

**EIGHTH REPORT**  
**STANDING COMMITTEE ON FINANCE**  
**(1994-95)**

**(TENTH LOK SABHA)**

**MINISTRY OF FINANCE**

**SURVEY, SEARCH & SEIZURE OPERATIONS BY  
THE INCOME-TAX DEPARTMENT**



*Presented to Lok Sabha on 10 August, 1994*  
*Laid in Rajya Sabha on 10 August, 1994*

**LOK SABHA SECRETARIAT**  
**NEW DELHI**

*August, 1994/Sravana, 1916 (Saka)*

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COMPOSITION OF THE STANDING COMMITTEE ON FINANCE  
(1994-95)

Dr. Debiprosad Pal—*Chairman*

MEMBERS

*Lok Sabha*

2. Shri P. Chidambaram
3. Shri Magunta Subbarama Reddy
4. Prof. K.V. Thomas
5. Shri Chandulal Chandrakar
6. Dr. K.V.R. Chowdary
7. Shri Chhitubhai Gamit
8. Shri Prithviraj D. Chavan
9. Shri S.B. Sidnal
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28. Shri T.J. Anjalose
29. Shri Bhogendra Jha
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39. Shri Chimanbhai Mehta
40. Shri Rajubhai A. Parmar

(iv)

41. Shri T. Venkatram Reddy
42. Shri Surinder Kumar Singla
43. Shri S. Viduthalai Virumbi
44. Shri Gurudas Das Gupta
- \*45. Vacant

SECRETARIAT

1. Shri S.C. Gupta —*Joint Secretary*
2. Shri Satish Loomba —*Deputy Secretary*
3. Shri P.K. Bhandari —*Under Secretary*
4. Shri V.K. Mittal —*Executive Officer*
5. Smt. Neera Singh —*Committee Officer*

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\*Shri Arangil Sreedharan, retired w.e.f. 2.7.1994, from the membership of Rajya Sabha and ceased to be a member of the Committee.

## INTRODUCTION

1. The Chairman of the Standing Committee on Finance having been authorised by the Committee to submit the Report on their behalf, present the Eighth Report on the Ministry of Finance, Department of Revenue relating to the 'Survey, Search & Seizure Operations', under the Income-tax Act.

2. The Committee had decided to examine the Survey, Search and Seizure Operations undertaken by the Income-tax authorities under the Deptt. of Revenue as a part of the examination of the Annual Report of the Ministry of Finance.

3. The Committee took oral evidence of the representatives of the ASSOCHAM on 24 September, 1993 and that of the officials of the Central Board of Direct Taxes on 15 October, 1993.

4. The Committee have noted that inspite of wide powers available to the Income-tax Department, under Section 133A(1), 133A(5) and 133B of the Income-tax Act, 1961, surveys have not fulfilled the targetted objectives. The Committee have recommended that the information collected through surveys should be suitably classified and utilised in checking cases of tax evasion as well as bringing new assesses to the tax net.

5. The Committee have suggested a thorough overhaul of the system of direct taxes which should be based more on voluntary compliance. Such a system will have to be simple, reasonable and convenient from the assessee's standpoint as well. In their view, efforts should also be made to identify industries which serve as a breeding ground for black money, for proper surveillance and remedial measures, by way of appropriate legislation and rationalisation of rules relating thereto.

6. To deal with persistent and large scale tax evaders, the Committee have recommended that searches and seizures should be carried out without inhibition and taken to their logical conclusion promptly. It has also been recommended that the Income-tax authorities should work *in tandem* with other agencies, such as banks etc. for more fruitful results.

7. The Committee wish to express their thanks to the representatives of the ASSOCHAM and the Central Board of Direct Taxes for assisting the Committee in furnishing the desired information and tendering evidence before the Committee.

8. The Committee place on record their deep appreciation of the contribution made by S/Shri Ghulam Rasool Mattoo, Ashish Sen and Kamal Morarka who were the members of the Committee for the year 1993-94 and also by Shri Arangil Sreedharan who had ceased to be a

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member of the Committee w.e.f. 2nd July, 1994 consequent to his retirement from the membership of the Rajya Sabha.

9. The Committee considered and adopted this Report in its meeting held on 1st July, 1994. For facility of reference, the recommendations/ observations of the Committee have been printed in thick type.

**NEW DELHI;**

***18 July, 1994***

***27 Asadha, 1916 (Saka)***

**DR. DEBIPROSAD PAL,**

***Chairman,***

***Standing Committee on Finance.***

## CHAPTER I

### REPORT

1.1 Among the different ways of collecting funds for Government activities, the most important is tax revenue. Tax revenue is an important instrument for ensuring social justice, both in equitable distribution of the burden of development, as also in reducing inequalities of incomes. Though the Government also uses the direct tax policy in pursuit of several economic and social objectives, tax evasion frustrates the realisation of these objectives. There is, therefore, inevitably the necessity of, a regulatory and deterring mechanism to grapple with unscrupulous elements who evade tax with impunity. The law relating to Search and Seizure under the Income-tax Act, to deal with such situations, has evolved over time in India. From the ordinary powers of Civil Courts under the 1922 and 1961 Acts viz. powers of discovery and inspection, enforcing attendance of witnesses on oath and compelling the production of books of account and documents etc., the present Income-tax Laws provide an elaborate framework to prevent large scale evasion, through the operations of Survey, Search and Seizure.

1.2 The Standing Committee on Finance examined the Survey, Search and Seizure operations of the Income-tax Department. They took evidence of the representatives of ASSOCHAM on 24 September, 1993 and that of the officials of the Central Board of Direct Taxes on 15 October, 1993.

#### **Survey, Search and Seizure Operations**

##### *Survey Operations*

1.3 Powers relating to search and seizure involve drastic steps that may not be necessary in all cases. The evasion of tax may not be wilful and may result more from ignorance. Surveys are conducted primarily to detect new cases and to verify whether or not proper books of account are maintained in which all transactions are truly and faithfully recorded. These surveys are conducted under the provisions of Sections 133A(1), 133A(5) and 133B of the Income-tax Act, 1961. Under Section 133A(1), surveys are conducted for detecting evasion by existing assesseees. Under this type of survey, the premises can be entered into during the hours in which such a place is open for the conduct of business or profession. The Income-tax authorities verify books of accounts, stocks etc., during the course of such a survey. Under Section 133A(5), surveys are conducted for collecting information regarding expenditure incurred on marriages and other social functions. Under Section 133B, information in a prescribed form (Form No. 45D) is collected from all persons carrying on business or profession



by going from one commercial/business premises to another. The objective of survey under Section 133B is to identify and detect new potential tax payers. The Central Information Branches functioning in the Investigation Wing of the Department collect information from various internal and external sources. Information from these sources is collected and verified by the Central Information Branches and is passed on to the assessing officers through the Commissioners of Income-tax for taking appropriate action. The collection and verification of information by the Central Information Branches helps in locating new tax payers and also detecting tax evasion in the cases of existing assessees.

1.4 In a written note submitted to the Committee by CBDT, it was explained that the Board had issued instructions for streamlining the procedure for survey operations and also for collection, collation and verification of information by Central Information Branch Units.

1.5 During the course of evidence on 24 September, 1993, a representative of ASSOCHAM stated that the only effective system to bring potential assessees under the tax net was an effective survey system. According to him, most of the surveys are conducted by Income-tax Inspectors who are not formally trained for the job and do not have a good knowledge of the areas/aspects being surveyed by them. He stated that the administration of survey operations needed to be geared up to bring more persons in the tax net.

1.6 In course of the evidence, it was pointed out to the CBDT and the Deptt. of Revenue, Ministry of Finance that the information collected by them through surveys was not being used in the best manner for widening the tax base. The Committee also desired to know the effectiveness of the surveys conducted by the Department since some members were of the view that most of the useful information collected was coming from the people outside the Department. The Chairman, CBDT explained that their main purpose was to secure the information required, irrespective of the source it may come from. He clarified, however, that such information was not automatically acted upon and this was done only after proper surveillance etc.

1.7 On being asked, the Ministry of Finance, Department of Revenue furnished the following statistics regarding the number of surveys conducted and the number of new assessees added/detected:—

Financial year	No. of surveys conducted	No. of new assessees added/detected
1990-91	8,92,438	5,23,052
1991-92	9,98,176	4,75,487
1992-93	10,94,397	9,03,106
1993-94	4,98,493*	11,68,886*

(\*Figures Provisional)

1.8 The Committee were, however, unable to reach any conclusion regarding the efficacy and usefulness of these surveys, since the number of new assesseees added/detected were not only as a result of surveys but, as stated by the Ministry, these figures also included accretions as a result of Presumptive Tax Scheme, verification of information by the Central Information Branches etc. It was not clear from the reply of the Ministry whether these figures also included the normal increase in the number of assesseees due to voluntary filing of tax returns.

1.9 The Committee regret to note that statistics regarding the number of new assesseees discovered as a result of surveys is not separately available. In view of the position explained, the Committee are inclined to believe that there is little correlation between the number of surveys conducted and the new assesseees added. The Committee are surprised to note that such information is not being compiled and are at a loss to understand how in the absence of this data, the effectiveness of surveys is being monitored. The Committee note that inspite of wide powers available to the Income-tax Deptt., under Sections 133A(1), 133A(5) and 133B of the Income-tax Act, 1961, these surveys have not fulfilled the targetted objectives. It appears that the Deptt. has laid more emphasis on completion of quantitative targets for conducting surveys than on the qualitative aspect and results of such surveys. The Committee recommend that the information collected through surveys should be suitably classified and utilised in checking cases of tax evasion as well as bringing new assesseees to the tax net. In their view, there are a number of "hard to tax" groups comprising of traders, manufacturers, contractors, transport operators, professionals and other groups, who do not maintain proper accounts, making it difficult for the Department to impose tax on them. The Committee recommend that the Income-tax Deptt. should carry out comprehensive surveys to see that they are taxed properly.

1.10 In reply to a question regarding conducting of surveys in small towns and rural areas to identify potential assesseees, the Deptt. stated in a written note that steps had been taken to bring small towns within the ambit of surveys under section 133B so that affluent sections of the population in these areas come within the tax net gradually. The Committee recommend that sufficient work force and other infrastructural facilities needed for conducting such surveys in these areas should be placed under the control of the Chief Commissioners concerned so that such areas can contribute significantly towards revenue collections. Specific surveys should also be held for assessing the incomes of the money lenders, transporters, contractors and traders etc., in rural areas, small towns and mofussils.

1.11 To make full use of the information collected by the Income-tax Deptt. through such surveys, the Committee recommend that an effective management information system should be introduced for storing, analysing and use of the information collected. Steps should be taken within a definite

time frame to computerise the units under Central Information Branches. In view of the Committee, effective coordination among the CIB units will go a long way in the full utilisation and dissemination of information for use by the assessing officers, resulting in higher tax revenue, by checking of tax evasion and addition in the number of assesseees on account of such surveys.

## CHAPTER II

### SEARCH AND SEIZURE OPERATIONS

2.1 Wide powers are available under the Income-tax Act, 1961, for conducting searches and seizures, to deal with errant or recalcitrant persons/assesseees who evade tax. Since these are comparatively severe measures, recourse thereto is taken only in exceptional circumstances. There are elaborate provisions which have to be followed before such action is carried out. The Department mainly uses this power to:—

- Procure evidence which would otherwise not be produced by the person evading tax; or
- discover/seize assets/income which would otherwise not be disclosed.

Thus searches and seizures are methods of gathering direct and tangible evidence of tax evasion. Sections 132 and 132A of the Income-tax Act, 1961 give powers to certain categories of officers to authorise any Deputy Director Deputy Commissioner, Assistant Commissioner, Assistant Director or Income-tax Officer to carry out the search operation. A search may be authorised only if the empowered officer has reasons to believe that a person to whom summons or notice has been issued to produce books of accounts or other relevant documents has omitted or failed to produce them or that the said person will not or would not produce the books of accounts and other documents or that any person is in possession of money, jewellery etc., which wholly or partly represents income or property which has not been or would not be disclosed for purposes of income tax. In exercise of this power the authorised officer is permitted to enter and search any building, place, vessel, vehicle or aircraft, wherever he has the reasons to suspect that books of accounts, other documents, money, bullion, jewellery or other valuable things are kept. The authorised officer can break open the lock of any door, box, locker safe almirah or other receptacle for exercising the power conferred on him in the act of search. The authorised officer can search any person if he has reason to suspect that such person has secreted any book of accounts, bullion, money, jewellery or other documents. During the course of search operations, the authorised officer can seize any book of accounts, document, money, bullion or jewellery found and place identification on any book of account or document or make extracts or copies of the documents for evidence and examination.

2.2 During the course of the search, the authorised officer may examine any person on oath who has been found to be in possession or control of

any books of accounts, document, money, buillion, jewellery or other valuable articles or things. Any statement made by such person during such examination may, thereafter, be used as evidence in any proceedings under the Income-tax Act.

2.3 During the course of evidence of the representatives of ASSOCHAM, the Committee desired to know their views on search and seizure operations of the Income-tax Department. The representatives stated that officers authorising the search and seizure operations should have reliable evidence to show that there is a failure to produce the documents called or there is a situation where an assessee has got undisclosed wealth. According to them the Income-tax Department should not conduct a raid merely because somebody is supposed to have good practice as a doctor or as a lawyer. Secondly, when the team is going to conduct a raid, a responsible officer should head it. The team should be well prepared with a list of points on which information is required and the specific objective should be to collect that rather than embarking on an unorganised roving inquiry. The Officers carrying out search and seizure operations should come prepared after making a study of records already sent by the assessee and a search should be carried out only after exhausting the usual channels of asking for further information. The representatives further opined that when a raid is conducted simultaneously at the office and at the residence of a party, the assessee should be allowed to move at least between these two places. He should not be refused permission to move out of the premises on the ground that his statement is to be recorded. The Constitution gives certain liberties and fundamental rights to the citizen and a denial of the right to move freely tantamounts to the arrest of the person, as some High Courts have also held, according to ASSOCHAM representatives.

2.4 The witnesses further stated that the tendency to carry away books of accounts, documents and assets etc., despite adequate disclosure is not proper, especially when the information already submitted to the Income-tax Department has not been studied properly. They further stated that there should be an overall time limit prescribed in the Act itself for the return of books of accounts and other documents because the time limit is invariably extended for years under one pretext or the other. They, therefore, suggested that arrangements should be made to ensure that the assets seized are kept in their original condition at a safe place. The representatives from ASSOCHAM further pointed out that in a number of cases, there was damage to the property of the assessee, searched by the Income-tax Department. It was frequently observed that the search party ripped open the walls/carpets/furniture of the assessee, while looking for evidence. Such loss should be made good by the Department, when nothing incriminating is found. The representatives further suggested that the examination of the person at the time of search was completely an unwarranted harassment, when the Department had powers to summon

the person to the Income-tax Office. They further suggested that a lawyer should be allowed to be present at the time of carrying out of search and seizure operations by the Income-tax Department.

2.5 During the course of evidence of the officials of the Central Board of Direct Taxes, the Chairman, CBDT stated that before the financial year 1993-94, some drastic changes in the focus and approach regarding searches and seizures have been made by the Department. He pointed out that it has been decided that a search must be meaningful as the search is an invasion of an individual's privacy. The second thing that they had realised that it was no use making the search and keeping the assessment pending for years together. It was, therefore, decided that assessment of all searches which were made before 31.3.93 must be completed by 31.3.94 and action on all searches carried out after 1.6.93 was to be finalised within one year.

The Committee suggest that if the cases cannot be finalised within one year, then the sanction from the Chief Commissioner/ Board should be obtained for extension. The Committee should also be informed whether any case is pending pertaining to searches conducted before 31.3.93.

2.6 The CBDT witness further informed that a number of complaints were received by the Department that while search parties indiscriminately seized a lot of assets and books of accounts, they kept them for years without looking into them. He stated that clear instructions had been issued that all the books of accounts, other than those which might be required for purposes of going to the tribunal, must be released as soon as the initial assessment was done. When the Committee pointed out that during the raids even the behavioural norms of decency and human courtesies were sometimes lost sight of by the raiding officers and the staff, the witnesses explained that the Department was now laying emphasis on the training aspect of the officers by providing necessary guidelines to them. He assured the Committee that any specific case of misbehaviour brought to the notice of the Board would be investigated properly.

2.7 As per information furnished by the Ministry of Finance, the number of searches made and concealed income surrendered during the last four years is as follows: --

Financial Year	No. of Searches carried out	Amount of concealed income surrendered (Rs. in Lakhs)
1990-91	5474	32800.76
1991-92	3468	18835.43
1992-93	4777	50105.12
1993-94	5026	44882.87

When asked to state the amount of tax collected due to search and seizures during the same period, the Ministry stated that final tax liability of an assessee is determined on finalisation of appeals at different levels, viz. the Commissioner of Income-tax (Appeals), the I.T.A.T. the High Court and the Supreme Court. Hence, it was not possible to ascertain the extent of tax collected, which is directly relatable to search and seizure.

In this connection, the Committee are unhappy to note that as in the case of surveys, not even an estimate is available regarding the tax collected which is attributable to searches and seizures. Notwithstanding the administrative difficulties involved which the Committee fully appreciate, they are of the view that proper and suitable methods must be evolved to collect such data by means of a proper Management Information System, which would also equip the Department with the required data for proper decision making.

In this regard, the Committee are of the view that suitable computerisation of operations is indispensable. The Comptroller and Auditor General of India in his report on Revenue Receipts and Direct Taxes for the year ended 31 March, 1993 has also pointed out that out of a total number of 16509 search cases during a five year period (1988-89 to 1992-93) examined, orders under Section 132(5) were passed only in 11358 cases and the fate of the remaining 5151 cases was not known. The Report has also pointed out that large variations were noticed in the income estimated in interim orders passed under sec. 132(5) determining tax liability, appraisal reports of investigation wing which conducts the searches, and income finally determined in regular assessment suggesting that either the estimates were wild or the assessments were not being carefully framed. Out of the total 10,358 cases where final assessment was completed during the five year period, 6636 assessments indicated some concealed income and in the rest of 3712 cases, no concealed income was detected or established. Another important revelation is that the Department initiated prosecution proceedings in less than three per cent of cases assigned to investigations circles and only in a negligible number of cases could convictions be obtained. The report further stated that even in cases where tax demand was raised, recovery was not being vigorously pursued.

All the above deficiencies clearly indicate the need for a critical review of the system to make searches and seizures serve fully the purpose that they are designed for.

2.8 Another irresistible conclusion that the Committee have drawn is that inspite of such extensive powers with the Income Tax Department, the parallel economy has proliferated without any checks. The very need for conducting so many searches and seizures points out to a system of tax collection that is as ineffective as it is archaic. The Committee would, therefore, like to emphasise that a thorough overhaul of the system of direct taxes is needed which should be based more on voluntary compliance. In the view of the Committee, such a system will have to be simple, reasonable and

convenient from the assessee's standpoint as well. Efforts should also be made to identify industries which serve as a breeding ground for black money for proper surveillance, and remedial measures by way of appropriate legislation and rationalisation of rules relating thereto.

2.9 To deal with persistent and large scale tax evaders, the Committee, however, recommend that searches and seizures should be carried out without inhibition and taken to their logical conclusion promptly. That due care is to be taken while authorising and carrying out such action has also been laid down by the courts in various cases.

2.10 In the view of the Committee, large scale evaders should not be given shelter or protection from influential corners, if such search and seizure is intended to be a real deterrent. Search and seizure should also be quickly followed up by summary assessment under Section 132(5) and thereafter by regular assessment and, in appropriate cases by imposing penalties and also by prosecution.

2.11 Since the power to search the premises of a person and to seize his books of accounts, cash, jewellery and bullion, undoubtedly amounts to an infraction of the fundamental right of personal liberty and freedom guaranteed by the Constitution of India it should be scrupulously seen that the power is not exercised maliciously or vindictively or for collateral purposes. However, it cannot be denied that in the face of large scale tax evasion and black-money corroding our economy, such power of search and seizure has to continue as a necessary evil. The Committee, therefore, recommend that authorities conducting the search may enter upon the premises only on a proper authorisation to be issued only by the Chief Commissioner or Commissioner himself, after a full application of mind. The Committee suggest that such power should neither be delegated nor exercised in a routine manner. The Officers empowered to conduct the search must not be below the rank of Deputy Commissioner or Assistant Commissioner. In the conduct of search and seizures, there should be no distinction between an ordinary assessee and a Government official. The premises of revenue officials or persons holding high offices should also be searched in appropriate cases where there is reliable information and evidence on the basis of which a belief can reasonably be formed that the officer has large unaccounted wealth either in his name or benami. The conduct of Govt. Officials who are carrying out searches and seizures should also be kept under watch.

2.12 It has often been complained that several methods are used to extract confession, such as direct and indirect intimidation and other unreasonable behaviour. It is often reported that even permission to contact any one else or leave premises to attend urgent matters is not granted by



the searching team. It is also sometimes complained that any persons found in the premises at the time of search are kept in detention or confinement and none of them is allowed to leave the premises. In this connection, the Committee recommend that the assessee or the person, who is in the building at the time of search, should be asked to make a statement on oath in relation to the assets and documents found in the course of the search. If a statement is made on oath, no effort should be made by the officers in extracting a confessional statement. The Committee also wish to make it clear that the Income Tax authorities have no power of arrest and, once the statement on oath has been recorded, permission to leave the premises should not normally be denied. A copy of the statement made on oath and a copy of warrant of authorisation, should also be given to the person making the statement.

2.13 To eliminate the possibility of use of any force or duress, the Committee recommend that the assessee whose premises are being searched should be permitted to have the assistance of a lawyer, by way of his presence only. The lawyer should not be allowed to speak or instruct the assessee when his statement is recorded. If the statement on oath is contrary to or inconsistent with the facts found as a result of the search, the penal consequences under the Act or under any other law should be initiated and pursued. The Committee also recommend that the system of giving cash rewards on the basis of search should be given up forthwith and indirect incentives by way of promotions, increments and other forms of benefits, etc. should be brought in vogue.

2.14 The Committee suggest that proper safeguards should be taken regarding the seized assets to ensure that they do not deteriorate, change in character or shape while in custody of the Income Tax Department. The time-limit set for return of books of accounts and documents, etc. to the assessee should also be strictly observed. Any damage caused to the property of the assessee in course of the search, where no incriminating evidence has been found, should be made good by the Department.

2.15 In the view of this Committee, the Income Tax Department should evolve a dependable information system and for this, it should work *in tandem* with other agencies such as banks, financial institutions and State Revenue Authorities so that search and seizures are restricted to cases of large scale tax evasion only.

NEW DELHI,  
18 July, 1994

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27 Asadha, 1916 (Saka)

DR. DEBIPROSAD PAL,  
Chairman,  
Standing Committee on Finance.

## **NOTE OF DISSENT**

We, the undersigned Members of the Standing Committee on Finance do not agree with the general tenor of the draft report on "Survey, Search and Seizure", which appears to be soft on the tax evaders, particularly on the big tax evaders, and is more concerned about their democratic rights than the rights of the Indian people to make them pay what is due from them legally.

Specifically, we do not agree with the recommendation in section 2.13, to do away with the system of giving cash rewards to officials for fruitful search. Our view is that the possible harmful consequences of the rewards system—by making the officials over-zealous—can be avoided if the reward is related to 'net tax amount' and not on the declaration of income/wealth at the time of Search and Seizure.

**Dr. Biplab Dasgupta  
Sh. Nirmal Kanti Chatterjee  
Prof. Susanta Chakraborty  
Sh. Gurudas Das Gupta  
Shri Srikanta Jena**

**NEW DELHI;  
Dated 6 July 1994**

**STATEMENT OF CONCLUSIONS/RECOMMENDATIONS OF THE  
STANDING COMMITTEE ON FINANCE CONTAINED IN THE  
REPORT**

Sl. No.	Ref. para no. of the Report	Conclusions/Recommendations
1	2	3
1	1.8	The Committee were, however, unable to reach any conclusion regarding the efficacy and usefulness of these surveys, since the number of new assessees added/detected were not only as a result of surveys but, as stated by the Ministry, these figures also included accretions as a result of Presumptive Tax Scheme, verification of information by the Central Information Bureau etc. It was not clear from the reply of the Ministry whether these figures also included the normal increase in the number of assessees due to voluntary filling of tax returns.
2.	1.9	The Committee regret to note that statistics regarding the number of new assessees discovered as a result of surveys is not separately available. In view of the position explained, the Committee are inclined to believe that there is little correlation between the number of surveys conducted and the new assessees added. The Committee are surprised to note that such information is not being compiled and are at a loss to understand how in the absence of this data, the effectiveness of surveys is being monitored. The Committee note that inspite of wide powers available to the Income-tax Deptt., under Section 133A. (1), 133A(5) and 133B of the Income-tax Act, 1961, these surveys have not fulfilled the targeted objectives. It appears that the Deptt. has laid more emphasis on completion of quantitative targets for conducting surveys than on the qualitative aspect and results of such surveys. The Committee recommend that the information collected through surveys should be suitably classified and utilised in checking cases of

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tax evasion as well as bringing new assesseees to the tax net. In their view, there are a number of "hard to tax" groups comprising of trades manufacturers, contractors, transport operators, professionals and other groups, who do not maintain proper accounts, making it difficult for the Department to impose tax on them. The Committee recommend that the Income-tax Deptt. should carry out comprehensive surveys to see that they are taxed properly.

3. 1.10

In reply to a question regarding conducting of surveys in small towns and rural areas to identify potential assesseees, the Deptt. stated in a written note that steps had been taken to bring small towns within the ambit of surveys under Section 133B so that affluent sections of the population in these areas come within the tax net gradually. The Committee recommend that sufficient work force and other infrastructural facilities needed for conducting such surveys in these areas should be placed under the control of the Chief Commissioners concerned so that such areas can contribute significantly towards revenue collections. Specific surveys should also be held for assessing the incomes of the money lenders, transporters, contractors and traders etc., in rural areas, small towns and mofussils.

4. 1.11

To make full use of the information collected by the Income-tax Deptt. through such surveys, the Committee recommend that an effective management information system should be introduced for storing, analysing and use of the information collected. Steps should be taken within a definite time frame to computerise the units under Central Information Branches. In view of the Committee, effective coordination among the CIB units will go a long way in the full utilisation and dissemination of information for use by the assessing

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officers, resulting in higher tax revenue, by checking of tax evasion and addition in the number of assesseees on account of such surveys.

5. 2.7

In this connection, the Committee are unhappy to note that as in the case of surveys, not even an estimate is available regarding the tax collected which is attributable to searches and seizures. Notwithstanding the administrative difficulties involved which the Committee fully appreciate, they are of the view that proper and suitable methods must be evolved to collect such data by means of a proper Management Information System, which would also equip the Department with the required data for proper decision making. In this regard, the Committee are of the view that suitable computerisation of operations is indispensable. The Comptroller and Auditor General of India in his report on Revenue Receipts and Direct Taxes for the year ended 31 March, 1993 has also pointed out that out of a total number of 16509 search cases during a five year period (1988-89 to 1992-93) examined, orders under section 132(5) were passed only in 11358 cases and the fate of the remaining 5151 cases was not known. The Report has also pointed out that large variations were noticed in the income estimated in interim orders passed under sec. 132(5) determining tax liability, appraisal reports of investigation wing which conducts the searches, and income finally determined in regular assessment suggesting that either the estimates were wild or the assessments were not being carefully framed. Out of the total 10,358 cases where final assessment was completed during the five year period, 6636 assessments indicated some concealed income and in the rest of 3712 cases, no concealed income was detected or established. Another important revelation is that the Department initiated prosecution proceedings in less than three per cent of cases assigned to investigations circles and only in a negligible number of cases could convictions be obtained. The report further stated that even in cases

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		where tax demand was raised, recovery was not being vigorously pursued.
		All the above deficiencies clearly indicate the need for a critical review of the system to make searches and seizures serve fully the purpose that they are designed for.
6.	2.8	Another irresistible conclusion that the Committee have drawn is that inspite of such extensive powers with the Income Tax Department, the parallel economy has proliferated without any checks. The very need for conducting so many searches and seizures points out to a system of tax collection that is as ineffective as it is archaic. The Committee would, therefore, like to emphasise that a thorough overhaul of the system of direct taxes is needed which should be based more on voluntary compliance. In the view of the Committee, such a system will have to be simple, reasonable and convenient from the assessee's standpoint as well. Efforts should also be made to identify industries which serve as a breeding ground for black money for proper surveillance, and remedial measures by way of appropriate legislation and rationalisation of rules relating thereto.
7.	2.9	To deal with persistent and large scale tax evaders, the Committee, however, recommend that searches and seizures should be carried out without inhibition and taken to their logical conclusion promptly. That due care is to be taken while authorising and carrying out such action has also been laid down by the courts in various cases.
8.	2.10	In the view of the Committee, large scale evaders should not be given shelter or protection from influential corners, if such search and seizure is intended to be a real deterrent. Search and seizure should also be quickly followed up by summary assessment under Section 132(5) and thereafter by regular assessment and, in appropriate cases by imposing penalties and also by prosecution.
9.	2.11	The Committee, therefore, recommend that authorities conducting the search may enter upon the

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premises only on a proper authorisation to be issued only by the Chief Commissioner or Commissioner himself, after a full application of mind. The Committee suggest that such power should neither be delegated nor exercised in a routine manner. The officers empowered to conduct the search must not be below the rank of Deputy Commissioner or Assistant Commissioner. In the conduct of search and seizures, there should be no distinction between an ordinary assessee and a Government official.

0. 2.12

In this connection, the Committee recommend that the assessee or the person, who is in the building at the time of search, should be asked to make a statement on oath in relation to the assets and documents found in the course of the search. If a statement is made on oath, no effort should be made by the officers in extracting a confessional statement. The Committee also wish to make it clear that the Income Tax authorities have no power of arrest and, once the statement on oath has been recorded, permission to leave the premises should not normally be denied. A copy of the statement made on oath and a copy of warrant of authorisation, should also be given to the person making the statement.

2.13

To eliminate the possibility of use of any force or duress, the Committee recommend that the assessee whose premises are being searched should be permitted to have the assistance of a lawyer, by way of his presence only. The lawyer should not be allowed to speak or instruct the assessee when his statement is recorded. If the statement on oath is contrary to or inconsistent with the facts found as a result of the search, the penal consequences under the Act or under any other law should be initiated and pursued. The Committee also recommend that the system of giving cash rewards on the basis of search should be given up forthwith and indirect incentives by way of promotions, increments and other forms of benefits, etc. should be brought in vogue.

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12.	2.14	<b>The Committee suggest that proper safeguards should be taken regarding the seized assets to ensure that they do not deteriorate, change in character or shape while in custody of the Income Tax Department. The time-limit set for return of books of accounts and documents, etc. to the assessee should also be strictly observed. Any damage caused to the property of the assessee in course of the search, where no incriminating evidence has been found, should be made good by the Department.</b>
13.	2.15	<b>In the view of this Committee, the Income Tax Department should evolve a dependable information system and for this, it should work <i>in tandem</i> with other agencies such as banks, financial institutions and State Revenue Authorities so that search and seizures are restricted to cases of large scale tax evasion only.</b>

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## MINUTES

### MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON FINANCE HELD ON 24TH SEPTEMBER, 1993

The Committee sat from 1000 hrs. to 1300 hrs. held in Committee Room 53, Parliament House.

#### PRESENT

Dr. Debiprosad Pal — *Chairman*

#### MEMBERS

#### *Lok Sabha*

2. Prof. K.V. Thomas
3. Dr. K.V.R. Chowdary
4. Shri Chhitubhai Gamit
5. Shri Prithvi Raj D. Chavan
6. Shri Jecwan Sharma
7. Shri Dileepbhai Sanghani
8. Shri Sartaj Singh Chhatwal
9. Shri Harin Pathak
10. Shri George Fernandes
11. Shri Abdul Ghafoor
12. Shri Srikanta Jena
13. Shri Nirmal Kanti Chatterjee
14. Prof. Susanta Chakraborty
15. Shri T.J. Anjalose
16. Shri Bhogendra Jha
17. Shri Kadambur M.R. Janardhanan

#### *Rajya Sabha*

18. Shri Triloki Nath Chaturvedi
19. Shri Ghulam Rasool Matto
20. Shri Chimanbhai Mehta
21. Shri Rajubhai A. Parmar
22. Shri Ashis Sen
23. Shri Surinder Kumar Singla

#### SECRETARIAT

1. Shri Satish Loomba — *Deputy Secretary*
2. Shri Mange Ram — *Asstt. Director*

**REPRESENTATIVES OF THE ASSOCHAM**

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|----|-----------------------|---|
| 1. | Shri M.R. Bhandari    | — Consultant — C.A.                         |
| 2. | Shri Sudhir Jain      | — G.M. (Taxation),<br>J.K. Synthetics       |
| 3. | Shri Bomi F. Daruwala | — CAA, Vaish Associates                     |
| 4. | Shri N.C. Kothari     | — Manager, Hindustan Lever                  |
| 5. | Shri V. Rajaraman     | — Partner, Thakur Vaidyanath<br>Aiyar & Co. |
| 6. | Shri A.K. Khanna      | — Partner, G.P. Agarwal & Co.               |
| 7. | Shri P. Sethuram      | — Dy. Secretary General,<br>ASSOCHAM        |
| 8. | Shri T.G. Keswani     | — Secretary, ASSOCHAM                       |
| 9. | Shri M.L. Gupta       | — Vice-President (Taxation)                 |

2. At the outset, the Chairman welcomed the witness of ASSOCHAM and read out 'Direction 58' from the Directions of Speaker. The witness introduced themselves to the Committee. The Chairman spelt out the subjects for discussion viz. Administration and Law relating to Survey, Search & Seizure. and the working of the Income-Tax Settlement Commission. The Chairman then invited the witness to tender their evidence on the aforesaid subjects.

3. Regarding the provisions for Searches and Seizures, the witnesses informed the Committee that the law makes it clear that when a team is conducting a raid, a responsible officer not below the rank of Deputy Commissioner or Assistant Commissioner should head the raid. On the matter of Searches made in professional houses, the witnesses stated that the proceedings of Searches and Seizures are prolonged for years together because Income-Tax Department does not study the documents/files. Even the Assessing Officer is not consulted when Searches are made. The witnesses, therefore, suggested that the Administration of the whole system has to be geared up.

4. The Committee desired to know the views of the witness about the safeguards against harassments during searches and seizures. The witnesses expressed that the assessee should be allowed to engage a lawyer to be present during the search to assist the assessee as he is acquainted with the legal matters. The witnesses expressed that carrying of firearms at the time of search is completely unnecessary and so a provision to this effect should be included either in the department guidelines or the Act itself. Also, arrangements should be made to keep seized assets in original condition. The next suggestion of the witness related to adhering to the prescribed time limit of 60 days for completing all the formalities of return of books of accounts and other documents.

5. The Committee then enquired of the number of failures in the searches. The witness informed the Committee that 97% of tax collection is voluntary and the value of seizures come to about Rs. 145 crores in one year as per records. On the question of increasing Revenue, the witness suggested that agricultural income should come under the tax net. Pertaining, to conduct of raids the witnesses stressed that computer training may be imparted to the personnel as computer is widely utilised for hiding facts by using passwords.

6. The Chairman then drew the attention of the witness to the next topic relating to the working of Income Tax Settlement Commission. On the issue, the witness suggested that in order to give more credibility to the Commission, the jurisdiction of the Commission should not be under the Ministry of Finance but it should be under the Ministry of Law. Highlighting, the fact that the Settlement Commission has not fully performed and dealt with large number of cases, the witness suggested that a single-Member Bench should head the Commission. According to the witness this would help in quick settlement of cases.

7. On the question of a legal provision that if the Chief Commissioner objects, the Settlement Commission cannot proceed, the witnesses suggested that the Commission should be given the final say. The witnesses further suggested that the Commission should have the power to levy interest, damages etc. The witness also highlighted that there is a need to have Grievances Committees in the large cities to overcome harassment of assessee.

8. On the discussion of holding of account books, the witness stated that the legal provisions, give power from the Inspector upto the Commissioner for asking the account books at one place. But, an assessee with business spread at many places cannot possibly produce all the books at one place. Hence, it was suggested that an amendment should be carried out to make the procedure more specific.

The Chairman then thanked the representatives of ASSOCHAM while closing the discussion on the behalf of the Committee.

*The Committee then adjourned.*

**MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON  
FINANCE HELD ON 15TH OCTOBER, 1993**

The Committee met from 1000 hrs. to 1330 hrs. in Committee Room 53,  
Parliament House.

**PRESENT**

Dr. Debiprosad Pal — *Chairman*

**MEMBERS**

*Lok Sabha*

2. Shri Magunta Subbarama Reddy
3. Prof. K.V. Thomas
4. Shri Chandulal Chandrakar
5. Dr. K.V.R. Chowdary
6. Shri Prithviraj D. Chavan
7. Shri S.B. Sinal
8. Shri P.C. Chacko
9. Shri Mahendra Kumar Singh Thakur
10. Shri Sushil Chandra Varma
11. Shri Jeevan Sharma
12. Shri Chetan P.S. Chauhan
13. Shri Dileepbhai Sanghani
14. Shri Sartaj Singh Chhatwal
15. Shri George Fernandes
16. Shri Srikanta Jena
17. Shri Nirmal Kanti Chatterjee
18. Prof. Susanta Chakraborty
19. Shri T.J. Anjalose
20. Shri Bhogendra Jha

*Rajya Sabha*

21. Shri Triloki Nath Chaturvedi
22. Shri Gurudas Das Gupta
23. Shri Ghulam Rasool Matto
24. Shri Chimanbhaj Mehta
25. Shri Rajubhai A. Parmar
26. Shri Ashis Sen
27. Shri Surinder Kumar Singla
28. Shri Arangil Sreedharan
29. Shri S. Vidhuthalai Virumbi

## SECRETARIAT

- |                      |                      |
|----------------------|----------------------|
| 1. Sh. Satish Loomba | — Deputy Secretary   |
| 2. Sh. Ram Autar Ram | — Under Secretary    |
| 3. Sh. Mange Ram     | — Assistant Director |

REPRESENTATIVES OF THE DEPARTMENT OF REVENUE AND CENTRAL BOARD  
OF DIRECT TAXES AND SETTLEMENT COMMISSION

- |                             |  |
|-----------------------------|--|
| 1. Sh. R.S. Rathore         | — Spl. Secretary & Chairman,<br>CBDT     |
| 2. Sh. A.N. Misra           | — Member (Investigation),<br>CBDT        |
| 3. Sh. T.S. Srinivasan      | — Member (P&V), CBDT                     |
| 4. Sh. M.K. Kaw             | — Additional Secy., Deptt. of<br>Revenue |
| 5. Sh. R.K. Jindal          | — Joint Secy., Deptt. of<br>Revenue      |
| 6. Sh. S.K. Dasgupta        | — Secretary, Settlement<br>Commission    |
| 7. Sh. Siddhartha Mukherjee | — Dy. Secy., CBDT                        |
| 8. Sh. K.G. Bansal          | — Director (Inv. I), CBDT                |
| 9. Miss M. Mahajan          | — Joint Secy. (TPL-II), CBDT             |
| 10. Smt. Nishi Singh        | — O.S.D. (Inv. III), CBDT                |

2. At the outset, the Chairman welcomed the witnesses of the Department of Revenue, Central Board of Direct Taxes and the Settlement Commission and read out 'Direction 58' from the Directions of Speaker. The witnesses introduced themselves to the Committee. The Chairman then spelt out the subjects for discussion viz. operation and administration of searches and seizures and the working of the Settlement Commission.

3. The witness brought to the notice of the Committee the changes brought about in the administration of searches and seizures. The witness explained that a decision has been taken to complete assessment of searches conducted before 31.3.1993 by 31.3.1994. Further, assessment of searches conducted after 31.3.1993 would be completed within one year. It has also been decided to nominate special officers in the areas with Commissioners of Central circle to look into cases of searches. Regarding release of books of accounts seized by the Department, a decision has been taken that apart from the books forwarded to Tribunal, the books of accounts will be released quickly. The approach of the Department is towards decentralised management of complaints regarding searches. The field officers will now get priority in the management of complaints. Special instructions have been given for searches to be carried out by senior officials. Their working shall be monitored by the Director-General.

4. The Committee desired to know the types of survey conducted by the Department of Revenue. The witness submitted that there were two types of surveys viz. General Surveys, and Specific Survey.

5. The Committee desired to know the comments of the witness on setting up of a Special Court for Income-tax purposes. The witness then affirmed that a Special Court ~~is~~ needed. The Committee desired to know the legal provision governing non-filing of returns by persons. The witness informed that efforts were being made to bring Section 139 (2) of the Income-tax Act, 1961 into force. As regards declaration by an assessee under Section 132 (4) of the Act, the Committee desired to know about the finality of the examination of the declaration. The witness explained that the declaration made before AD (I) is again examined by the assessing officer by way of second look and it was he who had to make the final assessment.

6. The Committee observed that under the procedure of search and seizure, not only the Chief Commissioner or the Commissioner of a particular area was empowered to issue warrant of authorisation, but officials like the Deputy Commissioner of Income-tax were also empowered. It was known that the Chelliah Committee, in order to avoid wanton exercise of this power, has recommended that this power should be exercised by the Chief Commissioner or the Commissioner of an area or by the Director-General. The witness then submitted that by and large the Director of Income-tax (Investigation) authorises the searches. This has been organised because the Investigation Wing as a special wing deals with the search and seizure cases. The witness further submitted that there are certain situations where a search may be a necessity. In such cases, the warrants can be issued by the Chief Commissioner or the Commissioner.

7. On the question of conduct of officials during raids and searches, the Committee desired to know the view of CBDT on extortion of confessions from the parties by officers conducting raids. The Committee also felt that extortion could be made due to rewards given to officials on account of any declaration by an assessee at the time of search. At this point, the witness submitted that under Section 132(5) of the Act, if a party made a surrender or confession of any concealment, it would escape the rigours of prosecution. The witness opined that rewards were given as an incentive to the personnel and not to an individual officer but to the teams as a whole. On the matter of behaviour of the personnel, the witness assured the Committee that cases of misbehaviour by the officials conducting raids would be looked into.

8. When the Committee inquired whether any targets had been fixed for the amounts of seizures, the witness stated that after 1st April, 1984, no such target has been fixed. On the question of costs incurred during raids and searches, the witness expressed that the Department do not keep

separate accounts of what is spent on survey assessment and collections and that it is important to have some cost control centres.

9. As regards the functioning of the Settlement Commission, the Committee stated in view of the observation of Chelliah Committee, the Commission has become an escape-route for the tax-offenders. The witness disagreed on this point and explained that the Commission is supported by Director and Deputy Director (Investigation) to thoroughly investigate cases before the Commission.

10. The Committee desired to know the rules of procedure governing the admission of cases in the Settlement Commission. The witness informed the Committee that any assessee who fulfils the conditions prescribed under Section 245 (c) and 22 (c) of the Income-tax Act and Wealth Tax Act can file an application. The first condition is that he should have furnished the income-tax returns; secondly, the returns should be pending and thirdly he should have an additional income which is realisable and more than Rs. 50,000. Regarding the procedure, the witness stated that in the first stage, the application filed is processed and examined on the basis of the Report for CIT which is to be obtained within 120 days. The case is then scrutinised by officers in the Commission on the basis of a Report submitted by CIT within 90 days. The Deputy Director (Investigation) posted in the Commission prepares a comprehensive report for hearing by the Bench. After giving a hearing to the application and Deptt. of Revenue, the Bench finally disposes off the case by passing an order under Section 245 (d). When enquired as to the number of cases pending with the Settlement Commission, the witness informed as on 1.4.93, 1,229 cases were pending for final disposal.

11. The witness submitted to the Committee that there is a two-fold problem in the Settlement Commission. Firstly, relating to the number of vacancies and secondly, the number of Benches in the Commission. According to the witness, there should be expansion in the strength of personnel in the Commission. When asked about the statutory provisions governing the appointments to the Benches of the Commission, the witness stated there is no set procedure for such appointments. The appointments are based on experience of the candidate on income-tax matters. On effective working of the Commission, the witness stated that a Director of Investigation prepares cases for consideration of the Commission. The witness suggested that the Investigation Wing in the Commission should be considerably strengthened. Regarding, the procedure for considering the application, the witnesses stated that the applications are taken in chronological order and cases involving additional tax of Rs. 10 lakh are given precedence over others. On the matter of contradiction in the working of the Income-tax Appellant Tribunal and the Settlement Commission, the Committee desired to know the procedure followed regarding pending cases before the Tribunal. The witness then informed that applications pending before a tribunal at any point cannot be

transferred to the Settlement Commission and is barred under present law. The witness further informed that if the case is at any stage of proceedings at ITAT, then, he is forbidden from approaching the Settlement Commission. The Settlement Commission is based on the recommendations of Wanchoo Committee where they have specifically stated that there has to be a procedure by which there can be a settlement with the tax payer at any stage of the proceedings.

12. The Chairman thanked the witnesses for tendering their evidence before the Committee. The Chairman also informed the members that the next sitting of the Committee will be held on 9th November, 1993 to undertake adoption of the Reports prepared on the "Working of Public Sector Banks" and the Action Taken Report on 1st Report of the Committee relating to Ministry of Finance.

*The Committee then adjourned.*



MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON  
FINANCE HELD ON 27 MAY, 1994

The Committee met from 1100 hrs. to 1345 hrs. in Committee Room 'C',  
Parliament House Annexe.

**PRESENT**

**Dr. Debiprosad Pal — Chairman**

**MEMBERS**

*Lok Sabha*

2. Prof. K.V. Thomas
3. Sh. Chandulal Chandrakar
4. Dr. K.V.R. Chowdary
5. Smt. Maragatham Chandrasekhar
6. Sh. B. Akbar Pasha
7. Sh. Sushil Chandra Varma
8. Sh. Jccwan Sharma
9. Sh. Chetan P.S. Chauhan
10. Sh. Sartaj Singh Chhatwal
11. Sh. Abdul Ghafoor
12. Sh. Srikanta Jena
13. Sh. Nirmal Kanti Chatterjee
14. Prof. Susanta Chakraborty
15. Sh. Bhogendra Jha
16. Sh. Kadambur M.R. Janardhanan

*Rajya Sabha*

17. Sh. Satish Chandra Agarwal
18. Sh. Triloki Nath Chaturvedi
19. Dr. Biplab Dasgupta
20. Sh. K.R. Jayadevappa
21. Sh. Chimanbhai Mehta
22. Sh. Rajubhai A. Parmar
23. Sh. Surinder Kumar Singla
24. Sh. Arangil Sreedharan
25. Sh. S. Viduthalai Virumbi
26. Sh. Gurudas Das Gupta

## SECRETARIAT

1. Sh. S.C. Gupta — *Joint Secretary*
2. Sh. Satish Loomba — *Deputy Secretary*
3. Sh. P.K. Bhandari — *Under Secretary*

At the outset, the Chairman informed the Committee regarding the number of Reports prepared and presented to Lok Sabha in the past one year by the Committee. The Chairman then stated that a Draft Report on 'Survey, Search & Seizure Operations' by the Income-tax Deptt. was pending finalisation by the Committee. The Committee then had a brief discussion on the Draft Report on 'Survey, Search and Seizure Operations' which had been earlier circulated to the members. The Committee desired that a revised Draft Report, in light of the suggestions given by the Chairman and other members, should be placed before the Committee for final consideration. The Chairman stated the revised Draft Report would be circulated to the members and considered by the Committee in another sitting.

*The Committee then adjourned.*

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON  
FINANCE HELD ON 1 JULY, 1994

The Committee met from 1500 hrs. to 1745 hrs. in Committee Room 'D',  
Parliament House Annexe, New Delhi.

PRESENT

Dr. Debiprosad Pal — *Chairman*

MEMBERS

*Lok Sabha*

2. Prof. K.V. Thomas
  3. Dr. K.V.R. Chowdary
  4. Sh. Chhitubhai Gamit
  5. Sh. Prithviraj D. Chavan
  6. Smt. Maragatham Chandrasckhar
  7. Sh. B. Akbar Pasha
  8. Sh. Jeevan Sharma
  9. Sh. Chetan P.S. Chauhan
  10. Sh. Dilcepbbhai Sanghani
  11. Sh. Manabendra Shah
  12. Sh. Sartaj Singh Chhatwal
  13. Sh. Harin Pathak
  14. Sh. George Fernandes
  15. Sh. Abdul Ghafoor
  16. Sh. Nirmal Kanti Chatterjee
  17. Prof. Susanta Chakraborty
  18. Sh. Kadambur M.R. Janardhanan
- Rajya Sabha*
19. Sh. Satish Chandra Agarwal
  20. Sh. Sanjay Dalmia
  21. Dr. Biplab Dasgupta
  22. Sh. Mahendra Prasad
  23. Sh. Chimanbhai Mchta
  24. Sh. Rajubhai A. Parmar
  25. Sh. T. Venkatram Reddy
  26. Sh. Surinder Kumar Singla

27. Sh. S. Viduthalai Virumbi

28. Sh. Gurudas Das Gupta

SECRETARIAT

1. Sh. S.C. Gupta — *Joint Secretary*
2. Sh. Satish Loomba — *Deputy Secretary*
3. Sh. P.K. Bhandari — *Under Secretary*

The Chairman informed the Committee that Sh. Arangil Sreedharan, a Member of the Committee, was retiring from the membership of Rajya Sabha. Hence, his membership in the Committee would also come to an end. The Chairman said that Sh. Arangil Sreedharan had made valuable contribution in the work of the Committee and wished him all success in his life.

The Committee considered the revised Draft Report on 'Survey, Search and Seizure Operations'. Members of the Committee expressed their views on the Report and suggested certain changes/modifications in the Draft Report, some of which were accepted by the Committee. There was, however, a difference of opinion on the point relating to cash awards (para 2.13 of the Report). Since the majority of the Members supported the views expressed in the para cited above, it was, therefore, retained as such. As a section of Members felt that this para did not reflect their views properly, they expressed their desire to give a note of dissent. Accordingly, the Chairman announced that any note of dissent on the Report may be sent to the Secretariat, latest by 11.7.94. The Committee authorised the Chairman to finalise the Report on their behalf and present it to the Parliament.

The Chairman directed that the next sitting of the Committee should be fixed on 18 July, 1994 to consider the List of Points relating to the working of the Central Board of Direct Taxes. He requested the Members to send a questionnaire, if any, on the topics already agreed upon, relating to the working of the CBDT latest by 15 July, 1994.

*The Committee then adjourned.*