. 4963.06 crores will be reviewed at the time of RE 2026-27.



4.16 On being asked by the Committee about the impact of lesser allocation of funds, the Department in its written reply has stated as under:

“Against the Department's original proposal of ₹20,269.63 Crore—comprising ₹11,508.60 Crore for Revenue and ₹8,761.04 Crore for Capital (inclusive of ₹6,430 Crore for purchase of lands) —the Department of Expenditure has

concluded with a final ceiling of ₹15,306.57 Crore. This approved allocation comprises ₹10,320.12 Crore in the Revenue Segment and ₹4,986.45 Crore in the Capital Segment. The Capital Segment, inter alia, includes ₹1270.99 Crore in 4059-Lands and ₹2000.01 Crore in 4216-Lands.

The proposal in respect of land parcels includes those approved by Hon'ble Finance Minister in order to address critical infrastructure needs. Besides, the Department is also contemplating purchase of various other land parcels. Given that the acquisition of large land parcels is a time-intensive process involving cost validation and multi-agency approvals, this allocation of ₹3271 crore (₹1270.99 Crore in 4059-Lands and ₹2000.01 Crore in 4216-Lands) is projected to suffice for the anticipated expenditure likely to be incurred in the fiscal year. Any additional requirement arising from finalization of purchase deeds may be sought through Supplementary Demands for Grants during F.Y. 2026-27."

4.17 Explaining the various provision under Budgetary Estimates, the Department has furnished the following information:

"The proposed Budget Estimates for Grant No. 36 for financial year 2026-27 i.e BE 2026-27 stands at a total of ₹15,306.57 Crore, which comprises ₹10,320.12 Crore in Revenue Segment and ₹4986.45 Crore in Capital Segment.

A.1 The Major Items under the Revenue Segment are tabulated below:

Object Heads	Amount (In Crore)
Salaries	3843.87
Allowances	3340.17
Office Expenses	1229.58
RRT For Land and Buildings	612.52
Other Misc. heads	1293.98
TOTAL	10320.12

A.2 The Major Items under the Capital Segment are tabulated below:

4075 Mis. Gen. Services	
Object Heads	Amount (In Crore)
Information Computer Telecommunications (ICT) Equipment	1200
Other Misc. heads	87.53
4059 -OFFICE BUILDINGS	
Building and Structures & Infrastructural Assets	244.47
Lands	1270.99
4216 -RESIDENTIAL ACCOMODATION	
Building and Structures & Infrastructural Assets	183.45
Lands	2000.01
TOTAL	4986.45

4.18 In regard to details of the purpose of the allocation, the Department has furnished the following information:

“The Capital Segment, set at ₹4,986.45 Crore, marks a strategic shift towards asset creation, infrastructure modernization, and technological advancement.

To support the Income Tax Department’s comprehensive digital transformation, a critical allocation of ₹1,200.00 Crore has been concurred to by DoE for ICT initiatives. This funding is essential to sustain and expand key platforms such as ITBA, Insight 2.0, PAN 2, CPC, NFAC, and NaFAC, which facilitate fair and transparent tax assessment, appeals, and demand management. By covering the incremental costs of these projects, the allocation will drive enhanced transparency, greater taxpayer convenience, and a reduction in grievances.

Physical Infrastructure: In terms of physical infrastructure, the DoE has concurred a combined outlay of ₹ 3698.92 Crore. This comprises Rs ₹1,515.46 Crore in Major Head 4059 (Office Buildings) and ₹2,183.46 Crore in Major Head 4216 (Residential Buildings). These provisions include outlay for purchase of land parcels at various locations such as Delhi, Noida, Faridabad, Mumbai, Ahmedabad, Bengaluru, Chennai, Ambikapur and Jabalpur as well as for ongoing construction projects and acquisition of other ready-built office accommodations to meet functional requirements. This strategic acquisition of Government owned properties is financially prudent and administratively sound as it reduces long term dependence on rented premises, avoids recurring rental escalation, ensures security of tenure, and enables creation of purpose-built office and residential infrastructure. The enhanced operational efficiency and improved working conditions enable better tax payer services.”

4.19 Regarding the Capital Section, specifically concerning office and residential accommodation, the Chairman, CBDT during the evidence held on 19th February, 2026 briefed the Committee on the necessity and significance of the requested allocations as follows:

“So far as the office and residential accommodation is concerned, there are about 723 office premises across 583 stations in India. Out of these, 411 offices are currently operating from rented premises. So, this year the focus is also on shifting from rented premises to getting more owned premises because it has its own value. So far as office buildings is concerned, if we compare it to the Budget from the last year, this year the allocation is Rs. 1,515 crore for office building as compared to Rs. 280 crore in the last RE of 2025-26 which is a growth of 441 per cent.

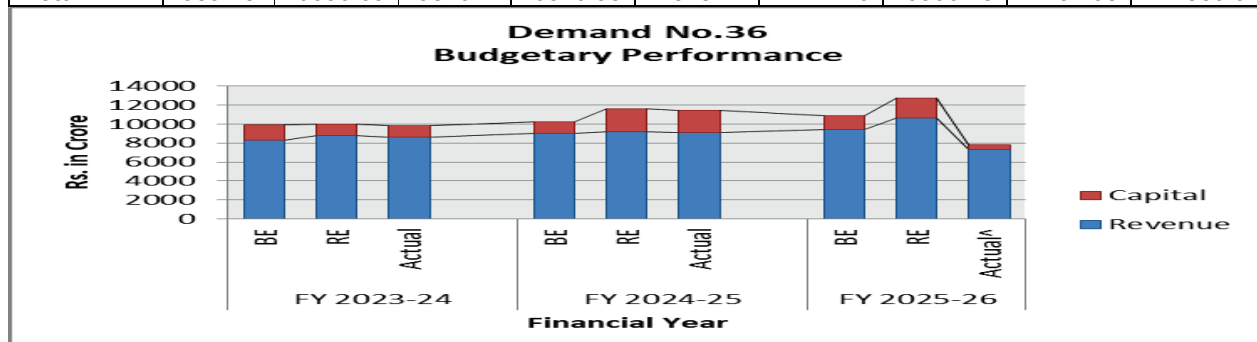
So far as residential buildings is concerned, the proposed BE for 2026-27 is Rs. 2,183 crore as against Rs. 297 crore last year, which is an increase of 634 per cent. Now, this is essentially because we are in the process of purchasing land parcels at various locations, that is Delhi, Noida, Faridabad, Mumbai, Ahmedabad, Bangalore, Chennai, Jabalpur, etc. for the office purposes and also for residential purposes.

Sir, this is also keeping in view the fact that once we have these owned premises, it reduces long term dependence on the rented premises, avoids recurring rental escalations, ensures security of tenure and enables creation of purpose-built offices and residential infrastructure, which is important to increase the productivity of the department.”

4.20 The details of fund allocation and utilization for the last three years, related to Demand No. 36, are as follows:

(Rs. In crore)

Description	FY 2023-24			FY 2024-25			FY 2025-26		
	BE	RE	Actuals	BE	RE	Actuals	BE	RE	Actuals (upto 31.12.2025)
Revenue	8282.87	8818.30	8658.64	9025.42	9202.35	9143.94	9473.29	10665.52	7367.66
Capital	1610.00	1212.39	1182.10	1314.96	2372.82	2297.26	1427.16	2066.56	482.41
Total	9892.87	10030.69	9840.74	10340.38	11575.17	11441.20	10900.45	12732.08	7850.07



4.21 On being asked by the Committee for the Object-wise budgetary performance for the past three years along with the reasons for delays and cost overrun, the Department in its reply has furnished the following information:

“The Object-wise details of budgetary allocation and actual utilization over the past three years are as under:

Object Head Code	Object Head	FY 2023-24		FY 2024-25		FY 2025-26	
		RE	Exp.	RE	Exp.	RE	Exp. upto 31.12.25
	Revenue Section	1	2	3	4	5	6
1	Salaries	3335.50	3251.19	3377.10	3332.38	4030.49	2834.51
2	Wages	81.25	79.53	90.04	89.41	91.09	62.22
5	Rewards	30.00	25.57	26.51	26.24	31.19	27.12
6	Medical Treatment	62.00	58.42	80.00	84.02	62.40	46.56
7	Allowances	2457.00	2359.39	2821.51	2745.01	3313.31	2468.43
8	Leave Travel Concession	29.30	23.53	28.00	25.93	25.00	14.81
9	Training Expenses	42.26	15.87	36.03	26.82	30.00	18.86
11	Domestic Travel Expenses	74.50	85.28	100.00	131.48	76.00	65.63
12	Foreign Travel Expenses	2.00	2.03	2.01	1.80	3.00	1.63
13	Office Expenses	953.62	995.64	1100.23	1147.23	1219.57	791.99
	Rent Rates	795.00	863.29	605.78	612.52	812.52	528.73

14	and Taxes for land and Buildings						
16	Printing and Publications	3.30	2.39	3.30	2.92	4.00	1.88
18	Rent for others	378.21	370.58	370.00	331.49	342.92	210.69
19	Digital Equipment	102.38	87.81	90.00	87.12	90.00	50.51
24	Fuels and Lubricants	36.00	35.21	24.00	43.50	35.00	23.65
26	Advertising and Publicity	75.00	70.00	70.00	50.19	70.00	22.81
27	Minor Civil and Electric Works	100.00	88.07	125.00	110.72	125.00	37.32
28	Professional Services	140.00	136.65	145.00	172.36	170.32	96.05
29	Repair and Maintenance	25.41	24.64	26.48	45.70	45.00	16.58
32	Contributions	1.01	0.26	0.64	0.16	0.64	0.09
40	Awards and Prizes	1.01	0.19	0.15	0	0.15	0.00
41	Secret Service Expenditure	55.00	54.89	47.49	47.48	47.49	30.12
49	Other Revenue Expenditure	18.30	8.83	13.05	9.73	9.99	5.08
96.49	Swachhta Action Plan	20.26	19.39	20.03	19.75	30.43	12.37
	Total Revenue Section (A)	8818.30	8658.64	9202.35	9143.94	10665.52	7367.66
	Capital Section						
	Major Head 4075:-						
51	Motor Vehicles	0.00	0.00	1.36	0.91	3.00	0.52
52	Machinery & Equipment	5.81	4.61	20.00	18.84	35.00	5.14
60	Other Capital Expenditure	0.00	0.00	0.00	0.00	1.00	0.00
71	Information, Computer, Telecommunications (ICT) equipment	750.00	835.52	1750.00	1700.06	1400.00	289.10
72	Building and Structures	2.00	1.27	2.00	1.01	2.00	0.65
74	Furnitures & Fixtures	42.93	36.66	37.62	35.78	47.00	12.84
77	Other Fixed Assets	0.01	0.00	0.75	0.10	1.00	0.08
	Total Major Head 4075	800.75	878.06	1811.73	1756.70	1489.00	308.33
	Major Head 4059 & 4216						
72	Building & Structures	400.00	273.27	398.00	425.57	415.08	88.97
73	Infrastructural Assets	0.58	0.00	1.48	0.92	1.98	0.00
78	Land	11.06	30.77	161.61	114.07	160.50	85.11

Total Major Head 4059 & 4216	411.64	304.04	561.09	540.55	577.56	174.08
Total Capital Section (B)	1212.39	1182.10	2372.82	2297.26	2066.56	482.41
Grant Total (A+B)	10030.69	9840.74	11575.17	11441.20	12732.08	7850.07

4.22 On being asked by the Committee, the Department has provided the following year-wise explanation for the variation in BE, RE in Actuals regarding Demand No.36:

“The details of shortfalls/ underutilization of funds for each year during the last three years is detailed below:

(₹ in crore)

Description	FY 2023-24		
	RE	Exp.	Savings
Revenue	8818.30	8658.64	159.66
Capital	1212.39	1182.10	30.29
Total	10030.69	9840.74	189.95

Reasons for savings

Revenue section: It is submitted that the savings of Rs. 159.66 Cr under Revenue Section has substantially decreased as compared to previous years. One of the main reasons for the savings in the revenue section is 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 DDOs which more often than resulted in surplus allocation of funds in some cases or shortage of funds in other Charges.

To overcome this problem, over the last 5 months of the FY 2024-25, DIT(EB) has developed an Integrated Data Management System using Cloud Based Google Workspace Accounts by mapping all the 1470 DDOs across the country with their Sub-BCAs and the sub-BCAs to their respective BCA. The complete details of each allocation, expenditure and reserves in hand are not only visible to each of the Budgetary Authorities on a real-time basis but a birds eye view of the pan India status of Expenditure budget is available to the Directorate at any given moment. This will enable the Directorate as well as BCAs and Sub- BCAs to monitor the expenditure and promote judicious allocation of funds based on the actual needs of every DDO charge. This practice will in turn result in massive decline in savings, surrenders and lapse of funds for the Department as a whole.

However, effectively the total savings under Revenue head is only Rs. 159.66 Cr which is very meagre compared to the earlier years.

Capital Section: It is submitted that the savings is Rs. 30.29 Cr under Capital Section, which has substantially decreased as compared to previous years.

Further, it is submitted that the expenditure under the Capital Section depends upon the other entities i.e. Executing Agencies. The funds allocated for Capital expenditure to the BCAs have to be actually utilized by the Executing Agencies, which is possible only after the Letter of Authorization (LOA) is issued by the Pr.

This is a procedural aspect regarding the work process of the Executive Agency and because of a number of reasons involved, it is not always possible to make the Executive Agency incur the expenditure in a time bound manner and expenditure is mainly booked in the last quarter of the year. Thus, effectively the total savings under Capital head is only Rs. 30.29 crore which is very meagre when compared to the last year's figures of savings.

(₹ in crore)

Description	FY 2024-25		
	RE	Exp.	Savings
Revenue	9202.35	9143.94	58.41
Capital	2372.82	2297.26	75.56
Total	11575.17	11441.20	133.97

Reasons for savings

Revenue section: It is submitted that the overall surrender under the Revenue Section of Grant has substantially been reduced to 58.41 Cr in the F.Y. 2024-25, as compared to Rs. 159.66 Cr during the F.Y. 2023-24 and Rs. 554.30 Cr during the F.Y. 2022-23. However, effectively the total savings under Revenue head is only Rs. 58.41 Cr which is very meagre compared to the last year's figures of savings of this Department.

Capital Section: It is submitted that the overall savings is Rs. 75.56 Cr under Capital Section. With reference to amount not surrendered (lapsed), it is submitted that the Department regularly monitored the expenditure of the various BCAs vis-à-vis the funds allocated to them, so as to ensure optimum utilization of the grants and minimize large savings/surrender of the amount. The Directorate interacted on a regular basis with the BCAs in connection with the monitoring of the expenditure. The allocation/expenditure of the various BCAs was monitored and Quarterly reports in this regard were submitted to the Higher Authorities. It was as a result of this exercise that Re-appropriation/Supplementary orders were issued to ensure optimum utilization of funds. In addition, communications were sent from time to time to different BCAs, directing them to surrender the unutilized funds well in time so that the same may be reported as surrender to IFU/Budget Division. However, despite the best possible efforts, due to various reasons like aggregate of small unutilized amounts at the level of the huge DDO cadre numbering more than 1470 as well as technical reasons in respect of clearing of bills by ZAOs along with technical issues such as slowdown of the PFMS and GeM portals, savings occurred. It may be reiterated that the amount of lapsed/surrendered funds has been substantially reduced in comparison to the earlier years.

(₹ in crore)

Description	FY 2025-26		
	RE	Exp. upto 31.12.2025.	Savings
Revenue	10665.52	7367.66	3297.86

Capital	2066.56	482.41	1584.15
Total	12732.08	7850.07	4882.01*

* Available savings are expected to be utilized by the end of the current financial year, as three months are still available to incur expenditure. The expenditure reflected above pertains to the first nine months only.

4.23 When asked by the Committee, the Department provided the performance data related to the Quarterly Expenditure Plan (QEP) under Demand No. 36 for the last three years, as follows:

“The year-wise allocations under QEP under Grant no. 36 Direct Taxes vis-à-vis actual expenditure is as hereunder:

FY 2023-24

(₹ in crore)

Description	QEP as per DDG	Expenditure	% of Exp.w.rt QEP	% of Exp.w.rt overall BE
1st Quarter (April to June)	2463.00	2378.10	96.55%	24.04%
2nd Quarter (July to September)	2478.00	2096.70	84.61%	21.19%
3rd Quarter (October to December)	2482.00	2485.20	100.13%	25.12%
4th Quarter (January to March)	2469.87	2880.74	116.63%	29.12%
Total	9892.87	9840.74	99.47%	

FY 2024-25

(₹ in crore)

Description	QEP as per DDG	Expenditure	% of Exp. w.r.t QEP	% of Exp.w.rt overall BE
1st Quarter (April to June)	2600.91	2867.66	110.26%	27.73%
2nd Quarter (July to September)	2594.88	2405.75	92.71%	23.27%
3rd Quarter (October to December)	2597.92	2439.17	93.89%	23.59%
4th Quarter (January to March)	2546.67	3728.62	146.41%	36.06%
Total	10340.38	11441.20	110.65%	

* The RE 2024-25 was enhanced to Rs.11575.17 crore, therefore the % expenditure w.r.t. comes out to be 98.84%.

FY 2025-26*(₹ in crore)*

Description	QEP as per DDG	Expenditure	% of Exp. w.r.t QEP	% of Exp.w.rt overall BE
1st Quarter (April to June)	2738.80	2608.76	95.25%	23.93%
2nd Quarter (July to September)	2734.84	2430.19	88.86%	22.29%
3rd Quarter (October to December)	2738.17	2811.12	102.66%	25.79%
4th Quarter (January to March)	2688.64	-	-	
Total	10900.45	7850.07	72.01%	

C. Demand No. 37 – Indirect Taxes

4.24 The Grant No. 37 Indirect Taxes has provision for RoDTEP (Remission of Duties and Taxes on Export Products) and ROSCTL (Rebate of State and Central Taxes and Levies) scheme along with other legacy scrips-based schemes for which Rs.15600.00 crore have been provided in the BE for FY 2026-27. Further funds of Rs.12083.13 crore is also provisioned in FY 2026-27 for meeting establishment related expenditure of CBIC (i.e. Salaries, Allowances, Office Expenses etc.) and Infrastructural projects of CBIC.

4.25 The Central Board of Indirect Taxes and Customs or CBIC (erstwhile Central Board of Excise & Customs) constituted under the Central Board of Revenue Act, 1963 is the apex body for indirect tax administration. It is involved in policy formulation concerning levy and collection of Customs, Central Excise duties, Central Goods & Services Tax (CGST) and Interstate Goods & Services Tax (IGST), prevention of smuggling and administration of matters relating to Customs, Central Excise, CGST, IGST and Narcotics to the extent which is under CBIC's purview. The CBIC also plays an active role in GST Council meetings and the associated activities of Law Committee which deliberates on all matters brought before the GST Council. The CBIC personnel supervise the functioning of the subordinate formations which includes Directorates and field formations of Customs, GST Commissionerates and Narcotics formations such as Opium factories and the Central Revenues Control Laboratory. The field formations are mainly engaged in collection of revenue and are spread across the

country. The tax payer's grievances are attended to by these field units of the CBIC on a day-to-day basis.

4.26 The Board is assisted by 19 Directorates who act as adjunct offices and assist the Board in policy formulation. Each Directorate has been assigned with a specific responsibility. The Directorate General of Revenue Intelligence (DRI) is the premier intelligence and investigation agency which collects and collates intelligence relating to Customs duty frauds and smuggling. Similarly, the Directorate General of GST Intelligence is tasked with investigation of GST and Central Excise/ Service Tax matters. Another important directorate is the Directorate of Human Resource Development (DGHRD) which handles all HR matters of CBIC. After the introduction of GST in 2017, the Directorate of Analytics and Risk Management (DGARM) was created. The DGARM is engaged in data analytics and data mining. The Directorate of Performance Management is tasked with evaluation of performance of the field formations based on laid down parameters. The Directorate of Audit is mandated to carry out audit which is an important tool of compliance verification.

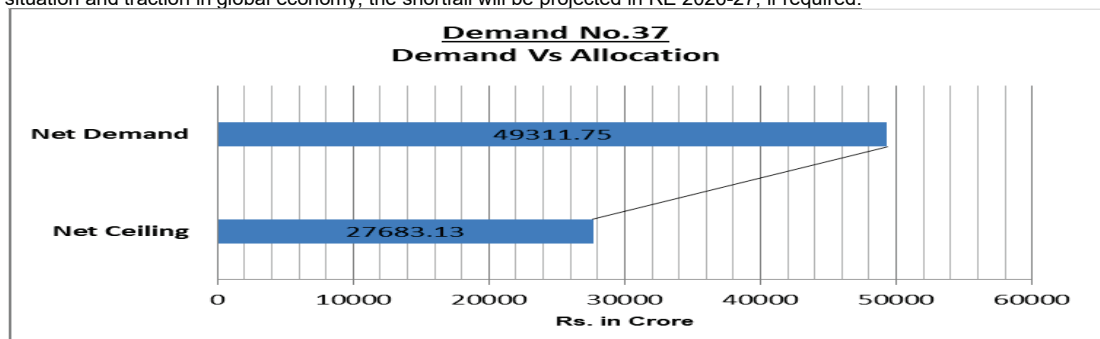
4.27 In response to the query of the Committee regarding the projected demand (2026-27) by the Department of Revenue vis-à-vis allocation made by the Ministry of Finance and the impact of lesser allocation and proposed plan of action to meet the shortfall, the Department in its written reply has stated as follows:

“The details of projected demand and final allocation for the FY 2026-27 are as hereunder:

(Rs in crore)

BE 2026-27 demand by EMC	BE 2026-27 allocated by Budget Division	Shortfall
49311.75	27683.13	21628.62#

Shortfall is due to significant reduction in the budget of scrip based schemes. Given the current geopolitical situation and traction in global economy, the shortfall will be projected in RE 2026-27, if required.



4.28 On being asked by the Committee about the impact of lesser allocation of funds, the Department in its written reply has stated as under:

“The reduction in the budget allocation will not lead to any modernization gap in tax administration. These projects are ongoing projects and the budgetary allocation for FY 2026-27 will be adequate to meet the ongoing projects. Out of the total allocation of BE 2026-27 of Rs. 12082.63 crore (excluding Scrips), Rs. 10467 crore is for establishment related expenditure such as salaries, allowances and other miscellaneous expenditure, of which Rs. 655.50 crore is for infra projects of CBIC (building and land). Out of our projection of Rs. 2042 crore for infra projects, Rs. 800 crore towards purchase of ITI land Bangalore has been front loaded to the current FY 2025-26 and funds to this extent has been provided in the current RE 2025-26. Further, projections for the MTNL land and building, Dwarka amounting to Rs.581.96 crore could not be fructified. Further, budgetary allotment for FY 2026-27 for critical infrastructure projects such as Wadala project stands at Rs 185 crore, Khajaguda is Rs. 115 crore, Nhava sheva is Rs. 15 crore, Jaffer syarang (Chennai) is Rs. 11.51 crore, DRI Ahmedabad is Rs. 12 crore and CGST Noida is Rs. 10 crore etc. which will be met from the existing allotment. The snapshot of above data is tabulated below:

SI No.	Description (Construction + Land of MH 4059 & 4216)	Amount (In Cr)
1.	BE2026-27 requested	2042
2.	Amount frontloaded for ITI land to current RE	800
3.	Proposal withdrawn-MTNL Dwarka	582
4.	Demand for existing projects	660
5.	BE 2026-27 allocated	655.5

Furthermore, any additional fund requirements depending upon the accelerated progress in the projects will be sought through re-appropriation or projected in RBE 2026-27.

It is submitted that the above IT projects FINnet 2.0 and CEIB Cloud services pertain to department of revenue and are not dealt by CBIC. Accordingly, the expenditure thereon is not booked under Grant No. 37.

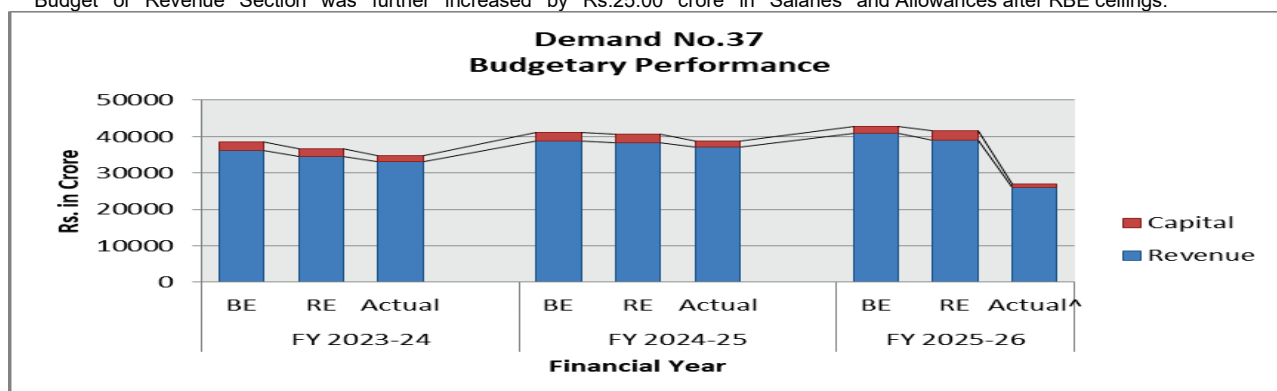
It is further submitted that critical infrastructure project pertaining to Information Technology which fall within the ambit of Grant No. 37 include projects like Data Centre & Cyber Security, Infranet Project, ICEGATE Project and ADVAIT, etc. Funds will be prioritized and released based on the criticality and stage of the projects, thereby ensuring timely financial support for essential infrastructure and ICT initiatives. It is further reported that in the event that any new project is undertaken, the additional requirement of funds will be met through re-appropriation or projected at the Revised Budget Estimate (RBE) stage for 2026–27.”

4.29 The details of fund allocation and utilization for the past three years, w.e.f. FY 2023-27, related to Demand No. 37, are as follows:

(Rs in crore)

Description	FY 2023-24			FY 2024-25			FY 2025-26		
	BE	RE	Actuals	BE	RE	Actuals	BE	RE	Actuals (upto 31.12.2025)
Revenue	36305.58	34533.94*	33080.46	38859.86	38379.78	37046.44	40904.73	38906.44	26090.54
Capital	2205.00	2207.66	1577.32	2238.62	2372.39	1771.77	1984.60	2590.28	906.54
Total	38510.58	36741.60	34657.78	41098.48	40752.17	38818.21	42889.33	41496.72	26997.08

*Budget of Revenue Section was further increased by Rs.25.00 crore in Salaries and Allowances after RBE ceilings.



4.30 On being asked by the Committee for the Object-wise budgetary performance for the past three years along with the reasons for delays and cost overrun, the Department in its reply has furnished the following information:

“The Object-wise details of budgetary allocation and actual utilization over the past three Years are as hereunder:

		(Rs in crore)					
Object Head Code	Object Head	FY 2023-24		FY 2024-25		FY 2025-26	
		RBE	Exp.	RBE	Exp.	RBE	Exp. upto 31.12.2025
	Revenue Section	3	4				
1	Salaries	3805.00	3801.52	4030.50	3978.45	4145.76	3429.29
2	Wages	28.87	28.48	25.31	24.86	29.00	19.03
5	Rewards	120.00	117.02	104.13	102.11	98.00	71.07
6	Medical Treatment	46.68	43.93	53.90	51.08	65.00	42.34
7	Allowances	2845.00	2840.99	3492.18	3384.19	3790.94	3081.99
8	Leave Travel Concession	29.08	26.45	28.16	26.60	30.00	20.37
9	Training Expenses	22.61	20.51	14.03	12.55	21.85	16.96
11	Domestic Travel Expenses	98.34	97.38	114.73	113.63	160.00	107.20
12	Foreign Travel Expenses	1.96	1.53	2.90	1.90	3.00	1.19

13	Office Expenses	530.00	524.33	554.06	549.78	603.00	462.96
14	Rent Rates and Taxes for land and Buildings	427.06	423.86	442.36	436.19	563.79	376.92
16	Printing and Publications	3.52	2.82	3.40	2.67	4.50	2.33
18	Rent for others	260.00	251.71	244.37	240.69	290.00	202.80
19	Digital Equipment	25.67	25.22	27.63	26.62	31.00	19.15
21	Material and Supplies	6.27	5.83	8.48	7.33	10.50	6.44
24	Fuels and Lubricants	11.90	10.63	15.69	12.63	12.63	6.85
26	Advertising and Publicity	46.00	35.92	25.85	19.46	22.67	14.89
27	Minor Civil and Electric Works (Office)	29.50	28.09	35.92	28.86	42.50	16.41
27	Minor Civil and Electric Works (Residential)	13.03	11.20	17.00	11.17	20.50	7.21
28	Professional Services	65.00	62.43	63.50	50.32	76.60	59.08
29	Repair and Maintenance	60.71	55.09	64.27	52.82	63.70	33.21
31	Grant-in-aid-general	0.15	0.06	0.07	0.03	0.00	0.00
41	Secret Service Expenditure	26.40	26.59	30.00	29.85	28.50	22.59
49	Other Revenue Expenditure	45.34	44.03	45.41	43.76	47.62	33.78
96.49	Swachhta Action Plan	40.00	37.52	36.94	34.80	32.88	16.81
63	Customs Welfare Fund (Inter Account Transfer)	10.00	0.00	15.00	15.00	10.00	0.00
49	Scrip Based Schemes (Other Revenue Expenditure)	25935.85	24557.32	28883.99	27789.09	28702.50	18019.67
	Total Revenue Section (A)	34533.94	33080.46	38379.78	37046.44	38906.44	26090.54
	Capital Section						
	Major Head 4047:-						
51	Motor Vehicles	7.14	4.46	6.15	2.70	4.00	0.52
52	Machinery & Equipment	57.16	21.14	101.76	23.96	58.89	11.12
60	Other Capital Expenditure	11.09	7.72	6.37	5.20	2.00	1.08
71	Information, Computer, Telecommunications (ICT) equipment	939.47	723.74	1400.00	1043.12	975.00	609.72
74	Furnitures & Fixtures	68.06	46.66	59.86	52.50	42.89	22.59
75	Arms and Ammunition	0.00	0.00	0.17	0.17	0.00	0.00
77	Other Fixed Assets	2.31	1.70	2.76	1.74	2.00	0.78
	Total Major Head 4047	1085.23	805.42	1577.07	1129.39	1084.78	645.81
	Major Head 4059 & 4216						
72	Building & Structures	1100.00	765.58	692.12	543.34	700.00	246.93
73	Infrastructural Assets	0.00	0.00	1.25	0.12	0.50	0.14
76	Upgradation procurement of Heritage Assets and n.e.c.	7.43	6.32	6.73	4.98	5.00	0.00
78	Land	15.00	0.00	95.22	93.94	800.00	13.66

	Total Major Head 4059 & 4216	1122.43	771.90	795.32	642.38	1505.50	260.73
	Total Capital Section (B)	2207.66	1577.32	2372.39	1771.77	2590.28	906.54
	Grant Total (A+B)	36741.60	34657.78	40752.17	38818.21	41496.72	26997.08

4.31 On being asked by the Committee, the Department furnished the year-wise explanation for variation in BE, RE and Actuals in regard to Demand No.37, which is as follows:

“The details of shortfalls/underutilization of funds for each year during the last three years are detailed below:

(Rs in crore)

Description	FY 2023-24		
	RE	Exp.	Savings
Revenue	34533.94	33080.46	1453.48
Capital	2207.66	1577.32	630.34
Total	36741.60	34657.78	2083.82

Reasons for savings

Revenue section: Major savings of **Rs. 1378.53 crore (94.84 % of total savings of Rs. 1453.48 crore)** under Revenue Section was in Scrip Based Schemes due to stoppage of RoDTEP and RoSCTL (Current) schemes w.e.f. 25.03.2024 and non-processing of scrolls expected up to 31.03.2024. A significant number of claims could not be finalized due to non- submission of BRCs, delay/non-transmission of shipping bills from CBIC to DGFT, and lack of requisite documentary evidence. Further, several applications remained pending due to judicial/quasi-judicial proceedings, technical glitches, denied entry status of firms, and lack of awareness regarding claim procedures, resulting in lower issuance of scrips.

Capital Section: Savings of **₹630.34 crore** under the Capital Section occurred due to non- finalization of IT-related projects and delayed completion of works by CPWD in projects such as Wadala, NACIN Palasamudram, JNCH Nhava Sheva, and DRI Vasant Kunj. In several cases, expenditure could not be booked as per prescribed procedures, wherein accounting is done only after completion and inspection of works and release of payments by CPWD to contractors. Consequently, although funds had been transferred to CPWD, the expenditure remained unbooked, leading to savings at the close of the financial year.

(Rs in crore)

Description	FY 2024-25		
	RE	Exp.	Savings
Revenue	38379.78	37046.44	1333.34
Capital	2372.39	1771.77	600.62
Total	40752.17	38818.21	1933.96

Reasons for savings

Revenue section: Major savings of **Rs. 1094.90 crore (82.12 % of total savings of Rs. 1333.34 crore)** under Revenue Section was in Scrip Based due to the pendency of applications at regional offices. Many claimant firms were either on the Denied Entity List or involved in legal, judicial, or quasi-judicial proceedings, which prevented the issuance of scrip benefits. Scrip issuance requires approval from a zonal committee at each major field office, comprising members from both CBIC and CBDT. This committee is responsible for verifying the authenticity of claims and assessing the "No Dues Certificate" submitted by firms. Furthermore, legacy schemes are subject to uncertain timelines due to ongoing legal proceedings and other technical issues beyond the control of the scheme implementing authority. Rest of the savings was accumulated savings of 1200 DDOs under various heads of establishment related expenditures.

Capital Section: Savings of **Rs. 600.62 crore** in the Capital Section occurred mainly due to delays in non-finalization of procurement proposals, including laptops and major ICT projects. Infrastructure readiness issues, such as late finalization of data center space and delayed permissions from local authorities, led to postponement of projects like ATS-P (NCTC-Pax), Nhava Sheva, Jafarsharan, Mamidapally, and Wadala. Several projects were affected by design changes, technical complexities, adverse site conditions, and time taken for removal of encroachments. Further savings arose from deferred vendor payments, delayed milestones, fewer training nominations, lower billing, and reduced procurement of furniture and IT equipment. CPWD also surrendered funds due to non-completion of works caused by unfavorable geographical and climatic conditions.

(Rs in crore)

Description	FY 2025-26		
	RE	Exp upto 31.12.2025.	Savings
Revenue	38906.44	26090.54	12815.90
Capital	2590.28	906.54	1683.74
Total	41496.72	26997.08	14499.64*

* Available savings are expected to be utilized by the end of the current financial year, as three months are still available to incur expenditure. The expenditure reflected above pertains to the first nine months only.

4.32 When asked by the Committee, the Department provided the performance data related to the Quarterly Expenditure Plan (QEP) under Demand No. 37 for the last three years, as follows:

“The year-wise allocations under QEP vis-à-vis actual expenditure is as hereunder:

FY 2023-24				
(Rs in crore)				
	Plan	Actuals	% as per BE	% as per actual allocation
Q1	10136.58	7547.45	74.46	21.78

Q2	10017.00	8508.84	84.94	24.55
Q3	9658.00	7235.92	74.92	20.88
Q4	8699.00	11365.57	130.65	32.79
Total	38510.58	34657.78		

*In the second batch of Supplementary Demands for Grants for FY 2023-24, a token supplementary grant of ₹3.00 lakh was received, as a result of which the Revised Grant stood at Rs. 38,510.61 crore.

FY 2024-25				
(Rs in crore)				
	Plan	Actuals	% as per BE	% as per actual allocation
Q1	10794.48	7297.39	67.60	18.80
Q2	10674.00	9138.58	85.62	23.54
Q3	10305.00	7700.67	74.73	19.84
Q4	9325.00	14681.57	157.44	37.82
Total	41098.48	38818.21		

*In the 1st batch of Supplementary Demand for Grants for FY 2024-25, Rs. 133.78 crore (Rs. 1.00 lakh token in Revenue Section & Rs. 133.77 crore technical in Capital Section) supplementary was received, as a result of which the Revised Grant stood at Rs. 41098.49 crores (increased by Rs. 1.00 lakh).

FY 2025-26				
(Rs in crore)				
	Plan	Actuals	% as per BE	% as per actual allocation
Q1	10654.80	4983.82	46.78	18.46
Q2	11003.40	11488.97	104.41#	42.56
Q3	10664.20	10524.29	98.69	38.98
Q4	10566.93	-	-	-
Total	42889.33	26997.08		

*In the 1st batch of Supplementary Demand for Grants for FY 2025-26, Rs. 605.68 crore technical supplementary was received, as a result of which there was no change in the Revised Grant.

QEP was breached due to higher-than-anticipated utilization under Scrip-Based Schemes, which are export incentive schemes directly linked to the quantum of exports and are beyond the control of EMC/CBIC. The expenditure under these schemes is demand-driven and fluctuates with export performance during the financial year. While EMC ensures that total expenditure remains within the overall budget allocation, the timing and volume of scrip utilization led to uneven expenditure patterns, resulting in breach of QEP."

V. ROLL OUT OF THE INCOME TAX ACT, 2025

5.1 Income-tax Act, 2025 has been enacted on 21.08.2025 and shall become effective from 01.04.2026. When the Committee asked about the preparedness for the transition to New Income Tax Act, 2025 and the timeline for completion of the remaining work, the Department has furnished the following information:

“Rules for the purposes of the said Act are required to be formed as part of the delegated legislation within a period of six months of the effectivity of the law i.e. by 30.09.2026. In this context, it is submitted that draft Income-tax Rules, 2026 have been made public in 07.02.2026 for seeking comments of various stakeholders. Therefore, rules as part of the delegated legislation will be

notified much within the prescribed time limit and likely within the month of March,2026 itself.

With regard to the preparedness of the Directorate of Income-tax (Systems) in respect of the Income-tax Act, 2025, it is stated that the implementation of the Income-tax Act,2025 entails corresponding developmental work from an Information Technology perspective viz. development of Forms, utilities for filing such forms, updation of backend validations, rule engines and computational logic in alignment with the revised statutory framework as well as integration with various departmental IT platforms and external stakeholders, with regard to the changes in the relevant provisions.

The implementation of the Income-tax Act, 2025 would also require updation of FAQs, help content, user manuals, and guidance materials as well as revision of portal content architecture to reflect updated legal references and processes. These updates will be made available to users from 01.04.2026. All pre-login and post-login services of the e-Filing Portal will be modified by 01.04.2026 to incorporate the changes introduced under the New Income Tax Act, 2025. This includes necessary changes in workflows, service modules, dashboards, and user interaction layers.

Impact assessment of the Income-tax Act, 2025 on the various departmental IT Applications and their inter- relatedness with each other has been carried out. A total of 190 forms are envisaged to be notified under the New Income Tax Act, 2025, which require associated developmental IT related work viz. Form design, schema finalization, utilities, validation logic, and system integration. The related development work is being executed in a phased manner:

- (i). Critical and time-sensitive requirements will be completed and made operational by 31.03.2026.- This pertains to 54 Forms (out of 190 Forms).
- (ii). Remaining modifications and refinements will be implemented in subsequent phases in F.Y. 2026-27 depending upon the relevant statutory timelines.

This phased strategy ensures continuity of services while enabling systematic migration to the new legal framework.”

5.2 When asked by the Committee, beyond basic readiness, what the Legacy Data Integration (LDI) plan is for transitioning open assessments from the 1961 Act to the 2025 Act, and what failover mechanisms are in place to prevent a repeat of the 2021 portal launch glitches, the Department furnished the following information:

“The transition strategy ensures that the "Readiness" of the new Act does not compromise the "Integrity" of legacy proceedings. The LDI plan is built on two core pillars in Project IEC:

A. Legal & Systemic Segregation

- Automated Logic: The system has been modified to automatically apply the 1961 regulatory framework to old cases, ensuring strict statutory

segregation and preventing any unintended application of provisions of the Income-tax Act, 2025 to such proceedings.

B. Unified Data Architecture

- **100% Backward Compatibility:** We have avoided the risk of two separate systems. The new Act utilizes the same table structures as the old model, with additional fields appended for 2025 requirements.
- **Seamless Multi-Year Access:** For complex cases like Block Assessments, the system maintains a single, continuous data timeline. This allows officials to access 1961-era data and 2025-era data within a single interface, ensuring no data loss during the transition.

The repealed Income-tax Act, 1961 will continue to apply to all proceedings pending as on 01.04.2026 and to proceedings initiated on or after that date in respect of tax years beginning prior to 01.04.2026. Such matters will be governed by the procedure prescribed under the Income-tax Act, 1961. Proceedings pertaining to tax years commencing on or after 01.04.2026 will be governed by the Income-tax Act, 2025.

ITBA will enable processing under both Acts through a module-level option allowing users to select either "Income-tax Act, 1961" or "Income-tax Act, 2025." The system will display and process cases under the relevant statute. Legacy data will continue to be maintained and handled in accordance with the applicable Act, ensuring continuity and smooth transition.

The existing TIN architecture on the e-Filing portal has been modified to accommodate proceedings under the Income-tax Act, 2025. The revised framework seamlessly supports TIN-related data and transactions under both the Income-tax Act, 1961 and the Income-tax Act, 2025. Further, the integration architecture for e-Proceedings has been updated to support proceedings under the Income-tax Act, 2025 while continuing to handle legacy proceedings under the Income-tax Act, 1961. The unified framework ensures continuity of open assessments and prevents disruption during the transition.

A traditional "fail-over" to a secondary system is not required because:

- (i) **Integrated Architecture:** There is no "Old" vs. "New" system to switch between. The 2025 Act is an integrated extension of the current stable environment.
- (ii) **Inherent Redundancy:** Since we are using the existing production-grade infrastructure, we continue to rely on the current high-availability (HA) and disaster recovery (DR) protocols that already support millions of taxpayers daily.

In CPC-TDS, the Legacy Data Integration plan provides for structured data mapping, schema alignment, integrity validation and rule-based migration of open proceedings from the Income-tax Act, 1961 to the Income-tax Act, 2025. The transition will be executed through phased cutover, sandbox validation and parallel-run environments to ensure system stability. Initial data migration will be completed prior to the Go-Live of TDS 2.0, with daily delta migrations continuing until final cutover."

5.3 When inquired by the Committee as to how the Uniform Interpretation framework is being enforced across various PCIT regions to prevent Jurisdictional Arbitrage where different tax officers interpret the new 2025 provisions inconsistently, the Department stated as follows:

“In the new Income tax Act, 2025 the language has been simplified to a large extent so that interpretational issues are avoided. The increased usage of tables and formulas is also expected to aid in lesser interpretational issues. In addition, CBDT continues to guide its officers on issues of interpretations wherever necessary.

To support uniform interpretation and extensive reference, training materials have been developed with the involvement of officers who participated in drafting the legislation. These include:

- Structured PowerPoint presentations
- Detailed explanatory notes
- Audio-visual modules developed by NADT

Through comprehensive training resources and a cascading dissemination model, the Department is taking sustained steps to ensure that the provisions of the Income Tax Act, 2025 are implemented effectively and understood uniformly — both in letter and spirit — across all formations. This approach is intended to promote consistency in interpretation and application of the new law, thereby strengthening administrative efficiency and enhancing taxpayer confidence.

It may also be stated that issues of interpretation also arise where taxpayers take a particular interpretation which may be more beneficial and thereafter there are differing judgements of courts on the issue.

CBDT will continue to place emphasis on putting such systems in place whereby the avenues of preventive litigation increase and the litigation is minimised.”

5.4 When inquired by the Committee about the training provided to the officers for the New Income Tax, 2025, the Department has stated as follows:

“Till date 3573 officers (including 318 officer trainees at NADT Nagpur) have been imparted training in the New Income Tax Act 2025. Training in the New Income Tax Act is being conducted by way of a comprehensive, structured, three-phase cascading programme being organized by the Directorate of Training at various places including NADT Nagpur and 10 NADT Regional Centres with help of 294 Master Trainers. The Department aims to complete training for all its officers on the New Income Tax Act 2025 by June 2026. Around 8422 officers/personnels have been covered for Income Tax Act, 2025 training in last 4 months.”

5.5 When the Committee inquired about the specific initiatives launched to raise awareness and assist taxpayers in complying with the Income Tax Act, 2025 without

difficulty, as well as the expenditure incurred in this regard during 2025–26 and the budget allocation for the Public Outreach and Taxpayer Facilitation programmes for FY 2026–27, the Department stated as follows:

“In this regard, the Directorate of PR, P&P has been consistently undertaking efforts to assist and educate the taxpayers on the new Act. Since May 2025, the Directorate has been conducting awareness sessions on the Income Tax Act 2025 during the course of the taxpayers hub- a 3 day event that is usually conducted in tier 2 & tier 3 cities across India to spread awareness about various policies, schemes and provisions of direct taxation. These sessions have been conducted in Siliguri, Ranchi, Vadodara, Jabalpur, Nagpur, Varanasi, Allahabad and Mohali and were well attended. Brochure on the new Act was prepared and disseminated in these taxpayers hubs in both Hindi & English language for the benefit of the public. The Directorate has also prepared Informative Brochures on important Forms that are most frequently used by the taxpayers. These Brochures have been prepared in all major regional languages for inclusivity. During FY 2025-26, an expenditure of approximately Rs 2 cr has been spent on organisation of these sessions and printing of Brochures.

A. As the Income Tax Act 2025 will be effective from 1.4.2026, in order to ensure smooth transition and hassle-free compliance by taxpayers, a structured and multi-pronged nationwide awareness and outreach campaign will be launched from Second/Third week of March, 2026, commencing with a mega event in New Delhi. The following initiatives have been proposed to be undertaken to create awareness and assist taxpayers in complying with the Income Tax Act, 2025:

- (i) Nationwide Physical Outreach Campaign- 36 Mega Outreach Events by 18 Principal Chief Commissioners of Income Tax (Pr. CCsIT) in collaboration with major stakeholders to create widespread awareness about New Act/Rules.
- (ii) Smaller Targeted outreach sessions are proposed to be conducted by all field charges in 18 PrCCIT regions for specific category of taxpayers- Salaried Taxpayer, Small Businesses, Corporates, Deductors, NPOs, Reporting Entities etc. Officers trained as “Master Trainers” will be conducting these sessions.
- (iii) Preparation of Standardized training content and Educational Content to ensure uniform messaging. The content is being prepared in 12 Languages(including English and Hindi) for regional inclusivity. Officers trained as “Master Trainers” will be conducting these sessions.
- (iv) Multimedia Campaign through CBC to create widespread publicity on New Act/Forms.
- (v) Educational campaign through Social Media & Digital Platforms of the Department.
- (vi) Expenditure proposed for F.Y 2026-27- An amount of Rs 27 crore has been proposed for multimedia campaign and content creation in the F.Y 2026-27 as under:

Medium	Proposed Expenditure (₹ in crore)
Television Campaign	4.5
TV Talk Show	1.0
Radio Campaign	4.5
Weekly Radio Segment	1.0
Print & Web Advertisements	5.0
Outdoor Publicity	10.0
Brochures (Printing & Drafting)	1.0
Social Media	Nil (In-house)
Physical Outreach Events	Borne by respective field formations

5.6 In response to the Committee's specific query regarding how the Department would distinguish between genuine errors arising from the transition to the new law and cases of non-compliance during the initial implementation phase, the Department explained in its written reply as follows:

“For the instances of genuine errors made by the taxpayers, the window for filing revised return has been proposed, in the Finance Bill, 2026, to be extended from 31st December to 31st March. Also, the time limit for filing updated return has been proposed, in the Finance Bill, 2026, to be allowed after the issuance of notice of re-assessment. Further, if any difficulty arises in giving effect to the provisions of the new Act, the Central Government may, by general or special order, do anything not inconsistent with such provisions which appears to it to be necessary or expedient for the purpose of removing the difficulty.”

5.7 During the examination of Demands, the Committee pointed out that the Hon'ble Finance Minister in the Budget Speech has announced to constitute a Joint Committee of the Ministry of Corporate Affairs and the Central Board of Direct Taxes to incorporate the requirements of ICDS into the Indian Accounting Standards (Ind AS) itself and to do away with the requirement of separate accounting under IDS from the tax year 2027-28. In this regard they desired to know how this convergence would be implemented within the given timeframe and whether this merger would dilute the alignment of Ind AS with International Financial Reporting Standards, the Department in its written reply has stated as follows:

“It has been proposed to constitute a Joint Committee of Ministry of Corporate Affairs and Central Board of Direct Taxes for incorporating the requirements of Income Computation and Disclosure Standards (ICDS) in the Indian Accounting Standards (IndAS) itself.

Incorporating the requirements of ICDS into the Ind AS will minimise the need for maintaining separate accounting records under ICDS and Ind AS. This will

reduce the compliance burden on the eligible assessee, reduce book-to-tax adjustments, provide greater certainty and minimize litigation. IndAS is already substantially aligned with International Financial Reporting Standards (IFRS) with certain differences to reflect India specific requirements. The proposed change is not intended to dilute such convergence. Modifications in IndAS is proposed to be limited to differences in tax-specific computations and aligning accounting and tax standards without affecting the international acceptability of financial reporting standards presently in place.”

VI. TAX COLLECTION

6.1 In regard to the mechanism for setting various Direct Tax–related targets and the agencies involved in the process, the Department has stated that as part of the Budgetary Exercise for every Financial Year, the Revised Estimates for the current Financial Year, and the Budget Estimates for the immediately following Financial Year (for Direct Taxes) are furnished by the Department of Revenue to the Department of Economic Affairs (DEA), Ministry of Finance, for the purposes of finalizing Receipts Budget. For the purposes of working out the Revised Estimates and the Budget Estimates, current data regarding Direct Tax collections is taken and nominal GDP data for the current and upcoming Financial Years are received from the Economic Division of the DEA. This data, along with considerations emerging from prospective changes in taxation policy, including rationalization in tax slabs, current industry climate and macroeconomic outlook (both at a national and international level) is used to fix the tax-related targets for the current Financial Year, i.e. Revised Estimates and the upcoming Financial Year, i.e. Budget Estimates.

6.2 The details of the various targets for collection of Direct Taxes and the actual achievement for the last three years, is as below:

Tax Type	Target 2023-24	Actuals 2023-24	Target 2024-25	Actuals 2024-25	Target 2025-26	<i>Rs. In Crore</i>
						Actuals 2025-26 (as on 11.02.2026)
Corporate Tax	9,22,675	9,11,055	9,80,000	9,86,767	11,09,000	8,90,014
Non-Corporate Tax incl. STT	10,22,325	10,44,726	12,57,000	12,35,161	13,12,000	10,53,986
Others	-	4,385	-	4,447	-	326
Total	19,45,000	19,60,166	22,37,000	22,26,375	24,21,000	19,44,327

Source- Receipt Budgets and Time Series data published at official Income Tax website

6.3 The growth data related to Direct Taxes is as below:

Year	<i>Rs. In crore</i>				
	2023-24	Growth %	2024-25	Growth %	2025-26 (as on 11.02.2026)
Corporate Tax	9,11,055	10.32%	9,86,767	8.31%	8,90,014
Non-Corporate Tax incl. STT	10,44,726	25.37%	12,35,161	18.23%	10,53,986
Others	4,385	-3.52%	4,447	1.41%	326
Total	19,60,166	17.82%	22,26,375	13.58%	19,44,327

Source- Time Series data published at official Income Tax website.

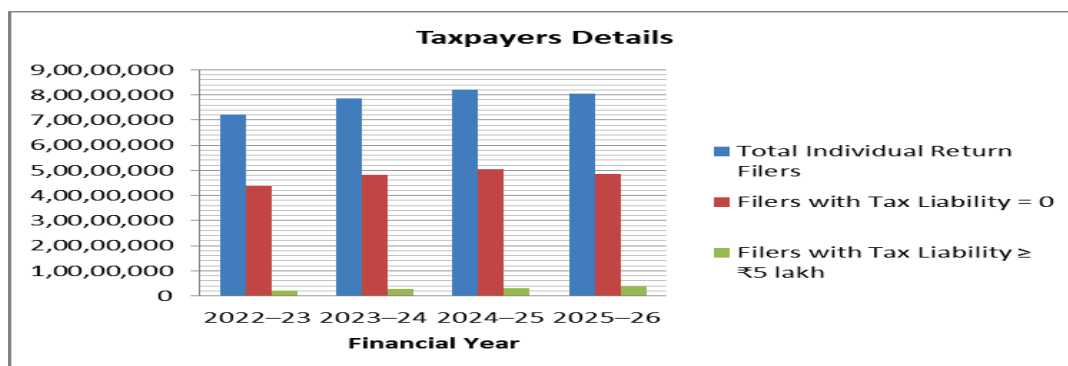
Note: The percentage growth for the financial year 2025–26 cannot be given as the same is not comparable with the previous financial year 2024–25.

6.4 The Department has stated that the nomenclature of Personal Income Tax has been changed to 'Non- corporate Tax (NCT)' from FY 2025-26. Figures under NCT includes taxes paid by individuals, HUFs, Firms, AoPs, Bols, Local Authorities, Artificial Juridical Person.

6.5 When the Committee sought to know, out of the total taxpayers as on date, how many individual assesseees are filing or paying tax above Rs. 5 lakh per annum and what is the number of zero filers, the Department has furnished the following data:

AY	No. of Individual Return Filers	No. of Individual Return Filers with tax liability \geq Rs. 5 lacs	No. of Individual Return Filers with tax liability=0
2022-23	7,23,66,950	21,17,470	4,37,16,313
2023-24	7,85,06,886	26,12,150	4,80,51,974
2024-25	8,21,87,943	30,82,000	5,04,86,866
2025-26	8,04,56,159	35,79,000	4,85,73,484

Note: The latest e>Returns submitted by individuals in ITR-1,2,3,4 upto 31-Dec-2025 have been taken into consideration. The e>Returns marked as Invalid/Withdrawn and outliers have been excluded. For Tax Liability numbers the 'Aggregate Tax Liability' (before adjustment of Prepaid Taxes) reported in Part-B TTI have been taken



. When asked by the Committee about the number of new taxpayers added during the last three years, the Department furnished the following information:

New taxpayers added	AY 2022-23	AY 2023-24	AY 2024-25	AY 2025-26
	83,40,339	98,29,519	92,32,951	69,56,099

Note : The latest e>Returns of AY 2019-20 to AY 2025-26 submitted upto 31-Dec-2025 have been taken into consideration.

6.6 When the Committee asked how much was the gap between the number of persons eligible for tax filing based on the Annual Information Statement and the actual number of tax returns filed during the same period, the Department stated as under:

“For FY 2023-24 and FY 2024-25, the details with regard to the number of non-filers identified as high risk under the RMS, (based on AIS information combined with other risk parameters) and selected for nudge campaign and those who filed ITRs pursuant to the NUDGE campaign, is presented in the following table:

S.No.	Assessment Year	Taxpayers Selected	Taxpayers who Filed ITR
1	AY 2024-25	2,90,090	1,45,231
2	AY 2025-26	5,54,020	3,41,709

These figures represent an analytically refined subset of PANs appearing in AIS and represent the potential "gap" relevant from a risk and revenue perspective.”

6.7 On being asked by the Committee, the Department furnished a summary of taxpayers who have opted for the new tax regime and those who continue under the old regime, as follows:

Summary on New-Tax-Regime (e>Returns submitted upto 31-Dec-2025)									
#	FORM_ID	AY	Total number of e>Returns	AY	Total number of e>Returns	AY	Total number of e>Returns	AY	Total number of e>Returns
			TOTAL_ITR_S		TOTAL_ITR_S		TOTAL_ITR_S		TOTAL_ITR_S
1	ITR-1	AY 2022-23	9,72,358	AY 2023-24	15,48,555	AY 2024-25	2,13,75,717	AY 2025-26	2,77,93,167
2	ITR-2	AY 2022-23	4,12,770	AY 2023-24	6,78,373	AY 2024-25	77,56,777	AY 2025-26	94,41,357
3	ITR-3	AY 2022-23	6,21,267	AY 2023-24	10,15,984	AY 2024-25	1,31,21,326	AY 2025-26	1,40,61,507
4	ITR-4	AY 2022-23	1,25,000	AY 2023-24	2,42,761	AY 2024-25	2,19,29,280	AY 2025-26	2,11,78,818
Total - New Tax Regime			21,31,395		34,85,673		6,41,83,100		7,24,74,849
1	ITR-1	AY 2022-23	3,08,24,012	AY 2023-24	3,31,12,190	AY 2024-25	1,28,20,217	AY 2025-26	55,62,631
2	ITR-2	AY 2022-23	74,04,493	AY 2023-24	81,59,670	AY 2024-25	37,92,610	AY 2025-26	22,14,718
3	ITR-3	AY 2022-23	1,17,55,405	AY 2023-24	1,21,34,861	AY 2024-25	17,16,334	AY 2025-26	10,70,268
4	ITR-4	AY 2022-23	2,16,15,847	AY 2023-24	2,30,20,732	AY 2024-25	11,13,893	AY 2025-26	5,99,962
Total - Old Tax Regime			7,15,99,757		7,64,27,453		1,94,43,054		94,47,579

Total	AY 2022-23	7,37,31,152	AY 2023-24	7,99,13,126	AY 2024-25	8,36,26,154	AY 2025-26	8,19,22,428
<i>Note : The latest e>Returns of AY 2025-26 submitted in ITR-1/2/3/4 upto 31-Dec-2025 have been taken into consideration.</i>								

6.8 During the examination of the Demands, the Committee pointed out that the Government has pushed for a simplified tax regime by making it default option with the objective of phasing out exemptions. However, the draft Income Tax Rules, 2026 seem to do the exact opposite by proposing to expand the 50% HRA benefit to non-metro cities like Bengaluru & Pune and increasing the Children's Education and Hostel Allowance which may make old regime more attractive for salaried class. Therefore, they desired to know whether this signifies a move away from the goal of a single uniform tax structure, and how the Department plans to balance the objective of simplicity with the need for targeted relief in high-cost urban centres, the Department in its written reply has stated as follows:

“As far as HRA is concerned, 4 cities that have been added in the list of metro cities are Bengaluru, Hyderabad, Ahmedabad and Pune. The addition is proposed as per the recommendations of 7th CPC. This is unlikely to have much impact on the amount of HRA considered for exemption.

As an example (for an employee in old regime)—

If an employee has monthly salary of 3 lakh rupees and in addition gets HRA of Rs. 1 lakh. Suppose Rent paid per month is Rs. 80,000. Then HRA amount which will be exempted for a metro or a non-metro will be computed as under:

HRA amount exempted for metro	HRA amount exempted for non-metro
Minimum of – (i) HRA received = 1 lakh (ii) Rent paid – 10% of salary = 50000 (iii) 50% of salary = 1.5 lakh Exemption amount = 50,000	Minimum of – (i) HRA received = 1 lakh (ii) Rent paid – 10% of salary = 50000 (iii) 40% of salary = 1.2 lakh Exemption amount = 50,000

Further, the adjustments to children's education and hostel allowance represent an effort to align the tax framework with today's economic reality, rather than a shift back toward the old regime. Taxpayers continue to have the flexibility to choose between the old and new tax regimes, depending on which is more beneficial for them.”

6.9 When the Committee asked to provide details of any technical glitches faced on the Income Tax e-filing portal or hardships encountered during the filing of income tax returns or audit proceedings for the Financial Year 2025–26 along with the proactive measures being taken to avoid such glitches in the future, the Department furnished information as follows:

“The portal faced technical glitches on 14th and 15th of September, 2025 where tax payers reported slowness in accessing e-Filing portal, accessing AIS / TIS, issues during login and issues while uploading ITR data into the portal. The issues were attended on priority. In order to avoid the repetition of such issues in future, the following pro-active measures were taken:

- A) The Database has been reconfigured for a higher level of concurrency
- B) Underlying Hardware and Software has been upgraded as part of Tech refresh activity.
- C) Scope of Performance testing has been expanded to include addition stress parameters and spike load on the system.
- D) Resource allocation among various modules has been optimized.”

Indirect Taxes

6.10 In regard to Indirect Taxes, it was stated by the Department that the Indirect tax Budget targets/Budget Estimates (BE) are fixed during annual budget taking various economic factors into account such as GDP, crude oil prices, Global trade environment, growth in POL sector, tax policy and additional resource mobilization measures through annual budget before the commencement of the financial year, which are subject to the final outcome of such economic variables. Central Board of Indirect taxes and Customs (CBIC) under Department of Revenue, Ministry of Finance is the nodal agency for setting the Indirect tax revenue targets. In this regard, inputs related to GDP, Growth of POL sectors etc. are taken from different agencies such as DEA, PPAC. Inputs are also obtained from Budget division, Ministry of Finance. Net indirect tax revenue (GST and Non-GST) collection trends (till December) based on the data obtained from PrCCA (CBIC) are reviewed/assessed and extrapolated to decide upon the targets at Revised Stage. Due consideration is placed on the details of targets for collection of Central Indirect taxes and their actual achievement.

6.11 Targets and actual collection of Indirect Taxes for last 3 years are placed below:

<i>Amount in Rs. Crores</i>				
Sl. No.	MAJOR HEAD	FY 2023-24	FY 2024-25	FY 2025-26*
I	CUSTOMS DUTY (Cash + Scrip)			
	BE	2,33,100	2,37,745	2,40,000
	RE	2,18,680	2,35,000	2,58,290
	Actuals	2,33,119	2,33,201	2,23,245
	% of BE Achieved	100.0%	98.1%	93.0%
	% of RE Achieved	106.6%	99.2%	86.4%
II	UNION EXCISE DUTY			

	BE	3,39,000	3,19,000	3,17,000
	RE	3,03,600	3,05,000	3,36,550
	Actuals	3,05,362	3,00,253	2,77,733
	% of BE Achieved	90.1%	94.1%	87.6%
	% of RE Achieved	100.6%	98.4%	82.5%
III	SERVICE TAX (Arrears)			
	BE	500	100	100
	RE	500	100	
	Actuals	425	-16	-1,155
	% of BE Achieved	85.0%	-15.5%	-1155.1%
	% of RE Achieved	85.0%	-15.5%	
IV	GST [CGST + IGST (Residual) + GST COMPENSATION CESS]			
	BE	9,56,600	10,61,899	11,78,000
	RE	9,56,600	10,61,899	10,46,480
	Actuals	9,57,208	10,27,041	8,98,925
	% of BE Achieved	100.1%	96.7%	76.3%
	% of RE Achieved	100.1%	96.7%	85.9%
	NET INDIRECT TAX TOTAL [I to IV] (GST + Non-GST)			
	BE	15,29,200	16,18,744	17,35,100
	RE	14,79,380	16,01,999	16,41,320
	Actuals	14,96,114	15,60,480	13,98,748
	% of BE Achieved	97.8%	96.4%	80.6%
	% of RE Achieved	101.1%	97.4%	85.2%
<i>Source: Receipt Budget of the respective years, PrCCA, CBIC</i>				
<i>Custom and Union Excise Duty collections are net of Refund and Drawback (in case of Customs). CGST collections are net of Refund and IGST settlement.</i>				
<i>*Actuals 2025-26 figures are for the period April-January and are Provisional.</i>				

6.12 The growth data related to Indirect Taxes is as below:

Tax head	Amount in Rs. Crores							
	FY 2023-24	% Growth (y-o-y)	FY 2024-25	% Growth (y-o-y)	FY 2025-26 [Revised Estimate]	% Growth (y-o-y)	FY 2026-27 [Budget Estimate]	% Growth (y-o-y)
Customs Duty (Cash + Scrip)	2,33,119	9.3%	2,33,201	0.0%	2,58,290	10.8%	2,71,200	5.0%
Central Excise Duty	3,05,362	-4.3%	3,00,253	-1.7%	3,36,550	12.1%	3,88,910	15.6%
Service Tax [Arrears]	425	-1.3%	-15.5	-				
Health Security se National Security Cess					2,330		14,000	
Sub-Total (Non-GST)	5,38,906	1.1%	5,33,439	-1.0%	5,97,170	11.9%	6,74,110	12.9%
CGST	8,20,622	14.2%	9,08,954	10.8%	9,58,480	5.4%	10,19,020	6.3%
IGST	-4,850	-202.2%	-32,483	569.7%				
Compensation Cess	1,41,436	12.4%	1,50,570	6.5%	88,000	-41.6%		
Sub-Total (GST)	9,57,208	12.7%	10,27,041	7.3%	10,46,480	1.9%	10,19,020	

Total Net Central Indirect Taxes [GST + Non-GST]	14,96,114	8.3%	15,60,480	4.3%	16,43,650	5.3%	16,93,130	3.0%
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Source: Receipt Budgets of respective years.

Note : 1. The period for levy and collection of GST Compensation Cess under sub-section (1) of Section 8 of the Goods and Services Tax (Compensation to States) Act, 2017 shall be upto 31st March, 2026. Hence, Budget estimates for FY 2026-27 w.r.to GST Compensation Cess is not provided.
2. Revised Estimate (RE) is provided for FY 2025-26 and Budget Estimate (BE) is provided for FY 2026-27.

6.13 The details of month-wise Gross & Net Central GST collections, Utilisation of Input Tax credit and Refunds w.r.to GST for FY 2025-26 is as follows:

Month-wise Gross Central GST Collection, GST Refunds and Net Central GST Collection and utilisation of ITC for FY 2025-26 (Amount Rs. in Crores)				
Month	Gross Central GST Collection [P]	GST Refunds [P]	Net Central GST Collection [P]	Utilisation of ITC*
April	1,71,563	24,751	1,22,033	10,23,870
May	1,52,134	21,774	91,388	5,08,970
June	1,40,112	18,117	83,941	5,56,495
July	1,44,099	25,545	76,476	5,25,029
August	1,38,765	18,076	78,995	5,07,201
September	1,40,700	23,335	78,239	6,02,090
October	1,41,422	21,965	73,234	11,06,289
November	1,15,284	14,872	56,052	8,23,809
December	2,16,346	22,453	1,55,677	7,35,001

Source: PrCCA (CBIC); [P]=Provisional;
* Amount taken from Table 6 of GSTR-3B regarding ITC utilisation towards payment of tax.

Note:
1) Gross Central GST Collection includes: Gross CGST, Gross IGST (Domestic + Imports) and GST Compensation Cess (Domestic + Imports);
2) GST Refunds include refunds w.r.to CGST, IGST (Domestic + Imports) and GST Compensation Cess (Domestic + Imports);
3) Net Central GST Collection includes: Net CGST, IGST (Residual) and GST Compensation Cess;
4) Net CGST collections are net of refunds, IGST settlement & Advance Apportionment.

6.14 The percentage contribution to the total GST revenue of the last three years for top 20 sectors is listed below:

S. No.	Sector	2023-24	2024-25	2025-26 (Upto Dec 25)
1	Iron and Steel - Primary forms	8.7%	8.2%	8.1%
2	Products of the Chemical or Allied Industries	6.3%	6.3%	6.3%
3	Other Machinery and Appliances	5.2%	5.4%	5.2%
4	Electric machinery and Electronic appliances	5.0%	5.2%	5.5%
5	Passenger Cars and Buses	5.0%	5.0%	4.4%
6	Plastic and Rubber Articles/ Products	4.8%	4.9%	4.9%

7	Commercial Buildings and Other Construction Services	4.9%	4.8%	4.6%
8	Goods Carriers and other Vehicles/ Railways/ Aircrafts and Ships	4.1%	4.0%	3.4%
9	Telecom equipment including Mobile phones	3.7%	3.6%	3.8%
10	Cement/ Glass/ Ceramic and Stone Products	3.7%	3.4%	3.2%
11	Textiles and Textile Articles including Headgear and Footwear	3.6%	3.2%	3.1%
12	Financial Services	2.9%	3.0%	3.1%
13	Other metals/ articles thereof	2.7%	2.9%	3.4%
14	Mineral oils and Mineral Fuels	3.1%	2.9%	2.8%
15	Support Services such as Cleaning/ Packaging/ Security/ etc	2.7%	2.8%	2.9%
16	Other Professional/ Technical and Business Services	2.6%	2.8%	2.9%
17	Tobacco Products	2.7%	2.7%	2.8%
18	Articles of Iron and Steel	2.4%	2.4%	2.4%
19	Transport Services - Passenger and Goods; Postal and Courier Services	2.2%	2.3%	2.5%
20	Prepared Food stuff	2.3%	2.3%	2.0%

6.15 When the Committee asked for the details of GST tax evasion/fraud detected during the last three financial years, the Department furnished as below:

Total GST Evasion Cases			
Period	No. of cases	Detection (Rs. in Crores)	Voluntary Deposit (Rs. in Crores)
2022-23	15,562	1,31,613	33,226
2023-24	20,582	2,30,332	31,758
2024-25	30,056	2,23,375	26,799
2025-26 (upto Dec. 2026)	36,571	1,01,100	14,181
Total	1,02,771	6,86,420	1,05,964

6.16 Replying to the query of the Committee about the primary types of GST evasion in the country, the Department has furnished the following information:

“A. The primary types of GST evasion are as follows:

- Fake invoicing: Bogus firms issue paper invoices sans real supply; circular trading inflates turnover for ITC claims.
- Ineligible/blocked ITC: Claims on input tax credits for supplies that are either not made or not utilized in the supply of taxable goods or services or Sec 17(5) blocked items.
- Clandestine supplies: Cash sales, maintenance of dual books for suppressing turnover.
- Misclassification: Shifting to lower GST slabs by the taxpayers.
- Online gaming/betting: Misclassify as ‘skill’ games (18% on fee vs 28% on full bets); foreign platforms evade registration.

- **OIDAR non-compliance:** Overseas entities skip GST on supplies to unregistered Indian entities.
- Tax collected but not deposited.
- **Others:** Fake IGST export refunds, undervaluation, exemption misuse.”

6.17 In regard to what comprehensive mechanism would be required to minimise it to near-zero levels without increasing the compliance burden on small and micro enterprises, the Department has replied as follows:

“Curbs on fake ITC: Implementation of presumptive and smart AI based system to keep tab on the fake firms (cartels) and restrict them from availing and passing on inadmissible ITCs beyond available ITC in GST Return-2B.

- Risk-based registration:** Early detection of suspicious registration, ITC limits for risky/new taxpayers payers; mandatory PAN-Aadhaar authentication at registration stage, bank validation, automated alerts for cluster of suspicious registrations.
- B2C transaction:** GST evasion in cash-heavy sectors can be curbed by introducing suitable mechanism to electronically capture B2C transactions.
- Effective Regulation of foreign online supplies** (online money gaming, OIDAR) to Indian entities.”

6.18 During the examination of the Demands, the Committee raised the issue of the reported fraud which involved allegations that several biryani centres in Hyderabad had underreported their sales and manipulated billing records to evade taxes leading to a claimed evasion of around Rs. 70,000 crore. The Committee asked whether the Department needed additional funds to adopt more technology-driven measures to curb such practices. The Department, in its written reply, explained as follows:

“Reports alleging large-scale tax evasion, such as the recent news item concerning biryani centres in Hyderabad, highlight the increasing complexity and scale of modern tax investigations. In this context, the question of whether the Department requires greater technological capacity is both relevant and timely.

The Investigation Directorates of the Central Board of Direct Taxes (CBDT) are entrusted with conducting search & seizure and survey operations under Sections 132 and 133A of the Income-tax Act, 1961. In contemporary investigations, the nature of evidence has significantly evolved. A substantial portion of material seized or impounded now comprises digital data extracted from electronic devices such as servers, laptops, mobile phones, cloud accounts and enterprise systems.

Such digital devices typically contain vast volumes of electronic records, including transaction logs, accounting software databases, encrypted communications, emails, cloud backups and data from decentralised financial platforms. This digital information forms a critical evidentiary foundation for investigation, assessment and subsequent appellate proceedings. However, handling such data presents unprecedented challenges:

- Managing and analysing extremely large datasets in a time-bound manner;
- Extracting and preserving encrypted or password-protected data;
- Ensuring forensic integrity and chain of custody;
- Analysing decentralised financial systems and digital payment trails;
- Presenting technically sound digital evidence before appellate and judicial authorities.

The absence of adequate in-house software and hardware infrastructure can lead to delays during and after search proceedings and may also result in incomplete electronic discovery of relevant data. This not only affects investigative efficiency but may also cause hardship to taxpayers due to prolonged proceedings.

At present, digital forensic facilities are not uniformly available across all field formations. To bridge this gap, services of empanelled technical experts and vendors are engaged. While this provides interim support, it can lead to delays in processing and raises concerns relating to data sanctity, confidentiality and secure handling of sensitive information. There is, therefore, an immediate and strategic necessity to establish secure, sanitised, state-of-the-art digital forensic infrastructure within the Department itself.

Recognising these emerging challenges, CBDT issued the National Cyber Forensics Policy on 26.09.2024. The Policy provides a comprehensive strategic framework for establishing a robust and modern cyber forensics ecosystem across the Investigation Directorates.

The Policy envisions:

- Empowering Directorates of Investigation with cutting-edge forensic and analytical tools;
- Ensuring reliability, integrity and admissibility of digital evidence;
- Creating a cost-effective, scalable and adaptable cyber forensics system to address violations under the Income-tax Act and allied laws;
- Fostering specialisation and continuous skill development of officers.

A key component of this framework is the creation of a network of Digital Intelligence and Analytics Labs (DIALs) across the country. Collectively, this network will function as the National Matrix of DIAL (NATRIX). Supervision and coordinated implementation will be undertaken by the National Matrix Oversight Committee (NMOC), comprising all DGsIT (Investigation).

In line with this policy -

- DIAL space has been identified in all DGsIT/PDsIT (Investigation) charges;
- Establishment of DIALs at DGIT (Inv.) headquarters and regional stations at PDIT level (excluding those stationed at the same location as DGIT) is under process;
- The estimated outlay for the project is approximately ₹81 crores;
- The rollout is planned over the next 1–2 years.

The DIAL project is conceptualised to fundamentally transform digital investigations through:

- A robust Case Management System to track cases and ensure timely closure;
- Forensically sound data extraction, imaging and indexing for analytics;

- Unified analytical platforms with digital abstractions;
- Highly secure data storage and archival systems;
- Reduced setup time during search operations;
- Uniform data governance protocols;
- Continuity planning and data backup mechanisms;
- Deployment of AI/ML-based analytical tools, where required.

Further, to effectively tackle such large-scale organised tax evasion cases like in the case of biryani centres in Hyderabad, it is necessary to have a dedicated Ecosystem for structured research, integrated data analytics & intelligence, and evidence-based policy feedback mechanisms within the Central Board of Direct Taxes (CBDT).

Capacity building in the Department is a continuous process aimed at strengthening officers' skills to address emerging challenges in tax administration. With tax evasion methods becoming increasingly sophisticated due to technological advancements and digital financial systems, regular training and skill upgradation are essential. The focus is on equipping officers with technological and analytical tools to detect complex evasion patterns, ensuring effective enforcement through better utilisation of existing resources."

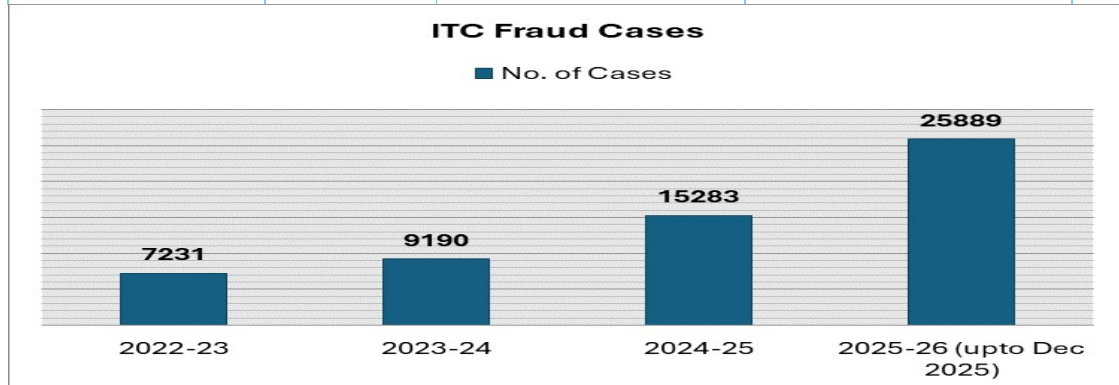
6.19 Further explaining the approach of the Department to deal with cases such as the 'Biryani Scam', the Chairman, CBDT, deposed before the Committee as follows:

"For instance, the Biryani case. Now, there are about 1,70,000 cases. The approach before us was whether to scrutinise all 1,70,000 cases or to nudge the taxpayers and suggest that they update their returns. Once the taxpayers are aware that the department possesses the data, they come forward to correct their statements. They may increase their turnover or withdraw incorrect claims. Ultimately, the focus is on converting data into revenue and maximising revenue from data analytics. That is the direction in which we are proceeding. At the same time, we have undertaken decriminalisation. On one hand, we are decriminalising; on the other hand, we are leveraging technology and AI to ensure that data is effectively converted into revenue."

6.20 The Input Tax Credit (ITC) mechanism in GST allows businesses to avail credit of the GST paid on the inputs / input services used for furtherance of their business. This mechanism helps in avoiding cascading of taxes (i.e. tax on tax) and allows seamless flow of credit from initial stage to supply of goods / services to the end user. However, misuse of this mechanism system by way of availing and passing on fake ITC without receipt or supply of the underlying goods or services is instrumental in generation of black money. Details of ITC fraud cases detected during the last three financial years is as follow:

Total Number of ITC Fraud Cases			
Period	No. of cases	Detection (Rs. in Crores)	Recovery (Rs. in Crores)
2022-23	7231	24140	2484
2023-24	9190	36374	3413
2024-25	15283	58772	2675

2025-26 (upto Dec., 2025)	25889	54654	2896
Total	57593	173940	11468



6.21 During the examination of the Demands, the Committee observed that CBIC has reported detecting over Rs. 1.73 lakh crore in fake Input Tax Credit (ITC) fraud in recent years, which has prompted retrospective drives. The Committee therefore desired to know whether this does not point to a fundamental failure at the registration stage, and what corrective measures are being taken to prevent such fraud at the source. The Department, in its written reply, has stated as follows:

“The following measures have been taken to address fake ITC fraud at the registration stage:

- i. The Central Government has issued notification No. 13/2024-Central Tax dated 10.07.2024 for rolling out the biometric-based Aadhar authentication of registration applicants on pan-India basis. Further, it has been provided that if the applicant does not opt for Aadhar authentication, he will be required to visit GST Seva Kendra for photo capturing and document verification. This will strengthen the registration process in GST and will help in combating fraudulent input tax credit (ITC) claims made through fake invoices. So far the same has been rolled out in 31 States/Union Territories.
- ii. Amendment has been made in CGST Rules, 2017 to provide for physical verification in cases of high-risk applications even when Aadhar has been authenticated.
- iii. Amendment in Rule 10A of CGST Rules, 2017 has been made to provide for requirement of bank account to be furnished as part of registration process to be in the name of the registered person and obtained on Permanent Account Number (PAN) of the registered person and also linked with Aadhar in case of proprietorship firm.
- iv. A welcome letter is sent to all the new taxpayers sent via registered post to taxpayer’s registered business address as part of a verification measure introduced by the CBIC to the confirm operational existence. This initiative aims to prevent fraud. If the letter is undelivered, the date of return by post is forwarded to the registration granting authority for further action.

Apart from these where it is found that the ITC fraud may happened due to non-filing of returns these additional measures are taken:

- i. System based suspension of registrations, in cases where returns have not been filed for six or more months, is being done on the portal on regular basis now.
- ii. Provision has also been made that GSTR-1 of the next month will not be allowed to be filed unless the registered person has filed GSTR-3B of the previous month.
- iii. Section 16 of the CGST Act and rule 36(4) of the CGST Rules, 2017 have been amended to limit the input tax credit availment to the extent the input tax credit furnished by the supplier in GSTR-1/IFF (Invoice Furnishing Facility) and appearing in taxpayer's GSTR-2B."

6.22 During the examination of Demand, the Committee raised the issue that while the Government push for a unified tax system like GST has increased revenues for both the Centre and States, the excessive check posts particularly in Tamil Nadu and Andhra Pradesh have led to harassment and corruption. They not only undermine GST's goal of simplification, but may also enable bribery and evasion. Replying, the Department has stated as follows:

"1. Physical interception of goods and conveyances is provided under Section 68 of the CGST Act. Through circular No. 64/38/2018-GST dated 14th September 2018 an indicative list of situations has been clarified where proceedings under section 129 of the CGST Act may not be initiated for penalty, such as minor errors in documentation related to transit of goods.

2. The physical interception of the goods and conveyances is not done in routine manner or through check-posts by the field formations of CBIC. However, in cases having specific intelligence about tax evasion, the interception is done by field formations of CBIC.

3. To address grievances arising from enforcement actions by GST officers, Zonal/State-level Grievance Redressal Committees have been constituted. These Committees comprise senior officers like Chief Commissioner of Central Tax, Commissioner of State Tax, representatives of various trade organisations, and other officers and provide a forum for resolution of trade complaints without recourse to litigation.

4. At the national level, the National Coordination Committee (NCC), comprising senior officers of CBIC and the State tax formations, provides a forum for coordination between the Centre and States on GST administration, including enforcement practices. Systemic issues, including complaints pertaining to conduct of enforcement officers and barriers to free movement of goods, are taken up in this forum and communicated to the concerned States for action."

6.23 Assuring the Committee on the issue of check posts, the Secretary, Revenue deposed before the Committee as follows:

"As far as GST process reforms are concerned, several aspects are under discussion. Since GST is a joint framework requiring state participation, an

officers' committee and a national coordination committee are examining various reform elements. For instance, GST envisages the removal of check posts. If such practices are continuing in certain States, we will take it up with the respective State Governments... We will verify such instances with the concerned State GST authorities and inform the Committee. Process reforms are underway, and we will be in a better position to provide a comprehensive picture once consultations with States are completed."

6.24 When the Committee desired to know what specific measures are being implemented to integrate GST and Income Tax data for effective cross-verification and how this linkage can help in detecting and preventing tax evasion while ensuring taxpayer privacy, the following information has been furnished:

Direct Taxes:

A. A Nodal Officer mechanism for information sharing is active with the Commissioner (Inv.), CBDT acting as the Nodal Officer for CBDT. This mechanism is applicable to bi-directional sharing of information with the CBIC for seamless exchange of information between the organizations.

B. A Memorandum of Understanding (MOU) have been signed between Central Board of Direct Taxes (CBDT) and Goods and Service Tax Network (GSTN) and Central Board of Indirect Taxes (CBIC) in May, 2019 and July 2020 respectively to facilitate sharing of information between CBDT and GST System, CBIC.

Under the MOUs, data relevant for the concerned Department is shared automatically, on request and suo-moto basis.

GST data is systematically used by CBDT to validate financial information/disclosures reported in Income Tax Returns. Advanced data analytics and risk-based assessment tools are deployed to compare GST data with income declared under various heads in the ITR. Based on risk parameters, data is used for further verification and investigations.

The exchange of data between the respective organizations is conducted through system-to-system APIs integrations, thereby minimizing the risk of data leakage.

C. There are defined data safeguards and confidentiality clauses. Both the parties implement and maintain security procedures and safeguards in order to ensure protection of data shared against the risks of unauthorized access, alteration, delay, destruction or loss. Information exchanged is subject to the confidentiality rules and safeguards to ensure necessary level of protection of data. The exchanged data is not disclosed or transmitted to any unauthorized persons. These safeguards ensure that while cross-verification strengthens detection and prevention of tax evasion, confidentiality and privacy of taxpayers' financial information remain protected.

Indirect Taxes:

CBIC and CBDT have an operational MOU for structured exchange of information. GST, Customs and Income Tax data is exchanged with pre-defined frequency. Both departments use data analytics tools to link the datasets, find mismatches and possible cases of non-compliance. In CBIC, Income Tax data is used for creating 360-degree profile of entities, turnover comparison (26AS/GST Turnover), demographic clustering, building of refund profile of assesses, computation of foreign remittances/reverse charge liability, comparison of 3CD audit report with GST sales, etc. Furthermore, case specific information is also regularly shared between the two Boards.

This linkage helps in comparing behaviour of assesses across datasets for better analysis and to create actionable insights. Only processed data is shown to field officers, thereby maintaining tax payer privacy.

6.25 The major tax head-wise details regarding cost of collection for last 10 years is as under:

CBDT

Cost of Collection per Rs. 100 Revenue										
FY	Corporation Tax		Non-Corporate Tax		Security Transaction Tax		Other Taxes		Total	
	Total Expenditure (In Rs. Crore)	Cost of Collection per Rs. 100 Revenue	Total Exp (In Rs. Crore)	Cost of Collection per Rs. 100 Revenue	Total Exp (In Rs. Crore)	Cost of Collection per Rs. 100 Revenue	Total Exp (In Rs. Crore)	Cost of Collection per Rs. 100 Revenue	Total Exp (In Rs. Crore)	Cost of Collection per Rs. 100 Revenue
2015-16	600.66	0.13	3,904.30	1.39	23.10	0.31	92.41	8.56	4,620.47	0.62
2016-17	725.16	0.15	4,713.53	1.38	27.89	0.31	111.56	0.73	5,578.14	0.66
2017-18	791.28	0.14	5,143.30	1.26	30.43	0.26	121.74	1.06	6,086.75	0.61
2018-19	919.61	0.14	5,977.45	1.29	35.37	0.00	141.48	14.63	7,073.90	0.62
2019-20	903.80	0.16	5,874.71	1.22	34.76	0.28	139.05	12.78	6,952.31	0.66
2020-21	939.02	0.21	6,103.65	1.30	36.12	0.21	144.47	7.62	7,223.25	0.76
2021-22	972.23	0.14	6,319.50	0.94	37.39	0.16	149.57	3.96	7,478.70	0.53
2022-23	1,098.78	0.13	7,142.07	0.88	42.26	0.17	169.04	3.72	8,452.15	0.51
2023-24	1,122.38	0.12	7,295.46	0.72	43.17	0.13	172.67	3.94	8,633.68	0.44
2024-25	1,187.62	0.12	7,719.55	0.65	45.68	0.09	182.71	4.11	9,135.56	0.41

Source: Pr. CCA, CBDT

CBIC

Financial Year	Customs Duty	Union Excise Duty + GST + Service Tax	Total Central Indirect Taxes
2014-15	0.64	0.83	0.76
2015-16	0.61	0.63	0.63
2016-17	0.69	0.64	0.65
2017-18	1.39	0.67	0.77
2018-19	1.68	0.61	0.74
2019-20	1.92	0.61	0.76
2020-21	1.54	0.54	0.67
2021-22	1.11	0.49	0.59
2022-23	1.15	0.51	0.61
2023-24	1.13	0.47	0.57
2024-25	1.23	0.48	0.59

Source: EMC Wing, DGHRD; Receipt Budget

*Note: 1. Separate expenditure is not available for Union Excise Duty, Service Tax and GST, hence cost of collection is calculated for total of Union Excise Duty, Service Tax and GST together.
2. Since Separate Heads of Customs and Union Excise Duty is not available for revenue head of Housing and the expenditure amount under Housing is very small, we have taken a ratio of 50:50 for distribution of this amount in Customs and Union Excise Duty/GST.
3. Custom, Union Excise Duty and Compensation Cess collections are net of Refund and Drawback (in case of Customs). CGST collections are net of Refund and IGST settlement.
4. GST includes CGST, IGST (residual) and GST Compensation Cess.
5. Under the GST, both the Union and States have concurrent powers to levy and collect tax. Thus, GST mentioned above are not strictly collected by Central Indirect tax Administration i.e. CBIC but rather is collective effort of State Tax administration and Central Tax Administration.
6. Recurrent cost of collection per Rs. 100 for a tax = Total Revenue expenditure / Total net Tax collected * 100*

6.26 Explaining the impact of tax rationalization on tax buoyancy, the Secretary, Revenue deposited before the Committee as follows:

“The total gross tax as a ratio of GDP used to be 10 per cent in 2019-20 that is just before the major rate structure rationalization on income tax happened. This figure of 10 per cent can also be compared to in 2014-2015 actuals again, the tax gross tax rate was 10 per cent of GDP. Today, in 2026-2027 Budget, the gross tax as a ratio of GDP is 11.2 per cent, which gives us the confidence that rate rationalization and reforms in taxes are actually improving tax buoyancies in the nature that it is improving the tax base as well as tax compliances.”

VII. TAX REFUNDS AND TAX ARREARS

Tax Refunds

7.1 Income tax refund means a refund amount that is initiated by the income tax department if the amount paid in taxes exceeds the actual amount due (either by way of TDS or TCS or Advance Tax or Self-Assessment Tax). The tax is calculated after taking into consideration all the deductions and exemptions at the time of assessment by income tax department. Refund processing by the tax department starts only after

the return is e-verified by the taxpayer. Usually, it takes 4-5 weeks for the refund to be credited to the account of the taxpayer.

7.2 Below is the details of quantum of tax refunds during the last three years along with the average time taken to process the same:

Direct Taxes:

The details of the time taken in issuance of refund, from the date of receipt of verified return of income, for the last 3 years, are as below:

Sl. No	Financial Year (FY)	Count of refunds	Quantum (In crs.)	Average no. of days
1	2023-24	3,40,70,621	2,40,435	25
2	2024-25	3,64,07,716	3,41,988	24
3	2025-26(31 st Jan. '26)	3,38,05,415	1,62,187	35

*Average no. of days is calculated by taking the starting from the date of verification done by Tax payer till the Refund has been released to Refund Banker from CPC.
The above data pertains to the returns processed by CPC.

Indirect Taxes:

Indirect Tax (GST/ Non- GST)	Amount in Rs. Crores			
	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26 [April-January] [P]
Customs duty	33,475	28,253	33,162	28,530
Central Excise	1,150	1,229	4,677	1,102
CGST	29,534	30,903	33,464	33,460
IGST [Domestic + Import]	1,52,001	1,46,730	1,73,757	1,70,761
GST Compensation Cess [Domestic + Import]	2,372	2,359	2,888	4,047

Source: PrCCA (CBIC); [P]=Provisional;

7.3 When the Committee asked for the number of cases where the time taken for processing refund was more than the prescribed/normative time period and the reasons for the delay, the Department furnished the information as follows:

Direct Taxes:

As per the Taxpayers Charter released by Income Tax Department, the Timelines for issue of Refund is given as 3 months (after the date of passing/receipt of the order or application). Hence, considering this time i.e 90 days as the prescribed date, the details of the number of refunds issued after this time is as below

SI No	Financial Year	Count > 90 days
1	2023-24	12,73,289
2	2024-25	14,17,875
3	2025-26 (31 st January '26)	26,96,084

Indirect Taxes:

Financial Years	Above 60 days			Upto 60 days		
	Number of ARN	Total Number of Days	Average Days	Number of ARN	Total Number of Days	Average Days
2022-23	58,013	6,737,799	116.1	296,718	9,052,452	30.5
2023-24	71,631	8,353,860	116.6	283,768	9,455,970	33.3
2024-25	67,695	7,347,760	108.5	297,805	9,634,293	32.4
2025-26	28,009	2,608,273	93.1	228,826	7,012,522	30.6
Grand Total	225,348	25,047,692	111.2	1,107,117	35,155,237	31.8

7.4 In regard to the delay in processing of refund, the Chairman CBDT explained as follows:

“Relating to the higher time that we have taken insofar as issuance of refunds is concerned. This year, it so happened that in July 2025, similar to the case that we referred to – that is, the Biryani case – verifications were carried out by the tax department in respect of bogus deductions claimed, donations, 80G, and so on. That exercise was undertaken in July 2025. What we got from that exercise was a sense that a substantial number of cases involved fraudulent or incorrect deductions being claimed. Based on that input, we undertook a similar exercise once the returns were filed. The return filing date had also been extended to 15th September. Once the returns were filed, the analysis was carried out and correlated with the results of the investigations that were underway. The numbers that emerged were large. Therefore, the issue before us was how to proceed and effect the necessary corrections. Based on the analysis, we identified high-risk refunds. Wherever we found that the quantum of refund was small, those refunds were released. Wherever the quantum was high, we held them back and nudged the taxpayer towards compliance. Notwithstanding the fact that we had the information, one option before us was to proceed with scrutiny, but we did not adopt that course. Instead, we nudged the taxpayers and requested that they review the income tax returns they had filed and modify the claims, if required.

As I mentioned earlier, more than 50 lakh updated and revised returns have been filed. Refund claims to the extent of Rs. 2,000 crore were reduced through these revised and updated returns. That is the outcome of the exercise undertaken – essentially no litigation and no friction. The taxpayer, on his own, comes forward and reduces the claim of refund, and we accept it accordingly. This is the new approach that we are taking in the tax department. As a result of this analysis and exercise, the refunds are now being released.”

Tax Arrears

7.5 On being asked by the Committee for the year-wise data of tax arrears and the cumulative amount of tax arrears at present, the Department furnished the following information:

Direct Taxes:

(as on 31st Jan 2026)

Ageing based on demand created	No of Demands	Demand (Rupees in Crore)
Lesser than 1 Year	38,31,190	6,66,762.07
Between 1 to 3 years	74,42,324	20,92,088.60
Between 3 to 5 years	44,31,893	10,05,739.50
Between 5 to 10 years	72,79,146	7,04,821.51
Above 10 years	19,77,247	2,73,567.78
Total	2,49,61,800	47,42,979.45

Indirect Taxes

Year-Wise Break-Up of Gst Arrears

Amount (Rs. in crores)

Financial Year	Total Recoverable Arrears	
	No. cases	Amount
2022-23	1358	1394.24
2023-24	7594	6062.46
2024-25	62111	30955
2025-26 (upto 31.12.2025)	101206	82203.19

Year-wise Break up of tax arrears (Customs, Central Excise & Service Tax):

	Year/Pendency Period	Cumulative Amount of Tax Arrears (CEx., Cus & ST) (Rs. In Cr)	Recoverable Tax Arrears (CEx., Cus & ST) (Rs. In Cr)	Non-recoverable Tax Arrears (CEx., Cus & ST) (Rs. In Cr)
(A)	2021-22 (Upto Mar, 22)	3,02,157.23	36,385.23	2,65,772.00
(B)	2022-23 (Upto Mar, 23)	3,35,566.63	47,629.66	2,87,936.97
(C)	2023-24 (Upto Mar, 24)	4,26,737.76	71,044.40	3,55,693.36
(D)	2024-25 (Upto Mar, 25)	4,64,769.05	81,508.74	3,83,260.31
(E)	2025-26 (Upto Dec, 25)	7,86,360.72	2,28,643.86	5,57,716.86

A : Category-wise Pendency for the year 2021-22 (upto March, 2022)

S. N	TAX COMPONENT	PENDING ARREARS IN LEGAL FORUM AT	PENDING RESTRAINED ARREARS	CASES PENDING WHERE APPEAL	PENDING RECOVERABLE ARREARS	PENDING WRITE OFF PROPOSALS	PENDING ARREARS AT THE END OF THE
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		THE END OF THE MONTH	(BIFR/DRT/OL) AT THE END OF THE MONTH	PERIOD IS NOT OVER AT THE END OF THE MONTH	AT THE END OF THE MONTH	L CASES AT THE END OF THE MONTH	MONTH
		(In Crores)					
		1	2	3	4	5	6
1	Central Excise	64449.98	5914.35	2535.87	11805.65	84.03	84789.88
2	Customs	28608.38	7445.48	5838.74	9706.91	153.16	51752.68
3	Service Tax	129721.24	7461.07	13522.97	14872.67	36.73	165614.68
	Total	222779.60	20820.90	21897.57	36385.23	273.93	302157.23

B : Category-wise Pendency for the year 2022-23 (upto March, 2023)							
		(in Crores)					
		1	2	3	4	5	6
1	Central Excise	64222.16	7143.06	1941.06	12174.86	110.49	85591.62
2	Customs	32714.75	7360.07	2141.41	13449.29	155.54	55821.06
3	Service Tax	147896.87	7904.51	16297.26	22005.50	49.81	194153.95
	Total	244833.77	22407.64	20379.73	47629.66	315.84	335566.63

C : Category-wise Pendency for the year 2023-24 (upto March, 2024)							
		(in Crores)					
		1	2	3	4	5	6
1	Central Excise	63739.86	7001.24	2713.99	11973.82	77.28	85506.20
2	Customs	51944.34	7869.03	25330.16	25395.99	136.57	110676.09
3	Service Tax	168095.09	9561.07	19182.67	33674.58	42.07	230555.47
	TOTAL	283779.29	24431.34	47226.81	71044.40	255.92	426737.76

D : Category-wise Pendency for the year 2024-25 (upto March, 2025)							
		(in Crores)					
		1	2	3	4	5	6
1	Central Excise	56325.94	7126.12	9999.08	12339.51	113.96	85904.61
2	Customs	93734.34	9252.19	9667.02	25687.87	85.17	138426.59
3	Service Tax	171779.55	11324.09	13789.48	43481.36	63.37	240437.85
	TOTAL	321839.83	27702.40	33455.59	81508.74	262.49	464769.05

E : Category-wise Pendency for the year 2025-26 (upto December, 2025)							
		(in Crores)					
		1	2	3	4	5	6
1	Central Excise	61626.08	6951.77	2968.38	13129.33	117.69	84793.25
2	Customs	299022.39	8867.92	11856.21	167760.83	82.71	487590.06
3	Service Tax	147766.12	10530.21	7863.10	47753.69	64.29	213977.41
	TOTAL	508414.59	26349.90	22687.69	228643.86	264.68	786360.72

7.6 In regard to how much of the collectible and uncollectible tax arrears, the Department has furnished information as follows:

Direct Taxes:

The collectible and uncollectible tax arrears in respect of direct taxes is as under:

	Collectible (as on 31.01.2026)	Uncollectible (as on 31.01.2026)
Demand	10,92,759.57	36,27,076.06

Rs. In Crore

Indirect Taxes:

As on 31st December, 2025, the pending recoverable tax arrears (in respect of Customs, Central Excise & Service Tax), is Rs. 2,28,643.86 Crores.

GST: The pending recoverable tax arrears (GST) is Rs. 82,203.19 crores.

7.7 When asked whether the Department has any planning for out of the box solutions to resolve the massive backlog of uncollectible tax demands, the following information has been furnished:

Direct Taxes:

The Department has taken initiative like extinguishment of demands in the past, whereby the eligible demands for extinguishment were 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/-

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 77,39,239 PANs were involved and Demand of value Rs. 3,338.40 Crore was extinguished.

Further, a proposal for write-off of small outstanding demands, as detailed below is under consideration:

Proposal	Demand Range (₹)	No. of Open Demands	Amount of Demand (₹ crore)
1	1 – 100	38,93,314	8.139
2	1 – 1,000	1,12,29,669	611.0534

The estimated revenue foregone on provisional interest under section 220(2) is ₹27.41 crore for (1) above and ₹47.15 crore for (2) above.

Considering the extremely large number of such entries and the disproportionate administrative effort and cost involved in their collection and maintenance, it is being considered to initiate the process of write-off of all demand entries up to ₹1,000 (as per [2] above). This measure will substantially facilitate the clean-up of the demand register and ensure that taxpayers are not inconvenienced by insignificant outstanding demands.

B. There is emphasis on correct categorisation of demands and rectification of fictitious/ duplicate demands. The Demand Facilitation Centre (DFC) also identifies certain likely duplicate demands and notifies the AOs separately.

C. The Department is pursuing proactively the timely passing of Orders Giving Effect and Rectification orders resulting in reduction of outstanding demand. As a result, there has been reduction of Rs. 4,05,607.83 Crore and Rs. 4,51,932.14 Crore on account of appeal effect and rectification respectively during the FY 2025-26 (upto 31.01.2026)..

D. The data of tax demands disagreed both by the Assessing Officer & Tax payer would be shared with respective Pr. CCsIT for initiating necessary action by the respective AOs for reduction of the Outstanding Demands.

E. Mail Campaigns are 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.

E.1 Development of a new API has been initiated for utilizing the current addresses, email IDs, and mobile numbers as reported by Banks (in the SFT data) for communicating with the concerned taxpayers. This will help in resolving the backlog pendency of uncollectible tax demand through proper intimation to taxpayers.

F. The SARFAESI Act, 2002 has been amended on 72-08-2016 to extend the scope of the Act to provide for registration of security interest held by all other creditors, in addition to the banks and financial institutions defined as secured creditors under the Act. The field officers have been instructed to approach CERSAI for getting information in respect of properties already attached by other creditors for not only exploring the collection out of the same but also to find out the hidden and undeclared assets of the tax defaulter.

G. Initiatives of Demand Facilitation Centre

(i) **Net Collectible Demand:** DFC constantly coordinates with field formations to obtain appropriate responses from Assessing Officers on outstanding demands. As a result of these efforts, the Total Net Collectible Demand has reduced from Rs. 18,60,440 Cr as on 30.04.2025 to Rs. 10,92,759 Cr as on 31.01.2026.

(ii) **Call Centre:** DFC operates a dedicated call centre facility in Mysuru with 130 agents. The Centre sends emails to Jurisdictional Assessing Officers twice a month requesting submission of relevant responses for demands of ₹50 lakh and above under their jurisdiction. In addition to these outbound communications, the Centre also handles inbound and outbound calls from taxpayers and Assessing Officers providing necessary support and guidance for reduction of outstanding demands. The statistical data pertaining to DFC Call Centre for FY 2025-26 (upto 31.01.2026) is below:

Description	Count
Emails to AOs and Taxpayers	17,98,754
Inbound/Outbound calls by/from AOs and Taxpayers, handled successfully	7,19,468

Taxpayer & AO campaigns: DFC undertakes specific campaigns with taxpayer as well as AOs throughout the year to ensure that only genuine demands remain outstanding having appropriate taxpayer responses as well as AO responses on such outstanding demands. Details of a few of the major campaigns are below:

S.No	Activity	Description
1.	Taxpayer Campaign- No Taxpayer Response to Outstanding Demand on E-filing Portal:	In all outstanding demands excluding DCR demands, where the Taxpayer has not provided any response on the e-filing portal, automated emails has been generated from DFC's CM Tool as under- <u>Phase 1: Demand range above Rs.50,00,000</u> Emails sent: 3,64,568; Responses: 10,046; Cancelled: 11,286 amounting to 2712 Cr <u>Phase 2: Demand range Rs.10,00,000 to 50,00,000</u> Emails sent: 4,10,218; Responses:9636; Cancelled: 13279 DINs amounting to 1,48,922Cr <u>Phase 3: Demand range Rs.1,00,000 to 10,00,000</u> No of Emails sent: 7,22,394; DINs cancelled: 4241 DINs amounting to 127 Cr; Responses: 10,616
2.	Taxpayer Campaign - Prepaid tax Variance for ITR-1 Demands (CPC and ITBA) ranging between Rs. 1 Lakhs – Rs. 50 Lakhs for AY less than 2020.	In cases of demands under 'Tax Paid Variance', emails have been sent to taxpayer for rectification after analysing the case in detail for the reason of the outstanding demands as under- <u>Phase 1: Demand range Rs.1,00,000/- to Rs.50,00,000</u> 39,777 E-Mails sent ; 489 DINs cancelled for 12.66 Cr <u>Phase 2: Demand Range Rs.50,001/- to Rs.99,999</u> 72,528 E-mails sent ; 450 DINs cancelled of 3.11 Cr <u>Phase 3: Demand Range Rs.50,001/- to Rs.99,999 – Ongoing</u>
3.	Taxpayer Campaign: Exemption ITR-7 demands – Rectification for AY 2021-22	DFC analysed cases where demand raised in ITR-7 due to details entered incorrectly and are rectifiable by CPC. Email campaign was launched during the month targeting the following demands (ongoing)- AY 2021-22: 571 DINs / Rs.220.79 crores AY 2022-23: 502 DINs / Rs.603.68 crores
4.	TP Campaign: ITR-7 demands eligible for condonation for AY 2021-22	No. of e-mails sent: 16,208 DINs cancelled: 1658 DINs amounting to 2763 Cr
5.	AO Campaign for disagreed responses under response "Prepaid tax credit mismatch"	Cases marked under the AO response "TDS/Prepaid tax credit mismatch" were identified where no unconsumed challans available or no claims made by the taxpayers. These were sent to AO to revisit the responses. <ul style="list-style-type: none"> No. of e-mails sent: 433

		<ul style="list-style-type: none"> • Responses Modified: 34 • DINs cancelled: 19 DINs amounting to 224.85 Cr
6.	AO Campaign for responses submitted under "Assessee not traceable"	<p>Cases where AO has submitted Response as "Assessee not traceable" but it is found that Appeal has been filed on or after 1-4-2024 by Taxpayer and is pending as on 28-11-2025. Such cases have been identified for revisiting the response from AO's end.</p> <ul style="list-style-type: none"> • No. of e-mails sent: 947 • DINs cancelled: 262 DINs amounting to 823Cr
7.	AO Campaign for Challan correction	<p>Unconsumed challans having no relevant demand for application were identified where correction in AY or Major head can result in application of these challan against other open demand of same PAN-AY.</p> <ul style="list-style-type: none"> • No. of e-mails sent: 2739 for 16,726 DINs • Challans corrected at CPC: 93 DINs (7.18 Cr)
8,	AO Campaign: Duplicate DCR Demands (original demand outstanding along with subsequent order demands)	<p>No. of e-mails sent: 2114 DINs cancelled: 4168 DINs amounting to 44,566 Cr</p>

(iv) **AO capacity building programs:**, DFC carried out multiple outreach programs by way of online and offline interactions with Jurisdictional Assessing Officers (JAOs) of 20 Principal Chief Commissioners of Income Tax (PCCIT) Regions during Financial Year 2025-26 to enhance coordination and support. During the interactions, DFC delivered extensive training sessions on correct management of outstanding demand under their jurisdiction becomes imperative. The accompanying nuances were explained and the importance of submitting appropriate AO responses was highlighted to reflect the correct position/categorisation of demands. In addition, various systemic issues faced by JAOs are constantly analysed by DFC in coordination with other verticals of Systems Directorate for urgent resolution of AO issues and taxpayer grievances.

Indirect Taxes:

Further, the following actions have been taken for effective realization of Tax Arrears:

- (a) CBIC devised an Action plan 2025-26, wherein all Zonal Principal Chief Commissioners / Chief Commissioners need to closely monitor the progress and ensure that action is taken to dispose of cases categorized as "Clearly Recoverable" (other than those pertaining to closed units/ untraceable defaulters) in the right earnest, so as to achieve the preliminary milestone of recovery of 70% of arrears by 31.12.2025 and 100% by March, 2026. Similarly, pending write off cases are also being targeted for 100 % disposal/liquidation by March 2026.
- (b) The comprehensive guidelines on tax recovery write-off of arrears related to Indirect Taxes, including Central Excise, Service Tax, and Customs are

already in place vide this Boards vide Circular No. 1081/02/2022-CX dated 19.01.2022. 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.”

- (c) Correspondences with the local authorities (viz. RTO/Municipality/Sub-Registrar/Banks) are being made for identification of the property and other details of the defaulters and also, placing alert in the EDI system for recovery of arrears. Letters are also being written to authorities like NSDL & CDSL, so that details of their investments could be obtained and recovery can be initiated.
- (d) For cases under litigation, regular monitoring of the cases is being carried out for early disposal of the cases and taking proactive measures by filing Petition before legal forums such as Hon'ble CESTAT and Commissioner (Appeals) for early hearing, and prompt follow-up of appeal.
- (e) In cases, where PAN/ Bank Account details of the defaulters are identified, Letters are being written to the Chief Compliance Officer/Branch Manager of the banks so that Govt. dues could be recovered.
- (f) All measures including visits to known addresses of assesses, issuance of Detention Notices, correspondence with other Govt. agencies viz. Income Tax, GST etc. are being made in all cases where recovery has not been stayed by any Appellate Authority/ Judicial fora.
- (g) Co-ordination with State Revenue authorities is being done at Commissionerate/ Divisional level in all the cases of arrears where defaulters are not traceable.
- (h) All field "Cost Recovery" officers have been directed to issue DRC-07A in all legacy arrears so as to bring them into the liability register of the Taxpayer and it is easy to monitor the same by all Officers.

7.8 The Committee pointed out that there is uncollectible demand of Rs. 36.27 Lakh Crore (over 76%) out of the total direct tax demand 47.42 Lakh Crores, however, the Department is currently only processing the write off for small demand upto Rs. One thousand. They desired to know how much time it would take to clear Rs. 36 Lakh Crore of irrecoverable dues if only such small piece meal efforts are made. They also asked why a comprehensive study could not be undertaken and one time statutory decision taken to reflect the true financial picture instead of carrying forward inflated figures year after year, the Department in its written reply has stated as follows:

“The categorisation of certain demands as “uncollectible” is based on the statutory and factual position and does not imply that such demands can be written off as per instant instructions for writing off the said demands. The classification reflects practical constraints in immediate recovery, such as pendency of appeals, judicial stays, insolvency or liquidation proceedings, assessee being untraceable, lack of attachable assets, or other legal and procedural impediments.

These demands continue to remain enforceable in accordance with law and are subject to periodic review. Recovery proceedings are pursued wherever feasible, and the status of such demands may change depending upon the outcome of litigation, tracing of assets, resolution under insolvency proceedings, or availability of new information.

It is submitted that as per regular procedure for write-off, arrears of tax demand can be considered for write-off that are over three years old and have become “irrecoverable” due to following reasons:

- (a). the assessee has died, become insolvent, not traceable, left India and no attachable assets;
- (b). the assessee company has gone into liquidation;
- (c). the assessee firm is dissolved and its business has discontinued; and
- (d). in case when all the modes of recovery in accordance with the rules laid down in the Second Schedule including the recourse to civil imprisonment of the defaulter are exhausted and the arrears still remain.

Also, before recommending a case for write-off, the concerned authority should satisfy itself as to whether adequate and timely steps were taken for recovery in the case.”

VIII. LITIGATION MANAGEMENT

8.1 Below is the data related to litigation in respect of Direct and Indirect Taxes pending in various fora/courts:

Direct Taxes

FY	Authority	Pendency of appeals at the end of the year	Total amount disputed in pending appeals at the end of the year Rs. In Cr)
2022-23	CIT(A)/JCIT(A)	5,25,367	16,33,989.1
	ITAT	21,805	2,89,564.76
	HC	32,510	3,88,803.22
	SC	4,330	39,662.96
2023-24	CIT(A)/JCIT(A)	5,48,278	16,90,424.3
	ITAT	20,296	8,56,576.01
	HC	38,099	5,64,554.26
	SC	5,916	23,067.23
2024-25	CIT(A)/JCIT(A)	5,39,863	16,75,457.0
	ITAT	23,230	3,64,454.5
	HC	41,321	5,65,158.9
	SC	6,880	25,403.5

Indirect Taxes

Forum	2022-23		2023-24		2024-25		2025-26 (upto 31.12.2025)	
	No. of Appeals	Amount (Rs. in crores)	No. of Appeals	Amount (Rs. in crores)	No. of Appeals	Amount (Rs. in crores)	No. of Appeals	Amount (Rs. in crores)
Supreme Court	2916	47794	2874	73411	2514	104537	2548	120014
High Court	19340	110158	22346	199894	25938	287283	27410	340907
CESTAT/GSTAT (2025-26 onwards)	59280	281224	56075	227731	55290	213598	54794	209223
Settlement Commission	59	117	46	117	38	108	35	116
Commissioner (Appeals)	31148	12215	31243	22164	34054	58777	44163	171130
Addl Comm./Jt Comm (Appeal)	5754	4030	14031	7714	29441	15746	55253	25408
Total	118497	455538	126615	531031	145335	680039	184203	866798

Time Period of Pendency in Respect of Above

Sl. No.	Financial Year	Less than 1 Year	1-3 Year	3-5 Year	More than 5 Year
1	2022-23	54333	26285	16522 (14%)	21357 (18%)
2	2023-24	62025	26677	15713 (12%)	22200 (17.5%)
3	2024-25	77880	29562	14365 (10%)	23490 (16%)
4	2025-26(up to 31.12.2025)	112603	35413	13332 (7.24%)	22820 (12.4%)

8.2 When the Committee asked for the data related to the success rate of Department/Tax Authorities in tax cases at various fora during the last three years, the following information was furnished:

Direct Taxes:

F.Y.	Forum	Success Ratio
2022-23	ITAT	18.40%
	HC	26.45%
	SC	31.12%
2023-24	ITAT	18.03%
	HC	25.48%
	SC	29.41%
2024-25	ITAT	14.50%
	HC	12.07%
	SC	26.34%

Source: Quarterly Progress Report on Appeals/Writs & other Matters before the ITAT/High Court/Supreme Court, Sept 2025.

Indirect Taxes

Success Rate

Year	Appellate Fora	DECIDED IN FAVOUR OF THE DEPARTMENT	DECIDED AGAINST THE DEPARTMENT	PARTLY ALLOWED	REMANDED	Success Rate (%)
2022-23		(A)	(B)	(C)	(D)	(E)
	Supreme Court	142	404	5	36	28
	High Court	2491	2493	382	564	46
	CESTAT	1343	3233	222	707	26
	Commissioner (Appeal)	14295	5947	1683	8424	48

Year	Appellate Fora	DECIDED IN FAVOUR OF THE DEPARTMENT	DECIDED AGAINST THE DEPARTMENT	PARTLY ALLOWED	REMANDED	Success Rate (%)
2023-24		(A)	(B)	(C)	(D)	(E)
	Supreme Court	124	370	22	25	30
	High Court	2327	1707	200	565	52
	CESTAT	2542	6363	896	1186	24
	Commissioner (Appeal)	12853	9088	1907	8113	42

Year	Appellate Fora	DECIDED IN FAVOUR OF THE DEPARTMENT	DECIDED AGAINST THE DEPARTMENT	PARTLY ALLOWED	REMANDED	Success Rate (%)
2024-25		(A)	(B)	(C)	(D)	(E)
	Supreme Court	276	552	12	58	35
	High Court	4681	2665	172	986	57
	CESTAT	3361	12202	729	2097	20
	Commissioner (Appeal)	15554	9685	1874	6907	48

Year	Appellate Fora	DECIDED IN FAVOUR OF THE DEPARTMENT	DECIDED AGAINST THE DEPARTMENT	PARTLY ALLOWED	REMANDED	Success Rate (%)
2025-26 (Upto		(A)	(B)	(C)	(D)	(E)
	Supreme Court	155	263	3	9	38

Dec. 25)	High Court	3464	2080	81	793	54
	CESTAT	1824	5680	325	933	22
	Commissioner (Appeal)	14288	8975	1663	6122	47

8.3 On being asked, the Department provided age-wise distribution of pending appeals before the JCIT(A)/CIT(A) which is as follows:

Particulars	Pending Appeals as on 31.01.2026		
	CIT(A)	JCIT(A)	Grand Total
Appeals filed before 31.03.2020	53,382	52,524	1,05,906
Appeals filed between 31.03.2020 and 31.03.2023	91,225	12,347	1,03,572
Appeals filed after 31.03.2023	2,47,034	31,546	2,78,580
Total	3,91,641	96,417	4,88,058

8.4 The Department has also stated that as on 20.01.2026, out of 4,92,769 appeals pending at first appellate level, 1,46,373 appeals are more than 3 years old. When inquired about the current sanctioned strength of appellate authorities, the disposal rate per officer and the impact of the Faceless Scheme on disposal rates, the Department submitted the following response:

“The current sanctioned strength of CIT(Appeal) is 343 whereas of JCIT(A) is 100.

The average disposal per officer in the current F.Y. till 31.01.2026 is approximately 560 appeals.

It is noted that the disposal by CsIT (Appeals)/JCIT (Appeals) year wise for the past 2 years and current F.Y. (till 31.01.2026) is showing rising trend as shown below:

F.Y.	Disposal by CIT(A)/JCIT(Appeals)
2023-24	1,11,506
2024-25	1,72,361
2025-26 (Till 31.01.2026)	1,76,760

Source: Monthly Report on Disposal of Appeals before Commissioner of Income Tax, Nov 2025 & ITBA”

8.5 The Department has stated that appeal filing on GSTAT Portal is operational w.e.f. 24/09/2025 and 905 appeals across benches have already been filed as on 12/02/2026. Bench allocation order for Hon’ble Members of GSTAT has been issued vide Office Order No. 03/2025 dated 26/12/2025 and Members have joined their respective benches on 21/01/2026. Further, the Principal Bench is already

functional, hearing cases and Delhi State Bench is also operational. The Hon'ble Members have already joined in State Benches on 21/01/2026.

8.6 In regard to the estimated quantum of GST revenue involved in disputes to be dealt with by GSTAT, it has been stated that Rs. 1,41,457 Crore on the basis of APL-04 (order of First Appellate Authority) available in the system.

8.7 In response to the query regarding how many cases are expected to be transferred to the GSTAT once it becomes fully functional, it has been stated that 3,19,187 number of cases on the basis of APL-04 (order of First Appellate Authority) available in the system.

8.8 When the Committee raised the issue that the success rate of the Department in appeal cases is less than 15%, and that assesseees are required to deposit 20% of the disputed demand before filing a further appeal, which causes hardship in carrying on business. The Committee also referred to the observations made by the CAG in this regard and asked why the Department was not taking these concerns in a positive manner, the Department in a written reply explained as follows:

“Vide the Budget Speech of the Hon'ble Finance Minister delivered on 01.02.2026, the integration of assessment & penalty proceedings by way of a common order for both have been proposed. The impact will be that taxpayers do not have to undergo prolonged procedure of litigation and will get one consolidated order of assessment and penalty. This will provide certainty and ease of compliance for the taxpayers. For department also, the tax administration will become more efficient and manpower resources will be better utilised.

There will be no interest liability on the taxpayer on the penalty amount for the period of appeal before the first appellate authority irrespective of the outcome of appeal process. Hon'ble FM has already announced that the quantum of pre-payment of tax demand will be reduced from 20 to 10 percent and will continue to be calculated on core tax demand. CBDT is seized of the matter and shall issue necessary guidelines in this matter shortly.”

8.9 Further, in regard to the concern raised by the Committee that the success rate is as low as 12% and 14% at the High Court and ITAT levels, indicating that the Department is routinely filing legally unsustainable appeals, the Department, in its reply, has stated as follows:

“Filing of appeal before the higher appellate forum is not merely decided on the basis of the tax effect but on the merits of the case. The Departmental appeals are filed after evaluating the orders on merits, considering the settled questions

of law and each case is evaluated on each ground of appeal in Central Scrutiny Report. The decision to file appeal before the High Court is taken by a collegium of CCsIT. As per Instruction No.1/2024, the CIT(J)/Addl./Jt. CIT(J) shall ensure that there is uniformity in the Departmental stand on a particular issue. Further, every SLP to be filed before the Hon'ble Supreme Court of India is vetted by Ministry of Law and Justice with opinion of Ld. ASG.

It is evident that any tax issue/matter is a mix of facts and application of relevant provisions of the law on such facts. Consequently, there is likelihood of difference in interpretation of additions made in assessments. In this backdrop, the appellate authorities decide issues based on their own interpretation, allowing relief to the taxpayer. At times, purely legal issues are raised challenging the assessment at the very threshold of assessability. Such decisions granting relief are usually contested by the Department at higher appellate forum/courts. Considering the time taken by the ITAT and /or Courts, it is possible that finality has not yet reached, and matters are still sub-judice. Therefore, it can be stated the extent of sustainability may be transient and not ascertainable in such situations.

Tax laws are often complex and subject to multiple interpretations. Different High Courts often hold conflicting views on the same section of the Act. Until the Supreme Court resolves these conflicts, the Department pursues such appeals in jurisdictions where the law is not yet settled to keep the issue alive.

While success metrics emphasize individual case losses, the Department treats litigation as a measure to uphold principles to safeguard interest of Revenue. Protecting public revenue outweighs the impact of frequent litigation or reduced success rates.”

8.10 On being asked by the Committee how many cases were reduced due to the scheme announced by the Hon'ble Finance Minister to pay 50% of the disputed amount and withdraw the appeal, the Department replied as follows:

“The Direct Tax *Vivad se Vishwas* Scheme, 2024 was introduced as a one-time measure to settle pending income-tax disputes across various appellate forums. Totally, 45003 taxpayers opted for DTVSV 2024 scheme and filed the Form 1. Out of this, 5,189 cases were rejected by the Authorities. In all, total number of 38,808 taxpayer have benefited by this scheme. Out of this, Certificate in Form 4 has already been issued in 32,529 cases. Accordingly, as on date 32,529 appeals reduced.”

8.11 When the Committee asked for the number of cases where appeals have not been pursued pursuant to the enhanced monetary limits, the following information was furnished by the Department:

“The monetary limits for filing appeals in various fora were enhanced and, as a result, the number of appeals not pursued is as follows:

- (i) For legacy (Central Excise & Service Tax) matters, the number of appeals withdrawn is as follows:

Forum	As per Circular No. Dated 06.08.2024(Central Excise + S.Tax)		
	Monetary Limit (₹ in Cr.)	Appeals Withdrawn (In Nos.)	Amount Involved (₹ in Cr.)
CESTAT	0.6	367	127
High Courts	2	582	817
Supreme Court	5	219	2310
Total		1168	3253

ii) For Customers matters, the number of appeals withdrawn are as follows:

Forum	As per Circular No. 02.11.2023 (Customs)		
	Monetary Limit (₹ in Cr.)	Appeals Withdrawn (In Nos.)	Amount Involved (₹ in Cr.)
CESTAT	0.6	207	26
High Courts	1	240	45
Supreme Court	2	30	114
Total		477	184

(iii) The number of appeals not preferred pursuant to circular 207/1/2024-GST dated 26.06.2024 are as under:

	F.Y. 2024-25		F.Y. 2025-26 (up to 30.09.2025)	
	No.	Amount (₹ in Cr.)	No.	Amount (₹ in Cr.)
Supreme Court	40	57.13	11	20.09
High Court	106	68.81	54	18.83
GSTAT	558	68.50	261	18.60

8.12 The Goods and Services Tax Appellate Tribunal (GSTAT), constituted under Section 109 of the Central Goods and Services Tax Act, 2017 (CGST Act), is the first forum at which the adjudication process converges under all GST laws and across all tax administrations. 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.

8.13 The Department has informed that the tribunal has been inaugurated by the Hon'ble Union Finance Minister on 24th September, 2025 and the tribunal has been operationalised. It is to be implemented in 100% virtual/e-court mode. This will benefit taxpayer across the country and also reduce litigation burden on the judiciary. The GSTAT consists of 1 Principal bench and 31 State Benches situated across 45

different locations in India. Out of the 45 locations, 5 locations would be Circuit benches (where permanent sitting of Members would not take place).

8.14 Under the GST framework, an order-in-original is appealable before the first appellate authority, thereafter to the Tribunal, and subsequently to the Supreme Court. On substantial questions of law, matters may also be carried to the High Court. During the eight years when Tribunal benches were non-functional, first appellate orders were challenged directly before the High Courts. When the Committee raised the issue that in such circumstances, where a High Court has either granted a stay or finally adjudicated a matter particularly in view of the settled position of law affirming the supervisory and constitutional jurisdiction of High Courts over Tribunals and desired to know what would be the status of such cases once the GST Appellate Tribunal (GSTAT) benches become operational. The Secretary, Revenue deposed before the Committee as under:

“So, regarding this particular legal point in those cases, the appeals that need to be filed here, while people withdraw from there and file here that option is indeed available. For cases where orders have already been passed, whether an interim or a final order, we will examine them from a legal perspective and ensure that a proper system is established, in line with legal requirements. We will need to look into that aspect carefully.”

IX. TAXPAYER FACILITATION

9.1 During the examination of the Demands, the Committee pointed out that *Turant Seva Kendras* have been established under the Customs Framework Act as vital physical interfaces for bond registration and document submission within the otherwise contactless and faceless assessment framework. However, a recent report indicates that nearly 90 per cent of grievances now stem from cryptic or frivolous queries that officers reportedly use to bypass anonymity and restart assessment timelines. The Committee, therefore, sought to know the Department’s strategy for integrating a mandatory automated quality check within the Indian Customs Electronic Data Interchange system to reject such non-substantive queries at the source. The Department, in its written reply, has stated as follows:

“It is submitted that under the present Customs EDI System, all documents are mandatorily required to be uploaded electronically through e-Sanchit. There is no requirement for physical submission of documents. Physical submission is presently limited only to the original Certificate of Origin for defacement, wherever applicable (Customs Policy Wing may comment).

Further, with the rollout of the Electronic Bond and Bank Guarantee module in February, 2025, bond and bank guarantee registration has been fully digitized. There is no requirement for physical submission or for visiting the Turant Seva Kendra for e-Bond or e-BG registration.

With respect to concerns regarding frivolous queries, the system contains multiple supervisory and monitoring safeguards:

(i) Every query raised by the Appraising Officer is required to be confirmed in the system by the Assistant Commissioner or Deputy Commissioner (Appraisal), thereby ensuring supervisory control.

(ii) The Customs EDI System has a NAC Dashboard for monitoring the number of queries raised by officers.

(iii) The dashboard provides a bifurcation of the number of first queries, second queries, and third queries raised, enabling identification of repetitive or excessive query patterns.

(iv) MIS reports are available to review the queries raised.

Further, standardization of queries is also being undertaken. A centralized repository of standardized queries is proposed to be developed based on inputs received from NAC (National Assessment Centre), and after confirmation by the Customs Policy Wing. This will ensure uniformity, reduce subjectivity, and prevent non-substantive or repetitive queries.”

9.2 On the same issue of frivolous queries by the officers, the Chairperson CBIC deposed before the Committee as follows:

“About the frivolous nature of queries. This has also been looked at by the Task Force that was constituted. And to monitor the quality of the queries being raised during the assessment, certain actions have also been internally initiated within the CBIC. So, the ICT Budget has also been used to provide such services both to our officers as well as to the trade.... there is already an online feedback mechanism for risk treatment that was implemented in 2025. The current Budget also talks about our Department investing very heavily in technology. We are coming up with a customs integrated system that will also integrate our applications and provide a better interface to the taxpayers. And most of these all other such issues will also be taken up during the customs modernization of the ICT backbone.”

PART- II

OBSERVATIONS/ RECOMMENDATIONS

Budgetary Projections and Allocation

1. The Committee note the difference between the projected fund requirements made by the Department of Revenue and the allocations approved by the Ministry of Finance across its Demands for Grants. Particularly, under Demand No. 36 (Direct Taxes), against a projected demand of Rs. 20,269.63 crore, only Rs.15,306.57 crore was allocated resulting in a shortfall of Rs. 4,963.06 crore. The difference is even more conspicuous under Demand No. 37 (Indirect Taxes) where against a massive projection of Rs. 49,311.75 crore, the allocation was restricted to just Rs. 27,683.13 crore with a staggering shortfall of Rs. 21,628.62 crore. Demand No. 35 also faced a cut of Rs. 430 crore as it received Rs. 2,513 crore against the projected demand of Rs. 2,933 crore. The Department justified this by stating that major land acquisitions (like the Rs.3,271 crore projection in CBDT and the Rs. 581.96 crore MTNL Dwarka project in CBIC) are time-intensive processes involving cost validation and multi-agency approvals. It has also been stated that any additional requirement of funds will be sought through Supplementary Demands for Grants during 2026-27.

In view of the Department's submission that these reductions will not adversely affect modernization efforts and that the allocated funds are expected to suffice the anticipated expenditure likely to be incurred in the fiscal year, the Committee are inclined to observe that such significant variations between the projected requirements and the final allocations may indicate the need for further strengthening of the internal budget estimation process. It implies that the initial demands raised may be inflated or not backed by an actionable roadmap and requisite preparatory groundwork. The Committee, therefore, recommend a review of the Department's internal budgetary mechanism for preparation of realistic budget projections aligning with the actual implementation capacity of the executing agencies.

(Para No. 1, Recommendation No. 1)

Demand No.36

2. The Committee note that the Income Tax Department currently operates a staggering 56% of its offices (411 out of 723 premises across 583 stations) from rented accommodations. The Committee entirely concur with the Department's long-term infrastructure vision to transition from leased premises to Government-owned assets. As tax administration is a sovereign and permanent function, continued reliance on rented properties not only poses issues of escalating rental costs and uncertainty of tenure but may also lead to operational constraints. The Committee, therefore, endorse the Department's plan and the proposed capital outlays of Rs. 1,515.46 crore for office buildings and Rs. 2,183.46 crore for residential buildings for 2026-27 for the acquisition of land parcels at various locations (Delhi, Noida, Faridabad, Mumbai, Ahmedabad, Bangalore, Chennai, Jabalpur, etc). The Committee recommend that the Department sincerely pursue these acquisitions to ensure long-term financial prudence and the creation of purpose-built workspaces that facilitate higher productivity and better taxpayer services. The Committee further emphasize that to avoid any cost and time overruns in this regard, the Department may ensure effective coordination with the concerned agencies.

(Para No. 2, Recommendation No. 2)

Rollout of the Income Tax Act, 2025

3. The Committee note that the new Income Tax Act, 2025 which was enacted on 21st August, 2025 is scheduled to come into force on April 1, 2026. This monumental transition requires meticulous preparatory work. The Committee observe that the Department is carrying out a large digital overhaul, with Rs. 1,200 crore allocated for FY 2026-27 for ICT projects to support a Unified Data Architecture under the new law. The Committee have been apprised that out of the 190 forms planned, only 54 forms are expected to be ready by March 31, 2026, while the remaining forms will be rolled out subsequently. The Committee would like to emphasize that legislative simplification must be seamlessly

matched by operational readiness at the ground level including completion of training and capacity building for all officers in a time-bound manner. Considering the technical glitches faced on the e-filing portal in September 2025, the Committee recommend that the entire IT backbone (including the e-filing portal, ITBA, and Insight 2.0 projects) undergo rigorous stress and load-testing well in advance. It must also be ensured that the software is capable enough to handle the complex Legacy Data Integration (LDI) with the massive influx of new returns without glitches. Further, the Committee desire that the notification and publication of the Income-tax Rules and corresponding forms should be expedited, ensuring that adequate time is given to taxpayers and professionals to adapt. The Committee also note that there is a provision of Rs. 27 crore for multimedia campaign and content creation in the FY 2026-27. The Committee would like to emphasize the need to immediately initiate Mega Outreach Events, both physical and through media, on a widespread scale as this is absolutely essential to assist taxpayers in navigating the transition without facing undue compliance hardships, penal action for genuine transitional errors and difficulties in faceless assessment mechanism. The Committee further stress that the authorities should remain receptive to feedback received during the campaign and take timely corrective measures to pre-emptively address emerging issues.

(Para No. 3, Recommendation No. 3)

GST Frauds

4. The Committee note that the Department has detected 1,02,771 GST evasion cases involving a staggering Rs. 6,86,420 crore from 2022-23. Most critically, being able to claim fake Input Tax Credit (ITC) and clandestine supplies continue to be major loopholes, accounting for over Rs. 1.73 lakh crore across 57,593 cases during the said period. The Committee appreciate that measures like pan-India biometric Aadhaar authentication and risk-based registration are steps in the right direction. The Committee are of the view that plugging these loopholes through proactive inter-departmental data synergies, leveraging

Artificial intelligence, machine learning and data analytics to identify high-risk, suspicious taxpayers will systematically dismantle coordinated tax avoidance networks without increasing the compliance burden on genuine small and micro enterprises. Although a Memorandum of Understanding (MoU) exists between the CBDT and CBIC for data sharing, the sheer volume of evasion indicates that integration needs to be far more aggressive. The Committee desire that the CBIC and CBDT explore setting up a real-time, proactive and spontaneous system to share data between GST and Income Tax databases. This automated system may enable turnover, e-way bills and ITC claims reported in GST returns to be automatically cross-checked with corporate tax filings, Form 26AS, TDS data etc. to instantly flag any discrepancies.

(Para No. 4, Recommendation No. 4)

Proactive Technological Intervention to Curb GST Frauds

5. The Committee note that recognizing the emerging challenges and for widening the tax base by increasing the possibility of early detection of tax evasion scams like raising of false invoices or making dubious payments to claim deductions, the CBDT issued the National Cyber Forensics Policy on September 26, 2024 to establish a robust cyber forensics ecosystem. A key component of this framework is the rollout of Digital Intelligence and Analytics Labs (DIALs) across Investigation Directorates, with an estimated project outlay of approximately Rs. 81 crore planned over the next 1-2 years.

The Committee urge that the Department fully utilize their allocated Information and Communication Technology (ICT) funds to stay ahead of the curve rather than remaining reactive to sophisticated frauds. The Committee also take note of the planned Rs. 81 crore outlay for establishing Digital Intelligence and Analytics Labs (DIALs) and desire that setting of the labs must be aggressively expedited to ensure digital evidence is handled with forensic integrity. Also, the deployment of predictive Artificial Intelligence (AI) and Machine Learning (ML) models should be accelerated to analyze anomalous patterns and detect sector-wide frauds in real-time that can help achieving

revenue realization without undue harassment. The Committee also desire that intensive training be provided to the officers to handle data analysis tasks efficiently, covering the use of forensic tools while maintaining data privacy.

(Para No. 5, Recommendation No. 5)

Jurisdictional Transition of GST Cases

6. The Committee note with satisfaction that the Goods and Services Tax Appellate Tribunal (GSTAT) has finally been operationalized from 24th September 2025, functioning in a 100% virtual/e-court mode with 1 Principal Bench and 31 State Benches across 45 locations. The Committee are given to understand that a massive volume of cases involving a staggering disputed revenue are expected to be transferred to the GSTAT based on the pending orders of the First Appellate Authorities. However, the Committee observe due to prolonged eight-year delay in establishing these benches, taxpayers were left with no statutory recourse but to invoke the writ jurisdiction of various High Courts to challenge first appellate orders. This has resulted in a complex judicial overlap where thousands of cases are currently pending at advanced stages of hearing or are operating under interim stay orders granted by the High Courts. The representatives of the Ministry deposed before the Committee that they will examine these transitional cases from a legal perspective.

The Committee are of the view that with the GSTAT now functional, a clear, uniform transition mechanism is urgently needed. The Committee, therefore, recommend that the Department of Revenue, in consultation with the Ministry of Law and Justice, must specifically address complex legal and jurisdictional scenarios, such as matters where High Courts have already exercised their jurisdiction by commencing substantive proceedings or issuing interim stay orders. The Committee believe that absolute clarity on this transitional jurisdiction will not only prevent parallel litigation and reduce the mounting burden on constitutional courts but also expedite the resolution of a huge number of disputes.

(Para No. 6, Recommendation No. 6)

GST Check-post in some States

7. The Committee observe that the core premise of the GST regime was to subsume multiple indirect taxes to create a seamless, barrier-free national market. However, it has been brought to the knowledge of the Committee that there are instances where state-level police, commercial tax departments and highway authorities continue to operate physical Check-Posts which causes transit delays and may lead to avoidable inconveniences and irregularities. The Secretary, Revenue assured the Committee that such practices will be verified and taken up with the respective State Governments. The Committee strongly recommend that the issue may be taken up at the appropriate level so that GST Council may take immediate cognizance of this issue. They also desire that the Central Government must coordinate with State Governments to address the issue of unauthorized physical Check-Posts for ensuring the seamless movement of goods and the effective implementation of the GST regime across the country.

(Para No. 7, Recommendation No. 7)

Uncollectible Demands related to Direct Taxes

8. The Committee are concerned to note that out of the total outstanding direct tax demand of Rs. 47.42 lakh crore, a staggering Rs. 36.27 lakh crore, which is over 76% of the total arrears, is officially classified by the Department as 'uncollectible.' As per the submissions made before the Committee, these astronomical arrears are locked up due to practical constraints such as assesseees being untraceable, companies undergoing liquidation or insolvency, and a lack of attachable assets. The Committee while taking note of the Department's ongoing administrative efforts to clean up the demand register by considering the write-off of nearly 1.12 crore small demand entries up to Rs. 1,000 (amounting to a mere Rs. 611 crore), are of the firm view that such piecemeal efforts barely scratch the surface of a Rs. 36 lakh crore problem. Rolling over these massive, irrecoverable dues artificially inflates national

accounts year after year and wastes immense administrative resources in maintaining redundant structures.

The Committee, therefore, recommend the constitution of an inter-departmental task force to undertake a comprehensive assessment and to recommend appropriate framework to address the long pending uncollectible demands.

(Para No. 8, Recommendation No. 8)

Balancing Refund Processing with Algorithmic Scrutiny

9. The Committee note that in 2023–24 around 12.7 lakh refund cases were delayed beyond the normative time period of 90 days which increased to 17.1 lakh in 2024-25. The Committee further note that during the current financial year 2025–26, nearly 27 lakh income tax refund applications were processed with delays beyond the normative 90-day period. The Committee acknowledge the rationale provided by the Chairman, CBDT that deeper scrutiny was necessitated by investigations into widespread fraudulent claims such as bogus 80G donations. The Committee also appreciate the initiative of CBDT to nudge taxpayers to file updated returns that voluntarily reduce refund claims by approximately Rs. 2,000 crore. However, the Committee are aware that holding back lakhs of refunds as a blanket measure causes significant cash-flow hardships and working capital bottlenecks for honest taxpayers. The Committee, therefore, recommend a balanced approach in this regard to expedite the tax refunds without compromising the due scrutiny for fake and inadmissible claims. The Committee believe that given the rapid advancements in the technological fields supplemented by simplified legislation and capacity building of officers, this task is not insurmountable. The deployment of advanced AI-driven risk-scoring algorithms could significantly help in separating genuine, low-risk filings from suspicious ones instantly. This will ensure that while deeper scrutiny is strictly applied to high-risk cases to check false claims and protect the exchequer, the vast majority of honest taxpayers receive their refunds within the timeline.

(Para No. 9, Recommendation No. 9)

Sustaining Revenue Buoyancy through Tax Rationalization

10. The Committee observe with satisfaction that strategic tax rate rationalization has yielded highly positive results. As submitted by the Department, this is evidenced by the gross tax-to-GDP ratio improving significantly from 10% in 2019-20 to an estimated 11.2% in the 2026-27 Budget Estimates. This indicates that simplifying the tax structure has successfully widened the tax base and improved compliance. The Committee desire that the Government stay on the course of rationalization and simplification across both direct and indirect taxes. The upcoming rollout of the Income Tax Act, 2025 presents a historic opportunity to further consolidate these gains. The Committee are of the belief that a stable, predictable and simple tax environment will invariably lead to sustained revenue buoyancy by transforming taxpayers from subjects of scrutiny into active partners in nation-building.

(Para No. 10, Recommendation No. 10)

Tax Litigation Management

11. The Committee note with concern the Department's dismal litigation success rate plummeting to a mere 12.07% at the High Court level and 14.50% at the ITAT level in 2024-25. There is a need to address the issue of filing of appeals in a mechanical manner simply because the disputed amount exceeds the prescribed pecuniary limit to avoid personal responsibility or vigilance inquiries. The Department may be reasonable to an extent in stating that while success metrics emphasize individual case losses, the Department treats litigation as a measure to uphold principles to safeguard the interests of Revenue; however, this position cannot be accepted in full, particularly when repeated adverse outcomes point to systemic weaknesses rather than isolated legal contests. Persisting with legally unsustainable appeals actually drains the public exchequer through mounting litigation costs and clogs the national judicial infrastructure. The taxpayers also face years of unwarranted harassment.

The Committee, therefore, desire a paradigm shift whereby decisions to file appeals are based on sound legal interpretation and the strength of the case, rather than being guided solely by the monetary threshold. Further, appeals before the High Courts and the Supreme Court should be reasonably confined to matters involving substantial questions of law and should not be pursued merely on the basis of pecuniary limits. For this purpose, the Committee recommend that an Expert Litigation Committee be constituted to examine the cases and recommend the Department before filing appeals to avoid unnecessary litigation and reduce workload of the Department. The Committee also desire that an accountability mechanism be instituted to deter Assessing Officers from passing untenable high-pitched and arbitrary orders so that honest taxpayers are not unnecessarily drawn into costly and prolonged litigation.

(Para No. 11, Recommendation No. 11)

Faceless Assessment Ecosystem

12. The Committee note that the faceless assessment scheme was introduced with the noble objective of eliminating bias and corruption. However, it sometimes leads to unintended friction often resulting in arbitrary orders and high-pitched demands. It may also force taxpayers to explain complex business transactions or nuanced accounting practices, which could otherwise be clarified by highlighting specific documents or explaining the key contention in person. Though the Committee remain fully supportive of the faceless ecosystem, they believe that taxpayer should not be deprived of opportunities of personal hearing in genuine cases. Therefore, the Committee desire that the Department should be taxpayer friendly and extend all possible assistance to such taxpayers in resolving their cases.

(Para No. 12, Recommendation No. 12)

Cost of Tax Collection

13. The Committee note with satisfaction that the overall cost of tax collection for Direct Taxes has demonstrated a consistent and commendable declining trend, dropping from Rs. 0.62 per Rs. 100 of revenue in 2015-16 to Rs. 0.41 in 2024-25. Similarly, the cost of collection for Union Excise Duty and GST has also improved, falling from Rs. 0.63 to Rs. 0.48 over the same period. In view of the Committee, this trajectory is not only a positive indicator of growing administrative efficiency and improved compliance but also of a widened tax base. However, the Committee observe the cost of collection for Customs has not witnessed a commensurate decline. The data indicates that the cost of collection for Customs has doubled from Rs. 0.61 per Rs. 100 in 2015-16 to Rs. 1.23 in 2024-25 which is quite disproportionate to other tax heads over the past several years.

The Committee are of the view that the massive capital investments being made by the Department in Information and Communication Technology (ICT) would yield tangible financial efficiencies in the coming years. As physical interventions and redundant paper-based processes are systematically eliminated through technology, it is expected that the overall cost of tax collection should further fall across all revenue streams including Customs. The Committee, therefore, recommend that the Department of Revenue undertake a detailed analytical study to ascertain the specific structural or operational reasons preventing a decline in the cost of collection for Customs. Further, the Committee desire that the Department make a roadmap with quantifiable targets to progressively reduce the cost of collection for Customs with the aim to bring it at par with the efficiencies achieved in Direct Taxes and GST.

(Para No. 13, Recommendation No. 13)

Frivolous Customs Queries

14. The Committee observe that the primary objective of the *Turant Seva Kendra* and faceless customs assessment is to expedite cargo clearance and facilitate ease of doing business. However, the Committee find that there are reports and trade grievances indicate that the system's anonymity and assessment timers are being circumvented by raising cryptic, non-substantive or frivolous queries. In this regard, the Committee has been apprised by the CBIC about the deployment of the NAC (National Assessment Centre) Dashboard to monitor query patterns. The Committee, therefore, recommend that sincere efforts be made to ensure the immediate integration of a mandatory automated quality-check mechanism within the Indian Customs Electronic Data Interchange (EDI) system. This system should utilize a centralized repository of standardized queries to automatically reject vague or repetitive queries at the source. Apart from this, the Committee desire that the Senior officers must actively monitor real-time dashboards to identify and take action against the officials who engage in tactical delays.

(Para No. 14, Recommendation No. 14)

New Delhi;
11th March, 2026
Phalguna 20, 1947 (Saka)

BHARTRUHARI MAHTAB
Chairperson,
Standing Committee on Finance

Appendix -I

Minutes of the Seventeenth Sitting of the Standing Committee on Finance(2025-26)

The Committee sat on Thursday, the 19th February, 2026 from 1100 hrs. to 1320 hrs in Committee Room 'C', Parliament House Annexe (PHA), New Delhi.

PRESENT MEMBERS

Shri Bhartruhari Mahtab - Chairperson

LOK SABHA

2. Shri Arun Bharti
3. Shri P. P. Chaudhary
4. Shri Lavu Sri Krishna Devarayalu
5. Shri Kishori Lal
6. Smt. Sandhya Ray
7. Prof. Sougata Ray
8. Shri Manish Tewari
9. Shri Balashowry Vallabhaneni

RAJYA SABHA

10. Shri Narain Dass Gupta
11. Shri Yerram Venkata Subba Reddy
12. Shri S. Selvaganabathy
13. Shri Sanjay Seth
14. Dr. M. Thambidurai

SECRETARIAT

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|-------------------------------|---|------------------|
| 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 |

WITNESSES

Ministry of Finance (Department of Revenue)

1. Shri Arvind Shrivastava, Revenue Secretary
2. Shri Ravi Agrawal, Chairman, CBDT
3. Shri Vivek Chaturvedi, Chairman, CBIC
4. Shri Manoj Sahay, Additional Secretary & Financial Advisor
5. Shri Balasubramanian Krishnamurthy, Joint Secretary, Revenue
6. Shri L. Rajasekhar Reddy, Member & Spl. Secy, CBDT
7. Shri Sanjay Bahadur, Member & Spl. Secy, CBDT
8. Shri Pankaj Kumar Mishra, Member & Spl. Secy, CBDT
9. Ms. G. Aparna Rao, Member & Spl. Secy, CBDT
10. Ms. Mona Singh, Member & Spl. Secy, CBDT
11. Shri Prasenjit Singh, Member & Spl. Secy, CBDT
12. Shri Mohan Kumar Singh, Member & Spl. Secy, CBIC
13. Shri Yogendra Garg, Member & Spl. Secy, CBIC
14. Shri T. Sankar, Special Director, ED
15. Shri J.S. Kandhari, Joint Secretary, TRU-I, CBIC
16. Shri Sachin Jain, Joint Secretary, TRU-II, CBIC
17. Shri Pankaj Jindal, Joint Secretary, TPL-1, CBDT
18. Shri Pitambar Das, Joint Secretary, TPL-II, CBDT
19. Ms. Himani Bhayana, Joint Secretary/ Commissioner
20. Shri Abhishek Chandra Gupta, Joint Secretary/ Commissioner
21. Shri Anupam Prakash, Joint Secretary
22. Shri Gaurav Singh, Joint Secretary/ Commissioner
23. Shri Virendra Singh, Joint Secretary/ Commissioner
24. Shri Amit Katoch, Additional Secretary/ ADG (Budget)

2. At the outset, the Hon'ble Chairperson welcomed the Members and apprised them of the agenda for the day. In view of the three Sittings scheduled for the day, he sought the active cooperation and participation of the Members in the examination of the Demands for Grants (2026-27) of important Ministries and Departments.

(Witnesses were called in)

3. Thereafter, the Chairperson welcomed the witnesses to the Sitting of the Committee and apprised them of the agenda, i.e., examination of the Demands for Grants (2026-27) of the Department of Revenue (Ministry of Finance), the main issues for the discussion and the provisions of Directions 55(1) and 58 of the Directions by the Speaker. After the facelary introduction of the witnesses, the Chairperson initiated the discussion on the subject.

4. The representatives of the Department/Boards, outlined the salient features of the budgetary provisions and how the Demand will help the Department and the Boards in achieving their objectives and long-term goals. Thereafter, the Committee *inter-alia* discussed on the following issues:

- (i) Budgetary Provisions for Demand No. 35 related to Department of Revenue (Headquarter), Demand No. 36 related to Direct Taxes and Demand No. 37 related to Indirect Taxes.
- (ii) Budgetary Provisions for Direct Taxes (CBDT) - a strategic focus on purchasing land to shift from rented premises to owned offices and residential buildings.
- (iii) Budgetary Provisions for Indirect Taxes (CBIC) - allocations for export remission schemes like Remission of Duties and Taxes on Exported Products (RoDTEP) and Rebate of State and Central Taxes and Levies (RoSCTL), infrastructure projects such as the completed Palasamudram Academy and the Vasant Kunj DRI office.
- (iv) Rolling out of Income Tax Act, 2025 – rules framing, software development, public awareness, training and capacity building for personnel.
- (v) Issues related to Outstanding Demands – Collectible and Uncollectible Demands, need for a comprehensive exercise to true up demand books.
- (vi) Issues related to delayed income tax refunds - number of cases delayed beyond the normative time, reasons for delay.
- (vii) Filing of Income Tax Return – steps taken by the tax department to nudge taxpayers to file updated returns, number of updated or revised returns resulting in additional tax payments.
- (viii) Issue of restriction of disability pension tax exemptions exclusively to personnel invalidated out of service, Issues related to the Statutory Provident Fund - distinction in tax exemption limits.
- (ix) Tax Litigation Management – Steps taken by the Department, increase in monetary limit for filing departmental appeals before the High Courts and the Supreme Court and its impact on tax pendency.
- (x) The cost of collection for direct and indirect taxes – comparison with the advanced economies.
- (xi) Faceless Assessment of Customs and monitoring the issues thereunder.

- (xii) Issues related to Tax evasion - Rs. 70,000 crore tax evasion scams through billing apps across 1.77 lakh biryani restaurants, fake Input Tax Credit (ITC) fraud, corruption and harassment of transporters by state-level police and commercial check-posts, steps taken to curb frauds including rolling out a biometric-based Aadhaar authentication process for GST registrations.
- (xiii) Operationalization of GST Appellate Tribunal (GSTAT) – present status, number of appeals filed in GSTAT, dealing with the cases already filed in High Courts during the last 8 years in the absence of GSTAT.

5. The witnesses responded to the queries raised by the Members. The Chairperson then directed the representatives of the Department of Revenue (Ministry of Finance) to furnish written replies to the points raised by the Members, which could not be readily replied by them during the discussion, within ten days to the Secretariat.

The witnesses then withdrew.

The Committee then adjourned.

A verbatim record of the proceedings has been kept.

Minutes of the Twenty-First Sitting of the Standing Committee on Finance (2025-26)

The Committee sat on Wednesday, the 11th March, 2026 from 1030 hrs. to 1100 hrs in Committee Room Samanvay-3, Parliament House, New Delhi.

PRESENT

Shri Bhartruhari Mahtab - Chairperson

LOK SABHA

2. Shri Arun Bharti
3. Shri P. P. Chaudhary
4. Shri Lavu Sri Krishna Devarayalu
5. Shri Suresh Kumar Kashyap
6. Thiru Arun Nehru
7. Shri N. K. Premachandran
8. Dr. C. M. Ramesh
9. Prof. Sougata Ray
10. Shri P. V. Midhun Reddy
11. Dr. K. Sudhakar
12. Shri Manish Tewari
13. Shri Balashowry Vallabhaneni
14. Shri Prabhakar Reddy Vemireddy

RAJYA SABHA

15. Shri Narain Dass Gupta
16. Shri Yerram Venkata Subba Reddy
17. Shri S. Selvaganabathy
18. Shri Sanjay Seth
19. Dr. Dinesh Sharma
20. Smt. Darshana Singh
21. Shri Pramod Tiwari

SECRETARIAT

- | | | | |
|----|----------------------------|---|------------------|
| 1. | Smt. Bharti Sanjeev Tuteja | - | Director |
| 2. | Shri T. Mathivanan | - | Deputy Secretary |

2. At the outset, the Chairperson welcomed the Members to the Sitting of the Committee. Thereafter, the Committee took up the following draft Reports for consideration and adoption:

- i) Thirtieth Report on Demands for Grants (2026-27) of the Ministry of Finance (Department of Revenue).
- ii) Thirty-First Report on Demands for Grants (2026-27) of the Ministry of Corporate Affairs.
- iii) Thirty-Second Report on Demands for Grants (2026-27) of the Ministry of Finance (Department of Financial Services).

3. After deliberations, the Committee adopted the above draft Reports with minor modifications and authorised the Chairperson to finalise them and present the Reports to the Parliament.

4. XX XX XX XX XX XX
XX XX XX XX XX XX.

The Committee then adjourned.

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XX – matter not related to this Report