

**GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:850
ANSWERED ON:22.11.2002
TALK FORCE ON TAXES
CHANDRA BHUSHAN SINGH

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

- (a) whether the task forces on indirect taxes has submitted its report;
- (b) if so, the details of the recommendations made; and
- (c) the action taken by the Government on the recommendations?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI GINGEE N. RAMACHANDRAN):

(a) and (b) The Task Force on Indirect taxes has not yet submitted any Report. It has presented a Consultation Paper on 25.10.2002 and the proposals therein have been made public for wider discussion and comment. A statement of the important proposals is enclosed.

(c) The Government is examining them and shall finalise its views only after full examination of the recommendations.

Statement

1. There is an urgent need to arrest the trend of falling indirect tax to GDP ratio by widening tax base, removing customs and central excise duty exemptions, reducing transaction costs, expanding Service Tax base, and better tax compliance.
2. Multiplicity of Customs duty levies may be reduced; the rates of Basic Customs Duty may be reduced to four, namely, 0% (for life saving drugs, government imports, security and atomic energy related goods), 10% (for raw materials, inputs, intermediate goods), 20% (for final goods), and rates upto 150% (on demerit goods and agriculture produce); and there should be a move away from specific rates towards advalorem rates.
3. CENVAT should be the single levy on central excise side; the rates of duty may be 0% (for life saving drugs, security related goods), 8% (for food products), 16% (general rate), and separate rates for agriculture produce, tobacco and tobacco related products; eligibility limit of clearances for Small Scale Sector duty exemption may be reduced in a phased manner to Rs. 50 Lakhs; and policy of exemptions based on the locations should be reviewed.
4. Exemptions should be removed as far as possible and the relief, if justified, should be provided by upfront and transparent budgetary support;
5. A notification should come into force from the date after the day of its issue.
6. Exports should be zero rated from 1-4-2003.
7. Customs clearance procedure should be trust based accompanied by enhanced system appraisal with use of Risk Management Techniques. Facilities should be provided for self-assessment of Bill of Entry; release of goods on minimum documentation; payment of duty through cheque; online filing of documents; etc.
8. Central Excise levy should be progressively based on the value addition; Maximum Retail Price (MRP) based valuation may be expanded and a Permanent Committee on MRP Abatement set up.
9. Each Central Excise Commissionerate should establish one tax clinic for SSI sector to guide the small scale manufacturers.
10. CENVAT Credit Rules should be modified to remove the distinction between inputs and capital goods; deemed credit should be withdrawn; while allowing credit, technical infirmities should be condoned; and there should be provision for recovery of credit erroneously refunded.
11. Refund/Drawback should be directly credited to the tax payers Bank account; delay in sanction of Drawback beyond the week of the receipt of complete documents should be subject to payment of interest.

12. CBEC should issue instructions that whenever an audit objection runs counter to its instruction/ circulars, no protective demands need be issued.
13. There should be automatic collapse of Show Cause Notices if the assessee pays the duty and interest within 30 days of the issue of the Notice; in cases of fraud and suppression, they would also be required to pay a penalty of 25%.
14. Fortnightly payment of central excise duty may be replaced by Monthly payment; and date of filing return may be shifted to 15th of the month/quarter.
15. The Budget day restrictions may be removed.
16. Self-sealing of export goods should be allowed to the manufacturers; Multiplicity of export promotion schemes should be reduced; extent of domestic sale by EOU/EPZ units should gradually be reduced; and Drawback scheme should be improved.
17. All Commissionerates should fully automate their processes by January 2004; on-line filing of returns/documents should be encouraged; Telephone help-lines should be available; and ISO certification of Commissionerates should be initiated.
18. Adjudication should be done by a bench of two officers of the same level with the next higher officer appointing a third officer in case of conflicting view; in respect of CEGAT the provision of automatic vacation of stay in the event of non-disposal of cases within six months should be revoked.
19. Inter-Ministerial Committee and Trade Facilitation Committee should be constituted for faster clearances of import/export goods; Standing Committee on Procedures should be established; multi-banking should be encouraged; and CBEC should codify the circulars/instructions by 1.4.2003 and Notifications by 1.6.2003.
20. In general, the Service Tax base should be expanded; scheme of tax credit should be extended to services; and there should be a Service Tax legislation.
21. The State Governments should announce a time bound action plan to implement VAT by 1.4.2003; and there should be uniform VAT legislations, uniform rates of taxation and uniform classification based on HSN.