14

STANDING COMMITTEE ON FINANCE
(2001)

(THIRTEENTH LOK SABHA)

FOURTEENTH REPORT

MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

DEMANDS FOR GRANTS
(2001-2002)

Presented to Lok Sabha on 24 April, 2001
Laid in Rajya Sabha on 24 April, 2001

LOK SABHA SECRETARIAT
NEW DELHI

April, 2001/Vaishakha, 1923(Saka)

INTRODUCTION

I, the Chairman of the Standing Committee on Finance having been authorised by the Committee to submit the Report on their behalf, present this Fourteenth Report on Demands for Grants (2001-2002) of the Ministry of Finance (Department of Revenue).

2. The Demands for Grants of the Ministry of Finance were laid on the Table of the House on 19 March, 2001. Under Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha, the Standing Committee on Finance are required to consider the Demands for Grants of the Ministries/Departments under its jurisdiction and make Reports on the same to both the Houses of Parliament.

3. The Committee took oral evidence of the representatives of the Ministry of Finance (Department of Revenue) at their sitting held on 17 April, 2001 in connection with examination of the Demands for Grants (2001-2002) of the Ministry of Finance (Department of Revenue).

4. The Committee considered and adopted the Report at their sitting held on 23 April, 2002.

5. The Committee wish to express their thanks to the Officers of the Ministry of Finance (Department of Revenue) for co-operation extended by them in furnishing written replies and for placing their considered views and perceptions before the Committee.

6. For facility of reference, the observations/recommendations of the Committee have been printed in thick type.

NEW DELHI;
23 April, 2001
3 Vaisakha, 1923(SAKA)

(SHIVRAJ V. PATIL)
Chairman,
STANDING COMMITTEE ON FINANCE

REPORT

Demand No. 33
Deptt. of Revenue
Major Head : 2047
Minor Head : 00.101
Detailed Head : 01.00.13

Office Expenses

This head caters to the expenditure needs of Office Expenses of the Enforcement Directorate . All expenses for running an office, such as, furniture, postage, purchase and maintenance of office machines and equipments, liveries, telephones, electricity and water charges, stationery, printing of forms, purchase and maintenance of staff cars and other vehicles for office use and POL expenses are included under this head. The Budgetary Estimates, Revised Estimates and Actuals are given below :-

(Rupees in 000's)

Year	BUDGET ESTIMATES	REVISED ESTIMATES	Actuals
1995-96	8500	9500	108,91
1996-97	96,89	2,46,22	2,52,37
1997-98	2,50,00	2,50,00	1,72,29
1998-99	2,70,00	1,19,00	1,99,94
1999-2000	2,00,00	3,00,00	2,66,45
2000-2001	2,00,00	1,80,00	
2001-2002	2,35,00		

2. It is noticed from the above given data that despite the upward revision of outlays during 1995-96 and 1996-97 at RE stage, the actuals have been overutilised. The Department while enlightening over the factors that have led to overutilisation along-with the reasons for resorting to steep hike to the tune of Rs. 1.5 crore at RE stage during 1996-97, has stated as under :-

> "The activities of the Enforcement Directorate as an investigating agency have increased over the years. During 1995-96,

> additional expenditure was incurred on account of computerisation programme in the Directorate. Increased expenditure was also incurred on the cost of liverage, maintenance of office equipments and maintenance and upkeep of operational vehicles etc. During RE1996-97 and BE 1997-98,an additional amount of Rs. 1 crore was provided to the Directorate for purchase of technical operational equipment and surveillance equipment.

3. Replying on the reasons for (i) underutilisation of Budgetary Estimates during 1997-98 and 1998-99 and (ii) the upward revision of BEs to the tune of Rs. 1 crore at RE stage during 1999-2000 along with the reasons for underutilisation during the said year the Department of Revenue has communicated as under :

> “The underutilisation of funds during 1997-98 and 1998-99 occurred due to the non-purchase of additional vehicles for which provision was made in the Budget. The technical and operational equipment for which provision was made also could not be utilised due to non-supply of the equipment by the concerned company. Savings also occurred due to non-purchase of furniture and other items by some of the Zonal/Sub-zonal offices. In the RE 1999-2000, an additional amount of Rs. 1 crore was provided for shifting of office premises of the Delhi zonal office and also the sub-zonal offices at Agra and Varanasi to Lucknow and Patna respectively. However, the CPWD, to whom the funds were allocated for various works, could not complete the job and the funds remained un-utilised.

4. The Committee are pained to observe that the Budget Estimates earmarked to meet the office expenses of Enforcement Directorate have been underutilised to the tune of Rs. 77.7 lakhs and Rs. 70 lakhs during 1997-98 and 1998-99, respectively reportedly due to non-purchase of additional vehicles during the said two years and non-supply of the technical and operational equipment the underutilisation of funds allocated have taken place. They also find that the budgetary provisions made at RE stage during 1999-2000 were underutilised due to non completion of various jobs assigned to CPWD in time.

In view of the fact of overutilisation during 1995-96 and 1996-97 and underutilisation of the provisions in the subsequent years, the Committee strongly feel that the Estimates under this head are prepared in a casual way and

desired seriousness is not paid to accomplish the tasks well within the respective financial years as envisaged at BE and RE stages. They, therefore, recommend that henceforth the office of Enforcement Directorate should make sincere efforts to project realistic estimates and scrupulously follow the targets fixed for the year.

Demand No. 33
Deptt. of Revenue

Total provision regarding the object head
Rent, Rates and Taxes

5. This object head includes payment of rent for hired buildings, municipal rates and taxes etc. It will also include lease charges for land.

(Rupees in 000's)

Year	BUDGET ESTIMATES	REVISED ESTIMATES	Actuals
1995-96	1,02,78	95,16	1,15,62
1996-97	1,08,75	1,09,15	95,83
1997-98	87,75	84,63	77,60
1998-99	97,85	1,25,80	1,19,53
1999-2000	1,20,85	1,50,40	1,59,80
2000-2001	1,56,20	1,60,10	
2001-2002	1,68,39		

6. While replying to a query regarding the reasons for (I) underutilisation of REs during 1996-97, 1997-1998 and 1998-1999 and (ii) overutilisation of REs during 1999-2000 the department has stated as under :

> "The underutilisation in RE 1996-97, 1997-98 and 1998-99 is due to non-finalisation of revision of rent proposals. The reason for overutilisation in RE during 1999-2000 is due to arrears of enhanced rents to be paid to the landlords of the Bombay office premises of the Enforcement Directorate."

7. The Committee regret to point out that the budgetary provisions earmarked for the payment of rent for hired buildings have been underutilised for three years since 1996-97. The Committee fail to understand why the Government has been failing to assess the rent needs accurately year after year when the detailed terms and conditions about revision of rent are mentioned in the lease agreements clearly. The Committee are of the strong opinion that the concerned officials responsible for enforcing agreements, have been faulting in their tasks resulting in under

and overutilisation of funds under this head. The Committee, therefore, recommend that the revision of rent of the hired premises should be carried out timely so as to avoid under/overutilisation of budgetary provisions allocated at BE and RE stages.

Demand No. 33
Department of Revenue

Working of Central Information Branches

8. The Central Information Branches (CIBs) functioning under various Directors of Income tax (Inv.) collect information from various source heads codified by the Board. A list of 37 such codes was enclosed as Annexure-I to the CBDT's instruction No. 1943 dated 22.8.1997. A copy of this list is enclosed. Though monetary threshold limit had been indicated against various codes in the enclosed list, these were only indicative and the actual threshold limits for various codes were to be determined by the concerned Director General of Income-tax (Inv.) keeping in view the local conditions. Whereas before the issue of instruction of 22.8.1997, the work of CIBs was to collect, collate, verify and verification was taken away from the CIB by this instruction of 22.8.1997. The CIB was only to collect, collate and disseminate the information to the Assessment Wing and the verification was to be done by the Assessing Officers. The information to be collected by the CIB was to be current information i.e. information in respect of transactions undertaken during a financial year was to be collected in the same financial year. The information collected was to be fed in the computers and the computer was to generate Additional CIT-wise information relating to various ranges. The seven Directors General of Income-tax (Inv.) were to be overall responsible for reporting to the Board the ultimate use of the informations after interacting with the Commissioners and Chief Commissioners and collecting the information about the result of verification of CIB information. The DGsIT (Inv) were to ensure that computer is used for processing CIB information.

9. In actual practice, the quarterly feedback reports to be sent by the DgsIT (Inv.) to the Board on the results of CIB verification were hardly received. This could be because of difficulties in coordinating with the Chief Commissioners of Income tax who were to provide the results of CIB verification to the DGsIT (Inv.). The Board wrote to the field in October 1999 to ascertain reasons for the same. Suggestions were received that the verification of CIB information may be reverted from the Assessing Officers to the CIBs in the Investigation Wing. Suggestions were also received for a

comprehensive review of the CIB codes so that the codes covered by 1/6 scheme being implemented by the Assessment Wings, could be deleted and monetary limits suitably raised in respect of certain other codes. These and other allied issues are to be discussed by the Board after proposed Restructuring of the Income-tax Department.

10. When asked whether any structural mechanism exists in the Department to identify such officers of Central and State Governments, Public Sector Bodies and autonomous organisations who accumulate unaccounted wealth by resorting to unfair means and viable to undertake search and seizure operations to unearth unaccounted wealth the Department has stated that :-

> "No separate and specific structural mechanism exists in the Income Tax Department to identify such officers. This work relates to the Central Bureau of Investigation.
>
> Wherever information is collected/received regarding unaccounted wealth of such offices and the concerned Director of Income Tax (Inv.) is satisfied that it is a fit case for Income Tax search, the Department undertakes search, the Department undertakes search operations in the case of Government employees. The details of such searches are as under :

Financial Year	No. of searches on officers	Assets seized (Rs. in lakhs)
1996-97	5*	*247.53+55616 US Dollars and 95 Pounds
1997-98	15	595.35
1998-99	3	10.50
1999-2000	0	NIL

* (the information for F.Y. 1996-97 is only for All India and Allied Services Officers)

11. On the Issue of CBI raids and graft charges the Govt. has stated that :

"(a) Yes, it is a fact that CBI had raided the premises of former Chairman, CBEC and residences of 48 Customs officers including some senior officers in the rank of Dy. Commissioners, Joint Commissioner and Addl. Commissioner on 31.3.2001.

(b) Former Chairman, CBEC has been suspended after the raid by CBI on 31.3.2001. 6 Group "A" officers, 27 Group "B" & "C" officers were already suspended prior to that date in case of Uzbekistan based smugglers.

INDIRECT TAXES

(C) (1) CBI has been requested to furnish the break up of premises/offices which have been raided since 1997-98, quantum of unaccounted wealth unearthed (case-wise) along with the number of officers prosecuted. The same is awaited and will be furnished separately.

(2) As regards legislative and structural changes, the following steps have been taken: -

(i) The policy of penalties against the tax evaders have been made non-discretionary in this year's budget.

(ii) The cadre re-structuring of the Customs and Central Excise Department is in an advanced stage. When this restructuring is implemented, the vigilance set up in the organization will be strengthened.

(iii) Extensive use of information technology is being made in the Department. The project when implemented would account for over 80% of Export and Import Cargo. This will reduce the interface of the Public with the Customs Officers.

(iv) Besides, instructions to the Chief Commissioners have been issued so as to :

(i) tighten vigilance machinery;

(ii) post officers of integrity and efficiency in vigilance organizations:

(iii) instruct vigilance Organization to make checks at sensitive and vulnerable points for bringing lapses involving the officers for departmental action.

(iv) not to give sensitive postings to officers of doubtful integrity and who have been charge sheeted for major penalty and penalized;

(v) to keep watch on life style of the officers;

(vi) to pay attention to scrutiny of suspected documents dealing with under valuation and refunds to unearth malpractices on the part of the Departmental officers.

Central Information Branches

Sources of Information : Code

S.No	Code	Source	Items
1	**2**	**3**	**4**
1.	002	Central Excise Department	New Registrations, excise payments including fines & penalties
2.	002	Customs Department	Confiscation of goods, duty paid including fines and penalties
3.	003	Registrar of Companies	New Registration, Certificate of commencement of business
4.	004	Telephone Deptt./MTNL	Telephone Bills
5.	005	Enforcement Directorate	Confiscation, fine & penalties, cases of FERA violation
6.	006	State Trading Corporation	Sale of imported cars
7.	007	Income tax Department	i) All TDS – returns filed to cross check with payees returns ii) Appropriate Authority – transfer of immovable property – name of transferors & transferees.
8.	008	Sales Tax Department	New Registration, Sales tax paid including penalty
9.	009	RTO	Registration of 4 wheeled vehicles, - name, address, vehicle particulars.
10.	010	Electricity Boards/Undertakings	Electricity bills above Rs. 20,000/-
11.	011	Land Acquisition Authority	Compensation paid for acquisition of land
12.	012	Lottery Commission / State Governments	Payment of winnings from lotteries, commission paid to agents
13.	013	Directorate of Industries	Registration of new industries
14.	014	State Excise Department	New Registration, excise payments including fines & penalties.
15.	015	Registrar of Property	Transfer of immovable property
16.	016	Housing Building Authority/Housing Board	Names, address of allottees, details of transaction

1	2	3	4
17.	017	Local Authorities	Public Place contracts, approval of building plan, new shops, bars, restaurants, cinema houses, clubs etc.
18.	018	Banks	Cash transaction of Rs. 1 Lakh and above and declaration of assets for loan and OD facilities
19.	019	Registrar to Issue of shares and debentures	Name and addresses of Investors of Rs. 20,000 and above
20.	020	Public Sector Undertakings/ Financial Institution, Credit, Societies, Nidhis, Credit Card Operators	Deposits and investment in Bonds, deposits credit card payment – Rs. 50,000 and above
21.	021	Insurance Companies	Insurance claims – Rs. 1 lakh and above Premia – Rs. 10,000 and above
22.	022	Export Promotion Council/DGFT	Names and addresses of exporters and details of exports
23.	023	Telephone Directory/Yellow Pages/Journals Trade	Nursing homes, clinics, Gyms, interior decorators, study circles, coaching classes, guest houses.
24.	024	Turf Club	Names and addresses of race course owners, trainers, jockeys, bookies, race winners and purchase or sale of horse.
25.	025	Hotels/Clubs/Caterers	Expenditure incurred at these places above Rs. 10,000/-
26.	026	Builders & contractors/Housing Co-operative Societies	Names & addresses of persons who have entered into agreement for purchase and details of transaction – Rs. 1 lakh and above
27.	027	Chit Fund Companies/Committees	Investment made – Rs. 10,000/- and above
28.	028	Air Travel Agents	Package tours, travel within India, all travel abroad
29.	029	Transport Agencies	Names and addresses of consignors and consignees.

1	2	3	4
30.	030	Professional/Institutes/Bodies	Names & Addresses of Doctors, Lawyers, Chartered Accountants, Cost Accountants, Architects, Engineers etc.
31.	031	Advertising Agencies, Newspapers, T.V. Channels etc.	Advertisement expenditure including those political parties – Rs. 10,000/- and above
32.	032	Stock Exchanges	Names and addresses of the investors and persons who have entered into share transactions – Rs. 20,000/- and above. Holders of Stock Exchange Card, List of brokers and sub-brokers details of payment.
33.	033	Mutual Funds	Names and address of investors- Rs. 20,000 and above
34.	034	Cellular Phone Service Co./Providers	Cellular Phone Subscribers
35.	035	Immigration/Authority/IB	Foreign Travel
36.	036	R.B.I	Persons seeking permission to remit foreign exchange
37.	037	Post Office	Deposits above – Rs. 20,000 purchase of Kisan Vikas Patra – Rs. 20,000

13. The Committee express their deep dissatisfaction over the fact that since 1996-97 the Central Information Branches (CIBs) were able to collect and collate information only in 23 cases pertaining to public servants which were fit for search and seizure operations. The low rate of detection where incriminating evidence could be found amply demonstrates the poor performance of CIBs. The Committee are of the view that there is urgent need to review the working and organisational utility of CIBs thoroughly prior to the proposed restructuring of Income Tax Department.

14. The Committee also express their deep concern over the functioning of vigilance directorates of Income tax and Central Excise and Customs. With a view to build a work force with high integrity levels, the Committee recommend that adequate care should be taken to strengthen the vigilance mechanism expeditiously

and accountability and integrity amongst officers both at the senior and entry levels should be given more weightage.

Demand no. 33
Deptt. of Revenue

Budget Proposals

15. The representatives of the following organisations deposed before the Committee on the proposals contained in the Annual Financial Statement (2001-2002) :

(i) The Institute of Chartered Accountants of India;

(ii) The Delhi Parsi Anjuman;

(iii) All India Rubberised Coir Products Manufacturers Association;

(iv) Forum of Acrylic Fibre Manufacturers.

(v) Federation of All India Textile Manufacturers Associations; and

16. The Institute of Chartered Accountants of India in their post budget memoranda submitted to the Committee has inter alia stated as under :-

"Due dates for filing of returns

Clause 54 – Substitution of sub-section (1) for the existing one in section 139 w.e.f. A.Y. 2001-002

The above proposed sub-section (1), inter alia, specifies due dates for the purpose of filing returns of income. Explanation 2 in this regard reads as follows :

(a) where the assessee is a company, the 31st day of October of the assessment year;

(b) in the case of a person other than a company, referred to in the first proviso to this sub-section, the 31st day of October of the assessment year;

The proposed preponement in dates for filing of returns may pose practical problems due to the following reasons :

(i) Budget will be passed around mid of May leaving only two months for tax audit.

(ii) In case of exporters getting deduction, say, under section 80HHC or 80HHE, the consideration is permitted to be received in or brought into India by the assessee within a period of six months from the end of the relevant previous year i.e. 30th September. Issuing audit reports prior to this date will only increase the follow up and administrative work of the department.

(iii) Not all assessees have shifted to computerization in India. Therefore, the proposed dates may be difficult for them to comply with. In rural areas, mostly, accounts are handled by part time accountants.

> Hence it is suggested that for all those cases where no statutory audit is required the returns may be filed by 31st July and for those cases where statutory audit is required the returns may be filed by 31st October for A.Y. 2001-2002 and for subsequent years the date for those cases where statutory audit is required may be fixed as 30th September."

17. During the course of evidence the representatives of Delhi Parsi Anjuman have apprised the Committee that with a view to promote transparency in the functioning of Charitable Institutions / Trusts it has been proposed that Charitable Institutions should publish their annual accounts in a local newspaper which they felt that would put undue financial burden on the Trusts, which are precariously surviving on donations. They further suggested that in place of above mentioned proposal the Trust may be asked to duly audit and certify their accounts by a qualified Chartered Accountant and submit the same to the Commissioner of Income Tax / Charity Commissioner/ Designated Officer in the concerned region where the trust is situated.

18. The All India Rubberised Coir Product Manufacturers Association in their presentation to the Committee have stated that the imposition of excise duty on rubberised coir materesses would adversely effect the performance of an environment-friendly agro- based industry and would further render many agricultural labourers employed in the coir industries jobless. They, therefore, pleaded for the withdrawal of the imposition of excise duty on rubberised coir mattresses.

19. The forum of Acrylic Fibre Manufacturers while deposing before the Committee have pleaded for the creation of a level playing field to help them to compete with their counterparts who import the finished product i.e. the Acrylic fibre at 20% import tariff. In this connection they requested that the import duty on raw material used to manufacture acrylic fibre may be reduce from 35% to 5% to protect them from the onslaught of imports.

20. The representatives of Federation of All India Textile Manufacturers Associations during the course of evidence stated that the proposal to introduce the ad- valorem duty on independent textile processing houses is a retrograde step and would effect the efficient performance of the textile industries and the revenue collections thereon. Hence, they requested for the restoration of Chamber based compounded excise duty on independent textile process houses.

21. The Committee observe that the suggestions put forward by the All India Institute of Chartered Accountants of India and Delhi Parsi Anjuman do not involve any financial implications, therefore these may be considered favourably. The issues raised by All India Rubberised Coir Products Manufacturers Association, Forum of Acrylic Fibre Manufacturers and Federation of All India Textile Manufacturers Associations, however might involve some revenue implications. The Committee desire that the same may be considered appropriately.

Demand No. 34
Direct Taxes
Widening of the tax base

22. The following table reveals the number of additions during the last 5 year period from 1994-95 to 1998-99 to different types of assessees under specific income categories.

Individuals

Category	1994-95	1995-96	1996-97	1997-98	1998-99
A*	81,90,186	86,09,612	94,43,293	1,07,84,480	1,46,43,551
B(Lower)	1,96,492	1,24,437	2,40,262	2,35,298	3,05,352
B (Higher)	36,049	35,650	40,964	1,33,720	1,38,433
C	10,012	14,535	19,149	27,796	33,031
D	16,383	13,978	17,758	13,659	15,589
Total	84,49,122	87,98,212	97,61,426	1,11,94,953	1,51,35,956

HUFs

Category	1994-95	1995-96	1996-97	1997-98	1998-99
A	3,88,478	3,93,649	3,92,243	4,15,738	4,38,199
B(Lower)	9,630	8,181	12,162	11,692	11,935
B (Higher)	2,579	2,145	3,696	6,122	11,854
C	924	1,011	2,321	2,117	2,884
D	3,302	1,470	2,048	1,582	4,858
Total	4,04,913	4,06,456	4,12,470	4,37,251	4,69,730

Firms

Category	1994-95	1995-96	1996-97	1997-98	1998-99
A	10,82,892	11,35,823	10,91,502	10,91,366	11,40,744
B(Lower)	45,508	33,504	41,946	40,459	44,729
B (Higher)	13,228	12,345	12,474	27,502	26,732
C	5,529	6,683	7,860	9,359	10,393
D	25,598	3,838	4,537	3,961	5,425
Total	11,72,755	11,92,193	11,58,319	11,72,647	12,28,023

Companies

Category	1994-95	1995-96	1996-97	1997-98	1998-99
A	93,478	1,11,218	1,28,137	1,60,961	1,73,251
B(Lower)	43,590	39,908	43,622	54,675	53,001
B (Higher)	18,090	15,354	25,277	31,514	37,711
C	19,166	19,797	26,951	25,465	29,676
D	2,270	1,297	3,241	1,704	1,688
Total	1,76,594	1,87,574	2,27,228	2,74,319	2,95,327

Others (including Trusts)

Category	1994-95	1995-96	1996-97	1997-98	1998-99
A	70,536	73,385	74,953	78,508	1,16,692
B(Lower)	6,720	4,438	6,545	3,907	4,352
B (Higher)	1,189	601	813	4,386	2,213
C	1,867	1,450	1,645	1,498	1,688
D	910	205	144	267	230
Total	81,222	80,079	84,100	88,566	1,25,175

[*Source : Report of the C&AG on Direct Taxes (no. 12 of 2000)]*

*Category 'A' assessee – Company assessments with income/loss below Rs. 50,000 and non-company assessment with income/loss below Rs. 2 lakh.

Category 'B' assessees (lower income group) – Company assessments with income/loss of Rs. 50,000 and above but below Rs. 5 lakh and non-company assessments with income/loss of Rs. 2 lakh and above but below Rs. 5 lakh.

Category 'B' assessees (higher income group) – Company and non company assessments with income / loss of Rs. 5 lakh and above but below Rs. 10 lakh.

Category 'C' assessees – Company and non-company assessments with income/loss of Rs. 10 lakh and above.

Category 'D' assessees – Search and Seizure assessments.

23. Statement showing the percentage increase in specific income categories

	As on 31.3.95	**As on 31.3.99**	**Increase**	**A**	**B (lower income)**	**B (higher income)**	**C**	**D**
Individual	84.49	151.36	66.87	64.53 (96.50)	1.09 (1.63)	1.02 (1.53	0.23 (0.34)	-
HUF	4.05	4.70	0.65	0.50 (76.92)	0.02 (3.08)	0.09 (13.85)	0.02 (3.08)	0.02 (3.07)
Firms	11.73	12.28	0.55	0.58 (105.45)	(-)0.01 (-1.82)	0.13 (23.64)	0.05 (9.09)	(-)0.20 (-36.36)
Companies	1.76	2.95	1.19	0.80 (67.23)	0.09 (7.56)	0.20 (16.81)	0.10 (8.40)	--
Others (including Trusts)	0.81	1.25	0.44	0.46 (104.54)	(-)0.02 (-4.54)	0.01 (2.27)	--	(-)0.01 (-2.27)
Total	102.84	172.54	69.700	66.87 (95.94)	1.17 (1.68)	1.45 (2.08)	0.40 (0.57)	(-)0.19 (-)0.27

(Figures in parenthesis depict percentage increase in specific income categories)

It is evident that about 96 percent of the new assessees amongst non-company assessees was accounted for in the low income range of up to Rs. 2 lakh while about 75 percent in the case of corporate assessees was in the income range below Rs. 5 lakh.

It is thus clear that bulk of revenue contribution is made by the low income category of assessees.

24. The office of C&AG in its Report no. 12 on Direct Taxes for the year 2000 while enlightening on compliance level and tax incidence borne by assessees has inter-alia observed as follows :

- Households having income greater than Rs. 10 lakh each and liable to tax were 60,500. However, only 16,871 or 27.8 percent had filed the returns pertaining to the assessment year 1996-97.
- The households with income above Rs. 10 lakh each had returned an aggregate gross income of Rs. 12,027 crore, but paid tax at the effective rate of 19.4 percent after considering various deductions.

25. The Govt. in their reply to a query on the steps taken to tax potential and uncovered company/non company assessees falling within the income categories of A,B & C and revenue accrued thereon have stated as under :-

"(I) The relatively narrow tax base has been a cause of concern for the Government. Until a few years ago the percentage of tax payers to the total population had been hovering around one percent. There are a number of factors which contribute to the narrow tax base in India. A large percentage of the population is below the poverty line, and a still greater percentage is below the threshold limit of taxation. Moreover, the Indian economy is basically an agricultural economy and agricultural income is not subject to taxation. Notwithstanding the above factors, the fact remains that there is a sizeable segment of population having taxable income which remains outside the tax net. The following measures have been taken in this regard.

(a) One-by-six Scheme :

A major legal initiative was taken by the Finance Act, 1997 to widen the tax base. The finance Act, 1997, for the first time, for the first time, provided for a statutory obligation for filing an income tax return, based on certain economic criteria. These measures were extended and expanded by Finance (No.2) Act, 1998. As per the existing provisions known popularly as the 'One by Six' scheme contained in the proviso to sub-section (1) of section of 139 of the Income tax Act, there is an obligation to file a return on any person fulfilling any one of the following six economic criteria during a year :-

(i) Occupation of an immovable property of a specified floor area by way of ownership, tenancy or otherwise.
(ii) Ownership/lease of motor vehicle not being a two wheeled motor vehicle.
(iii) Subscription to a Telephone.
(iv) Undertaking foreign travel.
(v) Holding of a credit card not being an add-on card.
(vi) Membership of a club charging entrance fee of Rs. 25,000 or more.

The rationale underlying the 'One by Six' Scheme is that any person falling within any of the above economic criteria is more likely than not to have taxable income. The Scheme also makes it easier for the Income tax Department to collect relevant information on potential taxpayers, as also obtain information for purposes of enforcement. This in turn acts as a deterrent against non-filing of returns by persons already having taxable income, as such persons can be easily detected on processing the information gathered.

The 'One by Six' Scheme is being introduced in major cities in the country in a phased manner. The Scheme is presently in force in 133 major cities and urban agglomerations thereof, which have population of 2 lakhs and above based on the 1991 census. These include 79 cities notified in April, 2000. As announced by the Finance Minister in his Budget Speech this year, the operation of the scheme is proposed to be extended to all urban areas in the country as defined by the 1991 census. Changes arising out of the 2001 census will be incorporated subsequently.

(b) Compulsory quoting of PAN :

Another bold legal initiative taken by the Finance (No.2) Act, 1998, requires compulsory quoting of Permanent Account Number or GIR No. in certain high value transactions. This statutory obligation also has a significant impact on widening of tax base as persons are aware that the relevant transactions will come to the notice of the department. The categories of transactions notified for this purpose are as below :-

(i) Sale and purchase of an immovable property valued at Rs. 5 lakhs or more.
(ii) Sale and purchase of a motor Vehicle.
(iii) Time deposits exceeding Rs. 50,000 made in a bank or banking institution.
(iv) Deposits exceeding Rs. 50,000 in post office saving banks.
(v) Contract for sale or purchase of securities exceeding Rs. 10 lakhs.
(vi) Opening an account in a bank or a banking institution.
(vii) Application for installation of a telephone connection including cellular telephone connection.
(viii) Payments to hotels and restaurants exceeding Rs. 25,000 at any time.

(c) PAN as a common business identifier :

The Government has decided to promote the Income tax Permanent Account Number (PAN) as a common business identification number to be used by various agencies and departments of the Government. The Finance Act, 2000 has delegated powers to the Central Government to notify certain class or classes of persons for whom it will be obligatory to apply for PAN. To begin with, a notification has been issued specifying importers and exporters and persons assessable under the Central Excise Rules as well as Service Tax Rules, for this purpose. In the near future, it is expected that PAN will become the primary identification number for a sizeable number of people. Apart from facilitating flow of information between different agencies and Departments, this will go to ensure that any person carrying out a business activity will fall within the tax net.

(d) The Finance Bill, 2001, proposes to amend the Income-tax Act to make it compulsory for all companies to file their returns, even if they incur a loss. This will help in bringing into the tax net those companies which are not filing their returns of income, presumably on the plea that they are not having taxable income.

The policy initiatives already taken have had significant impact on increasing the number of returns being filed. The number of tax payers, which was 1.16 cores in April, 1997, has gone up to about 2.34 cores at present, representing an increase of 100% during this period.

It is not possible to quantify the additional revenue collected as a result of these measures. However, the success of the strategy employed is reflected in the buoyancy in personal income tax revenues witnessed over the last three years. Such collections have increased from Rs. 17,101 crores in F.Y. 1997-98 to Rs. 25,655 crores in F.Y. 1999-2000, and are expected to reach Rs. 31,590 crores in the current year.

(II) The following steps have also been taken to tax the potential and uncovered company/non-company assessees :-

(i) In the mid-year Review Conference of Chief Commissioners of Income Tax held in November, 2000, various strategies were discussed to expand the tax base. The Chief Commissioners were asked to take all possible actions for expanding the tax base including the following :-

- Setting up a co-ordination committee to build a data base by having close interaction with State taxation departments
- Pursuing the stop-filers and non-filers
- Tapping the unorganized service sector
- Examining the TDS returns to identify non-filers.

(ii) Carrying out information based surveys and searches to unearth undisclosed income.

(iii) Certain amendments have also been made in the Income Tax Act in this regard.

- All urban areas, as per 1991 census, have been included under the One by Six Scheme.
- The date of filing of return under the One by Six Scheme has been extended to 31st of October so as to give maximum opportunity to the persons covered under ti to file the returns.

(iv) A lot of emphasis has been given to the task of publicity – the aim is to create awareness among the potential tax paying public regarding their obligation to file their return of income. In this connection, the Chief Commissioners have been asked to hold local meetings in potential areas and also to give aggressive publicity to the One by Six Scheme through various audio visual media so that the message reaches the targeted public.

Various steps as indicated above have been taken to tax the potential and uncovered assessees. This exercise has also lead to a quantum jump in revenue collections. **However, no separate data is maintained regarding the revenue accrued on account of such potential tax payers joining the tax payers' family**."

26. In the Budget for 2001-2002 it has been proposed that the income tax base may be widened further by extending the one-by-six scheme to all urban areas in the country as defined by the 1991 census and to make compulsory the quoting of Permanent Account Number (PAN) by every person deducting or collecting tax at source in certain returns and certificates.

The Government has made the following projection regarding the growth of Tax Base by taking into account the number of new assessees who will be brought under the tax net :-

Financial year	Projected No. of assessees at the end of Financial year (No. in crores)
2000-2001	2.50
2001-2002	3.00
2002-2003	3.60
2003-2004	4.30
2004-2005	5.00

27. The Committee observe that despite the contention of the Ministry of Finance that the measures underway to widen the tax base through one by six scheme have reaped enormous successes and achieved desired results, about 96 percent of the new assessees amongst non company asseesees is accounted for in the low income range of upto Rs. 2 lakh while about 75 percent in the case of corporate assessees is in the income range below Rs. 5 lakh. They are of the view that unless slab-wise income statistics of new assesses are generated and the resultant revenues

accrued from these asseesees are compared with the additional revenue collections since the adoption of this scheme, the contention advanced by the Government cannot be accepted carte-blanche. They, therefore, desire that generation of Income statistics slab-wise should be seriously pursued forthwith.

Demand No. 34
Direct Taxes
Scheme of pre-emptive purchase of Immovable properties by Central Government

28. With a view to countering tax evasion and to curb the circulation of unaccounted money in real estate transactions, a new Chapter XX-C was inserted in the Income Tax Act, 1961, with effect from 1 October 1986 empowering the Central Government to purchase immovable properties in certain cases of transfer.

The Scheme is implemented by a high level body of the Appropriate Authorities comprising of two Commissioners of Income Tax Department. The power of Pre-emptive Purchase is exercised in case of transactions where the Appropriate Authority is of the view that the consideration for transfer of the properties has been understated in the agreement to transfer. When the scheme was introduced in 1986 it was operative in only 4 metropolitan cities. It has since been extended to 28 cities throughout the country. Prior to 31.7.95, a uniform limit of Rs. 10 lakhs was prescribed for all the cities notified under the Scheme. At present, the Transactions exceeding Rs. 75 lakhs in Mumbai, exceeding Rs. 50 lakhs in Delhi, exceeding Rs. 25 lakhs in Pune, Bangalore, Calcutta, Chennai, Ahmedabad and exceeding Rs. 20 lakhs in the other specified cities fall within purview of the scheme.

29. In pursuance of the recommendation of the Committee on the issue of extension of the scheme to other cities, in their Seventh Report on Demands for Grants (2000-2001) of Ministry of Finance (Department of Revenue), the Department in their action taken notes has inter alia stated as under :-

> "The Committee's recommendation that the scheme of pre-emptive purchase of immovable properties (Chapter XXC of the Income Tax Act) should be extended to the other cities also is fully acceptable."

30. When further asked about details of official instructions/orders issued in this regard the Department elaborated as under :

> "A proposal for extending the scheme of pre-emptive purchase of immovable property (Chapter XXC of the Income Tax Act) to cover all major cities of the country was sent to the TPL Section vide F.No. 316/74/98-OT. It has been ascertained that his issue

was included in the pre-budget discussions. However, no decision could be taken for including the proposals in this regard in the Finance Bill, 2001 (F.No. 142/9/2000-TPL)"

31. Closely related to the success of the scheme is the performance of the Valuation Cells. When asked to furnish the details of the measures initiated to streamline the functioning of Valuation Cells and the status of pendency of cases before them the Department has communicated that :

"various steps being taken to streamline the functioning of the Valuation Cell are as follows :-

(i) A proposal has been forwarded for the restructuring and redistribution of the administrative control of District Valuation Officers over the Valuation Units for smoother functioning and proper supervision of the Valuation Cell. This proposal has been referred to the AD-VII Section vide F.No. 319/5/98-WT and is presently pending before them for passing of the necessary orders for abolition/creation of posts at various levels.

(ii) A proposal is presently under consideration (F.No. 319/2/2000-WT) for making changes in the Annual Output Norms for District Valuation Officers/Valuation Officers and Assistant Valuation Officers. The Annual Output Norms indicate the number of reports which a Valuation Officer is supposed to complete in a year.

Financial Year	Opening balance of references	References received during the year	References disposed during the year	References pending at the end of the year	Declared value of properties (in Rs. crores)	Assessed value of properties (in Rs. crores)
1995-96	1175	7484	7495	1164	582.16	1834.42
1996-97	1164	7548	7528	1184	592.36	1766.33
1997-98	1184	6286	6209	1261	646.73	1942.64
1998-99	1261	4347	4629	979	659.65	1323.50
1999-2000	979	6135	5802	1312	787.36	2434.32
2000-2001 (upto Feb. 2001)	1312	4965	4558	1719	728.20	1586.70

32. It has been reported in the press that as per a study conducted recently, the black money is about 40 percent of GDP which works to about Rs. 8,00,000 crore per annum. When asked about the measures to contain the generation and circulation of black money the Department has stated that :

"The Government is aware of the above study. However, this study is only one of several studies conducted by various authors, research scholars, etc. at their own level and has not been conducted at the instance of the Government. The only study conducted at the instance of the Government. The only study conducted at the instance of the Government is the one conducted by the National Institute of Public Finance and Policy, which had estimated the Black money generated in 1983-84 between Rs. 31584 crores to Rs. 36786 crores at 18 to 21% of GDP. The authors of this study had admitted in their report that the estimate was based on numerous assumptions and approximations, each of which could challenged. The suggestions of this study by the National Institute of Public Finance and a Policy were reflected in the LONG TERM FISCAL POLICY of the Government. Thus, the Government is aware of the problem of black money and necessary legislative, fiscal and administrative measures are continuously taken to detect the black money and to check the rise of its extent. Rates of taxation have been progressively rationalised. Various provisions in the Income Tax Act; like compulsory maintenance/audit of accounts in appropriate cases under sections 269SS, 269T, pre-emptive purchase of properties and penalties/prosecutions for punishing tax defaulters; are aimed at preventing generation of black money. Searches and surveys in appropriate cases are continuously undertaken to unearth the black money. General information is also gathered by the Central Information Branches of the Income Tax Department about various financial transactions. Simplifications of procedures for filing returns and making payment of taxes are also directed towards greater compliance by the taxpayers, which will be anti-dote to tax evasion."

33. The Committee observe that though the number of references to Valuation Cell have been coming down significantly over the years, the total number of cases pending at the end of the year have been increasing since 1995-96, except during 1998-99. The Committee strongly believe that efficient functioning of Valuation Cells have a positive overbearing on the performance of the Scheme of Pre-emptive purchase of Immovable properties by the Central Government. The Committee strongly feel that the proposal to fix annual output norms in the case of District Valuation Officers is an appropriate step to streamline the functioning of Valuation Cells and should be favourably considered for implementation at the right earnest. The Committee are also of a strong belief that proliferation of black money should be checked by all means as the same has a tendency to whittle down the credibility and efficient functioning of the entire system. They, therefore, while reiterating their earlier recommendation on extending the Scheme of Pre-emptive Purchase of Immovable Property by Central Government to other cities, desire that Govt. rather than being complacent by initiating half

hearted measures should sincerely make efforts to extend the Scheme to other cities as well.

34. Despite the instruments such as Survey, Search and Seizure operations at the command of the Department of Revenue, the fact remains that the unaccounted income in the economy has grown in size over the years. The frequent amnesty schemes are the explicit admission of the failure of the department in this respect. The Committee, recommend that in order to ascertain the flow and stock of unaccounted wealth in the economy and to suggest ways and means to check its proliferation, an expert group should be constituted and assigned the task to conduct a comprehensive study, within three months of presentation of this report.

Demand No. 34
Direct Taxes
Major Head : 2020
Minor Head : 00.001
Detailed Head : 03.00.13

Office Expenses

35. 'Office Expenses' covers expenditure on postage stamps, telephones, office equipments, vehicles, printing of forms, stationary, purchase of hardware and software for computerisation etc. The Budget Estimates, Revised Estimates and Actuals are given below :-

(Rupees in 000's)

Year	BUDGET ESTIMATES	REVISED ESTIMATES	Actuals
1995-96	5,15,00	9,20,00	6,62,30
1996-97	5,23,00	10,26,00	9,73,74
1997-98	10,25,50	44,26,15	39,41,55
1998-99	44,27,50	59,32,80	20,97,10
1999-2000	45,29,50	45,29,00	40,41,74
2000-2001	35,31,00	31,88,00	
2001-2002	40,39,50		

36. From the above given data it is seen that the Budgetary outlays under this head have gone up by more than 700 percent since 1995-96. While enlightening on the reasons for said hike in outlays the Department has stated that :-

> "Major portion of the budget provision under this head is meant for implementation of the comprehensive computerisation programme being implemented in a phased manner in the Income Tax Department. The increase in the allocation is on account of expansion of the programme to more and more centres with a view to cover almost all major cities/offices all over the country."

37. Supplementing on the issue of glaring underutilisation of Budgetary allocations made at RE stage since 1995-96 particularly during 1998-99 the Department has stated as under :-

> "The requirement of funds are made keeping in view the progress of computerisation programme. However, some of the proposals for purchase of hardware/software and other related equipment could not be finalised before the close of the financial year."

38. While elaborating the steps that are being taken to ensure closer monitoring and strict adherence of set target pertaining to the implementation of the computerisation of Income Tax operations, the Department in its action taken notes on Seventh Report on Demands for Grants (2000-2001) of Ministry of Finance (Department of Revnue) has inter-alia stated that :-

> "Computerisation had been part of Annual Action Plan of the Central Board of Direct Taxes (CBDT) since 1998-99. This area of work will continue to be part of the Annual Action Plan of the CBDT in the current year as well. Quarterly review of the Annual Action Plan relating to computerisation at the level of finance Secretary is being scheduled."

39. The Committee are deeply concerned to note that though the comprehensive computerisation of income tax operations have been made part of annual action plan of the Central Board of Direct Taxes (CBDT) since 1998-99, the funds allocated to implement the programme remains underutilised to the tune of Rs. 38.35 crore and Rs. 4.8 crore during 1998-99 and 1999-2000, respectively. The Committee are of the opinion that failure on the part of department to implement the programme within the fixed time frames would only further delay the implementation of a whole array of allied tasks closely linked with this programme such as expeditious disposal of refund claims, tracking the slippages of revenue collections, cross checking the PAN details of the asseessees, pursuing the stop-filers and non-filers etc., and the same can become a grave bottleneck if not tackled in time. They, therefore, recommend that precedence of first order should be accorded for the expeditious implementation of the programme of computerisation of Income Tax operations.

Demand No. 34
Direct Taxes
Major Head : 2020
Minor Head : 00.001
Detailed Head : 01.00.27

Minor Works

40. The Budgetary outlays earmarked under the head 'Minor Works' are meant to cater to the expenditure needs of repairs and maintenance of departmental buildings. The Budget Estimates, Revised Estimates and Actuals are given below :-

(Rupees in 000's)

Year	BUDGET ESTIMATES	REVISED ESTIMATES	Actuals
1997-98	--	30	30
1998-99	50,00	1,25,00	56,90
1999-2000	2,00,00	1,80,00	2,97,78
2000-2001	2,49,00	2,59,00	
2001-2002	2,79,00		

41. It is seen from the above given data that the Budgetary provision which was Rs. 30,000 at RE stage during 1997-98 has increased to Rs. 2.79 crore within a time span of four years. When asked about the reasons behind the upward revision during the said years and the reasons for over-utilisation of Revised Estimates to the tune of more than Rs. 1 crore during 1999-2000, the Department has replied as under :-

> "Earlier, maintenance of all government buildings was being done by CPWD from their own budget. As centralised budgetary system was discontinued by CPWD, token provision was made in 1997-98 for maintenance of departmental buildings of I.T. Department. This was increased in subsequent years depending on the requirements projected by various budgetary authorities."

42. It has been observed that the Revised Estimates under this head were underutilised in 1998-99 and overutilised in 1999-2000 to the tune of Rs. 68.1 lakhs and Rs. 1.17 crore, respectively. The steep

underutilisation and glaring overutilisation of funds highlight the fact that the utilisation of funds by the Department have not proceeded as per the course envisaged at BE and RE stages. The Committee are of the considered opinion that the estimates submitted by the budgetary authorities were included in the budgetary estimates without thorough scrutiny and vetting. Hence, they desire that clear guidelines should be issued to all concerned, outlining the factors that should be taken care of prior to forwarding an estimate to the department. A case to case scrutiny of the proposals submitted should also be invariably undertaken to project estimates realistically.

Demand No. 34
Direct Taxes
Major Head : 2020
Minor Head : 00.001
Detailed Head : 01

Total – Commissioners and their Offices

43. This head is meant for total expenditure of all object heads in respect of Commissionerate and their field offices under Income Tax Department. the Budget Estimates, Revised Estimates and actuals of the the head are given below :

(Rupees in 000's)

Year	BUDGET ESTIMATES	REVISED ESTIMATES	Actuals
1995-96	365,83,84	402,45,55	396,07,85
1996-97	430,95,48	445,39,24	444,03,78
1997-98	459,55,34	6,23,77,61	610,83,49
1998-99	671,48,24	744,11,73	736,57,38
1999-2000	761,78,70	793,00,39	772,95,28
2000-2001	851,70,83	837,25,79	
2001-2002	879,25,42		

44. It is seen from the above table that the Budgetary provisions allocated at RE stage under this head remained underutilised since 1995-96. When asked to furnish the details of the steps taken to project realistic estimates under this head, the Department has stated as under :

> "As the provisions are made under this head in respect of 75 budgetary authorities, it is difficult to project the requirement with accuracy. However, all the budgetary authorities are advised from time to time to project their estimates as realistic as possible."

45. In its reply to a query on the issue of registered hike in the expenditure to the tune of Rs. 513 crore within a span of six years the Department has stated that :

> "The increase of Rs. 513 crores during last six years is attributed mainly to the increase in Salary (Rs. 370 crores) and the increase in Office Expenses (Rs. 100 crores) for development of infrastructure with a view to mobilise collection of tax revenue."

46. The Committee observe that the Department has resorted to steep hike in the budgetary outlays under this head at Revised Estimates stage since 1995-96 and the allocations were grossly underutilised to the tune of Rs. 6.3 crore, Rs. 1.3 crore, Rs. 12.9 crore, Rs. 8.5 crore and Rs. 20 crore during 1995-1996, 1996-1997, 1997-1998, 1998-1999 and 1999-2000 respectively. The Committee are at loss to understand why the Department has not been able to assess the internal needs accurately even at RE stage year after year. The reply given by Government that the increase in office expenses to the tune of Rs. 100 crore which was necessitated for development of infrastructure for mobilising collection of tax revenue, fails to satisfy the Committee in the absence of the relevant details. The Committee seriously view the lapse on the part of the department to project the requirements towards the payment of revised salaries even at RE stage accurately. They also view with concern the steep hike in the total outlays under this head. The Committee, therefore, desire that the department should closely monitor the utilisation patterns of outlays by the 75 budgetary authorities at regular intervals with a view to inculcate austerity and economy measures and under take in depth scrutiny of the proposals forwarded by the field offices.

Demand No. 34
Direct Taxes
Major Head : 2020
Minor Head : 00.108
Detailed Head : 00.00.45

Interest paid on delayed refunds of disputed tax
Interest paid on refunds of excess tax

Interest

47. This head is meant for payment of interest on excess tax refunded to a tax-payer. The Budget Estimates, Revised Estimated and Actuals are given below :-

(Rupees in 000's)

Year	BUDGET ESTIMATES	REVISED ESTIMATES	Actuals
1995-96	5,00	5,00	--
1996-97	5,00	5,00	--
1997-98	5,00	--	--
1998-99	--	--	--
1999-2000	--	--	--
2000-2001	--	--	
2001-2002	92,00,00		

48. It is found from above that actuals for the years i.e. 1995-96 and 1996-97 have not been recorded despite earmarking outlays at Budget Estimates and Revised Estimates stages. When asked for the reasons for the same, the Department has stated as under :-

> "Field offices of Income Tax Department were unable to show the element of interst separately in the refund instruments due to some practical difficulties. Hence, interest was not booked in expenditure account. Instead, it was being netted against tax revenue."

49. When asked about the rationale for pegging up a huge budgetary provision of Rs. 92 crore for the year 2001-2002 the Department has stated that :

> "It has been decided that from 2001-2002, the interest on refund of excess tax will be debited as expenditure instead of netting against tax revenue in Receipt Account. The amount has been estimated on the basis of number of assessees and tax collection."

Refunds

50. Statement showing the disposal of refund claims

Year (1)	No. of claims (2)	Disposal (3)	Pending claims (2-3)
1995-96	139314	104362	34952
1996-97	157712	107782	49930
1997-98	215546	141877	73669
1998-99	204318	107600	96718
1999-2000	470013	315583	154430
2000-2001 (up to 30.6.2000)	227686	80121	147565

51. While replying to a query on the steps taken to quicken the pace of disposal of refund claims and the interest paid on refunds since 1996-97, the Department has stated that :

"Following measures have been implemented/proposed to quicken the pace of disposal of refund claims.

(i) The computerization of Income tax Department is already in progress and it is expected that with the full computerization, the processing of refunds will be expeditious.

(ii) Policy initiative has been taken in the Finance (No.2) Act, 1998 to allow adjustment of loss from house property against income from salary at the stage of deduction of tax of source, so that the claim of direct refund does not arise in case of large number of salaried tax payers.

(iii) The work of issuance of refunds has now been carried out through Electronic Clearing Service (ECS) in the city of Bangalore for the salaried taxpayers on an experimental basis, which is likely to be extended to the other parts of the country and other segments of taxpayers. However, after noticing the initial success at Bangalore, the scheme was introduced in Chennai and Pune.

(iv) A column has been added in the return form, seeking the details of assessee's bank account so that the system of sending advices can be discontinued and assessees' bank account number is printed in the refund voucher to protect against fraudulent encashment.

(v) New procedure of accepting all returns under section 143 (1) doing away with the requirement of adjustment, introduced in the Finance Act, 1999, concentrates only on setting of refund claims made in those returns.

(vi) In the Finance Bill, 2001, the time limit for issue of refund is proposed to be reduced from two years from the end of the assessment year to one year from the end of the financial year in which the return is made.

(vii) Instructions have been issued to the effect that all refund vouchers should invariably be dispatched by Registered Post with acknowledgement due within 15 days of their determination; irrespective of the value of such refund. (Instruction No. 1946 dated 18th November, 1997).

(viii) Citizens' Charter has been issued by the Income tax Department in November, 1998 to issue the refund within 30 days of its determination.

(ix) Instructions have been issued to all the Chief Commissioners and the Directors General of Income tax to ensure that the bank advices are sent to the bank within a week of issue of refund and use the information received from RBI pertaining to late receipt of bank advices, while inspecting the work of assessing officers. It was also decided to remove the monetary ceiling of refund before which approval of superior officer was required. However, to ensure that there is no fraudulent issue of refund. CCITs have been authorized to prescribe the monetary ceiling in their region above which the approval of immediate superior officer is necessary before issue of refund.

(x) Instructions have been issued to stop selection of cases for scrutiny of assessments during the last year. Only certain compulsory scrutiny cases, namely, Search and seizure survey, set aside, reopened cases etc. will be undertaken. This will keep the available manpower free to take up the refund related work.

(xi) Department has also set up the machinery for redressal of grievance and all grievances including grievances for non issue of refunds are immediately attended to. These Grievance Cells work under the Board and also under each of the Chief Commissioner of Income tax.

(xii) Issue of refund being a sensitive area, its performance is constantly monitored by the Department. In the monthly report submitted by the field authorities, details of refund claims disposed off and those still pending are monitored.

With the help of above measures, total number of disposal of income tax refunds (direct refund claims as well as refunds arising out of appellate and revisionary order) have shown an increase from 157065 in financial year 1996-97 to 357703 in financial year 1999-2000. In financial year 2000-2001, 207307 refund claims were disposed off till 30.9.2000. In financial year 1998-99, the number of refund claim disposed off were less, as in that year, allotment of PAN was the priority area for the I.T. department. It may be stated that full effort is on to incorporate the latest technology so that in future all refund claims are processed on computer and refund issued through ECS. It is for these reasons, that in financial year 1998-99, allotment of PAN was earmarked as main priority area in the Annual Action Plan. Subsequently, the computerization is in full progress. It is expected that with full computerization, the delay in issue of refund will be reduced considerably.

The interest paid under section 244A by the Income tax authorities on refund of excess payment of taxes comes to Rs. 622.13 crore in the financial year 1996-97, Rs. 878.87 crore in the financial year 1997-98, Rs.1727.12 crore in the financial year 1998-99 and Rs. 1144.39 crore in the financial year 1999-2000.

Separate figure of interest on direct refund claims or on refund arising out of appellate and revisionary order is not compiled."

52. When asked to furnish the outgo of revenue towards interest payment on refunds (Commissionerate-wise) since 1996-97, the Department has inter alia stated as under :

> "Separate figure of interest on refund commissionerate wise is not compiled. The collection of such information from the source information kept by Assessing Officers is likely to take some time."

53. The Committee are concerned to note that despite the claim made by the Department about the implementation of policy initiatives and constant monitoring, the backlog of refund claims have been increasing at an alarming rate year after year since 1996-97. Further, the Committee are deeply perturbed to find that the revenue outgo paid towards the interest payment on refund claims has burdened the exchequer to the tune of Rs. 1727.12 crore and 1144.39 crore during 1998-99 and 1999-2000, respectively. They are of the view that there is an urgent need to accord priority for the expeditious disposal of refund claims and lighten the interest burden thereon. To achieve the said desired ends they urge that the pace of computerisation should be further quickened, the facility to issue refunds through Electronic Clearing Service extended to all cities and targets fixed for the disposal of refund claims Commissionerate wise and the same should be monitored closely. They also desire that the extent of adherence to the instructions issued to implement Citizens' Charter at field level and the performance of Grievances Cells under Chief Commissioners of Income Tax (CCITs) be closely monitored at regular intervals by the Board for achieving tangible results.

Demand No. 34

Direct Taxes

Major Head : 4059

Minor Head : 01.800

Detailed Head : 01.00.54

Investments

54. This head is meant for purchase of ready built office accomodation. The Budget Estimates, Revised Estimates and actuals are given below :

(Rupees in 000's)

Year	BUDGET ESTIMATES	REVISED ESTIMATES	Actuals
1995-96	36,53,00	13,82,00	55,25
1996-97	16,00,00	39,37,00	28,07,19
1997-98	20,00,00	14,12,00	--
1998-99	19,80,00	35,80,00	16,80,00
1999-2000	80,00,00	50,00,00	14,79,86
2000-2001	60,00,00	75,00,00	
2001-2002	85,00,00		

55. When asked the reasons for gross underutilisation under this head, the Department has stated as under :

> "Proposals for such purchases are cleared keeping in view the quality of construction and design specification certified by competent engineers, cost reasonableness, availability of accommodation etc. Though confirmed estimates were projected for the requirement of funds for various projects, the same could materialise after close scrutiny of various proposals. This led to underutilisation of estimated provisions. During 1997-98, no proposal could be cleared."

46. The Committee also found that there has been overutilisation/underutilisation under a similar head i.e. Investments meant for purchase of ready built residential buildings under this Demand no. 34. The Budget Estimates and Revised Estimates and actuals are given below :

Major Head : 4216
Minor Head : 01.111
Detailed Head : 01.00.54

Investments

(Rupees in 000's)

Year	BUDGET ESTIMATES	REVISED ESTIMATES	Actuals
1995-96	13,00,00	35,72,00	45,70,73
1996-97	40,00,00	16,63,00	29,37,78
1997-98	36,00,00	23,77,00	34,87,85
1998-99	35,50,00	19,50,00	8,65,28
1999-2000	50,00,00	30,00,00	25,74,13
2000-2001	40,00,00	15,00,00	
2001-2002	25,00,00		

57. When asked about the gross variation between Budgetary Estimates, Revised Estiamtes and actuals since 1995-96, the Department stated that :

> "Proposals for such purchases are cleared keeping in view the quality of construction and design specification certified by competent engineers, cost reasonableness, availability of accommodation etc. Though realistic estimates were projected for the requirement of funds for various projects, sometimes the same are not materialised after close scrutiny of various proposals. This led to variation between estimates and actuals."

58. The Committee are deeply pained to observe that the Budgetary provisions earmarked at Revised Estimates stage to purchase ready built office accommodation have been grossly underutilised to the tune of Rs. 13.2 crore, Rs. 11.2 crore, Rs. 14.12 crore, Rs. 19 crore and Rs. 35.2 crore duirng 1995-1996, 1996-1997, 1997-1998, 1998-99 and 1999-2000, respectively. The reasons adduced by the Department that though confirmed estimates were projected for the requirement of funds for various projects, the same could not materialise after close scrutiny of various proposals, leaves a clear impression on the Committee that the the exercise of preparations of Budget Estimates is not accorded due seriousness. The Committee are also perturbed to note that there has been gross variation between Budget Estimates, Revised Estimates

and actuals since 1995-96 under the head meant for purchase of ready built residential buildings. The Department has extended similar reasons as mentioned above for the gross variations noticed under this head.

With a view to maintain the tenets of objectivity and promote the required financial prudence, the Committee desire that the Govt. should endeavour to streamline the functioning of budgetary authorities responsible for the scrutiny of the estimates and proposals at the reviewing level and every effort should invariably be made to project the estimates realistically.

Demand No. 35
Indirect Taxes

Service Tax

59. The Service sector over the years has emerged as the fastest expanding sector. The share of the services inclusive of construction in GDP had increased from around 41 per cent in 1980-81 to almost 51 per cent in 1998-99. Tax on services was first introduced from 1 July, 1999 through the Finance Act, 1994 as a measure of widening the tax base of Indirect Taxes. The Administration of Service Tax has been vested with the Central Excise Department. The Central Board of Excise and Customs has set up a separate apex authority headed by a Director General. Commissioners of Central Excise have been authorised to collect service tax within their jurisdiction. All the commissionerates have a service tax cell or division, headed by an Assistant Commissioner. Service Tax Rules, 1994, have been framed for administration of the tax. These inter alia deal with procedures and forms for registration, records, payments and filing of returns, appeal etc.

Collections from Service Tax vis-à-vis contribution of services to GDP:

60. Receipts from service tax with reference to the contribution of services to GDP (as given in the 11th Report of the Comptroller and Auditor General of India on Service tax) are as under :

(Amount in crore rupees)

Year	GDP-service sector	Collections from service tax	Service tax collections as percentage of value added by services	GDP-manufacturing	Collections from excise duties	Excise collection as percentage of Value Added by manufacturing
1994-95	410184	410.61	0.10	155016	37208	24.00
1995-96	489531	846.16	0.17	192070	400009	20.83
1996-97	572170	1022.08	0.18	215293	44818	20.82
1997-98	646198	1515.93	0.24	239863	47763	19.91
1998-99	734169	1895.55	0.26	263481	53053	20.14
Total	2852252	5690.33	0.20	1065723	222851	20.19

From the above it is seen that while collection from central excise duties levied on manufacturing account for almost 20 per cent of the value added in the manufacturing sector, collection from service tax account for just 0.2 per cent of the value added in the service sector (excluding public administration and defence).

61. In response to a query on the issue of not so significant contribution to the overall pool of revenues from service sector despite its steep value addition to the GDP over years, the Deptt. while elaborating the steps that have been undertaken to augment the contribution from services has stated as under :-

> "The Government have taken note of the fact that the service tax is emerging as an area of promise as well as problems. In this regard, an expert group on service tax was constituted to go into all aspects connected with the field of taxing the services and to make recommendations thereon, last year. The Government after considering all the relevant factors and the interim report of the expert group have proposed for extension of the base of service tax to new areas as announced by the Finance Minister in Part-B of his budget speech for 2001-2002. The estimate of additional revenue on account of the introduction of new services under tax net is estimated to be Rs. 1000 crore in one year.
>
> However, it would be unrealistic to conclude that service tax had contributed only a very nominal sums to the overall pool of the revenues and expect that proceeds from service tax would grow in tune with its value addition to GDP as a major source additional resource mobilisation for indirect taxation because of the following reasons :

(a) The base of taxation of excise duty and service tax are not comparable as excise duty is levied on manufactured goods are covered under the tax net, whereas service tax is levied on twenty seven services specified in the Finance Act, 1994 (as on 1.3.99) and not on the entire service sector.

(b) Before imposing any tax, the Government have to take into account the legal, constitutional, economic and administrative aspects of taxation. The concept of service tax is new to the Indian economy. Considering the fact that the services sector is highly decentralised and in many cases non-tradable, the Government have adopted a cautious and selective approach in respect of this tax. Even in the case of excise duty, the taxation was selective for almost 3 decades. Though excise duty was levied since 1944 onwards, the coverage was extended over the years and all goods produced or manufactured were brought under the tax net only in 1975. In the case of service tax, the tax has been in existence only during the last 6 years and therefore, it would not be appropriate to compare this levy in any aspect with that on excise. It should also be noted that while manufacture or production is an organised activity in India mainly falling under the factory sector, it is not so in the case of services which is highly decentralised and in the informal sector.

(c) Further excise duty (CENVAT) is charged generally at the rate of 16% advalorem or more where as the rate of service tax is quite nominal at 5%.

Hence the revenue collection figures of excise duty and service tax, which have different tax rates and different bases, are not comparable.

It will be the policy of the government to increase the tax base through taxation of more services. The experience gained so far in respect of legal, compliance and administrative dimensions will be utilised gainfully in extending the base."

Inadequate and Staggered coverage of services

62. Total Collections from Service Tax is given below :

(amount in crore of rupees)

Year of levy	Number of items	Service tax collected	Value of services taxes (at 20 times of tax collected)	Value added in the service sector* (As per CSO)	(4) as a percentage of (5)
(1)	(2)	(3)	(4)	(5)	(6)
1994-95	3	410.61	8212	410184	2.00
1995-96	3	846.16	16923	489531	3.46
1996-97	6	1022.01	20440	572170	3.57
1997-98	18	1515.93	30318	646198	4.69
1998-99	30	1895.55	37911	734169	5.16

*Contribution from Public Administration and Defence has been excluded from Services –GDP

The foregoing table shows that even after extension of service tax to 30 services up to 1998-99, only five per cent of value added in the service sector has been captured in the net of service tax.

63. Statement showing the contribution of various services (as per CSO classification) to Gross Domestic product and the amount of untapped service tax at 5 per cent from 1994-95 to 99-98 :-

(Amount in crore of rupees)

Sl. No.	Name of the service	GDP contribution 1994-95 to 1998-99	Untapped service tax at 5 per cent
1.	Trade	916323.70	45816.19
2.	Banking	343149.20	17157.46
3.	Construction	306495.00	15324.75
4.	Education	210224.70	10511.23
5.	Medical & Health	70025.31	3501.27

6.	Railways	68631.36	3431.57
7.	Hotels & Restaurants	56351.32	2817.57
8.	Water Transport	30484.29	1524.22
9.	Tailoring	27966.49	1398.33
10.	Services Incidental to Transport	21074.40	1053.72
11.	Research & Scientific	15130.20	756.51
12.	Domestic services	13616.68	680.83
13.	Legal Services	13330.86	666.54
14.	Air Transport	13325.65	666.28
15.	Sanitary	13204.43	660.22
16.	Laundry, Dyeing & Dry Cleaning	8366.98	418.35
17.	Beauty shops	7079.09	353.96
18.	Religious	6067.71	303.39
19.	Storage	4642.29	232.12
20.	Recreation & Entertainment	4085.05	204.25
21.	Radio & Television	769.01	39.80
	Total	**2150370.72**	**107518.56**

From the above table it is observed that major segment of service sector have been left uncovered and the maximum revenue yielded by uncaptured segments of services sector was to the extent of Rs. 1,07518 crore during 1994-95 to 1998-99.

64. The C&AG in his 11th Report on Service tax has inter alia stated that :

> "In January 1995, a study carried out by the National Institute of Public Finance and Policy at the instance of Ministry of Finance had identified 18 categories of services for levy of service tax. … The study had estimated that the Govt. could realise at least 5000 crore per annum from such services at the then prevailing prices."

65. When asked about the break up of the number of services covered (year-wise) since submission of the observation of NIPFP and the steps proposed, if any, to tax the remaining services identified by NIPFP, the Department in its written reply has started as under :

"The details of number of services covered and the revenue collected in respect of service tax (year wise) are given below :

Period	No. of Service covered under tax net		Cumulative revenue in the year Indicated in column (1)
	No.	Cumulative Total	(Rs. in crore)
(1)	(2)	(3)	(4)
1994-95 (July 94-March 95)	3	3	407
1995-96	0	3	862
1996-97	3	6	1059

1997-98	12	18	1586
1998-99	(12-3)	27	1957
Total	27	27	5871

As already explained above, the Government have considered all the relevant factors and proposed for extension of the base of service tax to new areas as detailed in Part-B of the Finance Minister's Budget speech for 2001-2002.

The items of services identified by the NIPFP study during January, 1995 as suitable for taxation are as follows : 1) Construction and service contractors; 2) Stock real estate, customs agents and brokers; 3) Lease/distribution of cinematographic films; 4) Milling, processing, manufacturing or repacking of products for other (i.e., job work); 5) Services of professionals, including consultants, films actors, directors, etc; 6) Lease of property whether personal or real; 7) Warehoushing; 8) Hotels, motels, rest houses, inns and resorts; 9) Restaurants, cafes and other eating places, including clubs and caterers; 10) Services of dealers in securities; 11) Transport operators (taxicabs, cars for rent or hire, tourist buses and other common carriers by land, air or sea); 12) Services of franchise grantees of telephone and telegraph, radio and television broadcasting, cable TV operators; 13) Computer services; 14) Services of banks, non-bank financial intermediaries and finance companies; 15) Non-life insurance companies ; 16) Entertainment services (cinema, theatre, video parlours etc.); 17) Decorators, tent houses; and 18) Repairs and maintenance services.

Of the above, service provided by stock brokers, real estate agent or consultant, customs house agents (referred in 2 above); services of professionals such as consulting engineers, chartered accountants, cost accountants, company secretaries, management consultants, architects (5); tour operators, rent-a-cab scheme operators (11); non-life or general insurance services (15); interior decorators (17) have been already covered under the tax net. In respect of the services provided by good transport operators (11) and tent houses/pandal or shamiana contractors (17) and outdoor caterers (9) though service tax levy was imposed in 1997, considering the administrative difficulties encountered in collecting service tax, the levy of service tax on such services was withdrawn.
Further services of leasing of property (6); radio and television broadcasting (12); banking and financial services provided by banks, financial services (10 and repairs and maintenance services for automobiles (18) have also been proposed to be covered in the budget for the year 2001-2002.

Of the remaining eight services (referred in 1,3,4,7,8,9,13,16) suggested by NIPFP, -

In respect of constructions and service contractors (1) it may be noted that bulk of the construction activities in India are undertaken by the Government and they are infrastructural in nature and these are public goods. Imposing a tax on construction services would only tend to increase the cost of infrastructure whereas the policy objective is to increase infrastructural facilities and reduce their cost. Coming to private sector construction, these are mainly in the residential sector and the Government have been offering various incentives through direct taxes for construction of residential dwellings in view of the acute shortage of residential dwellings. If these factors are taken into account, it would be quite unwise to impose a service tax on construction activities.

As regards lease/distribution of cinematographic films (3) and entertainment services (16), it is submitted that a tax on entertainments falls within the purview of the States vide entry 62 of the State List. Therefore, there will be legal constraints in imposing a service tax on distribution of films, entertainment.

Job work (4) involving various processes ranging from simple packing to manufacturing activity is covered under the excise net. Hence it is not feasible to charge service tax on such activity.

In India, bulk of the organised warehousing activity (7) is done by Government Agencies and they mainly relate to storage of food grains. By its very nature, this is not a sector suitable for taxation.

Concerning hotel and restaurant services (8&9), the constitution was amended vide 46th amendment in 1982 to enable the States to levy sales tax on such activities by deeming them as "sale". Further a number of taxes operate on this activity such as sales tax, luxury tax, expenditure tax, income tax and so on. Once the activity has been deemed to be "sale", there will legal constraints in imposing a service tax on hotels and restaurants.

Computer services (13) are of crucial significance in the development of the modern economy especially in developing economy where rapid technological improvement and upgradation is a must for development. Investment in these areas is highly inadequate in India and the Government has been giving various fiscal incentives for attracting investment and developing the country's capability in this sector. Imposing a service tax will go squarely against the policy objective of the Government.

However, on receipt of the final report of the Expert Group, Government will consider the further course of action in respect of service tax levy on these ares."

66. In response to a view point expressed regarding the need to introduce an independent act in order to vest the administration with punitive powers the Department has inter-alia stated as under:

"However, the government considers that a separate Act for Service Tax is desirable''.

67. In response to a query based on the suggestion of C&AG (Report No. 11 of 2000 on Indirect Taxes) regarding the need to indicate the Permanent Account Number in the registration form, the Department has inter alia stated that :

> "The details suggested by C&AG for indicating the Permanent Account Number appears to be appropriate and could be incorporated in the ST-1 Form."

Tax incidence on Services

68. Tax Reforms Committee under the Chairmanship of Dr. Raja J. Chelliah had recommended movement towards VAT covering both commodities and Services. The Expert Group on service tax which has been constituted by Ministry of Finance in pursuance to the Finance Minister's announcement, in their interim report submitted to the Government have inter alia stated that :

> "Tax on services should be eventually integrated with central excise duties on goods to evolve into a comprehensive CENVAT on goods and services by 2004-2005"

69. In response to a view point expressed regarding the need to bring the tax incidence rate on services on par with the tax rates prevailing in the CENVAT system the Department has stated that :

"The reasoning given for adoption of 10% rate on service tax does not appear to be correct. The Tax Reforms Committee (TRC) in its interim report at page 123, had stated that " a general value added tax levied even at 10 per cent covering imports and domestically produced commodities and services plus a selective excise at a limited number of higher rates on a few commodities should be able to fetch sufficient revenues. Hence, it may be possible to have a single unified rate of tax on goods and services alike under VAT system. Unless and untill such a system of tax is introduced, it is not possible to charge goods and services alike on the basis of uniform tax on value addition.

Further, no suggestion was made by TRC for levy of service tax at a rate equivalent to the central rate of excise duty. They had only suggested that except telephone services, the service tax should be levied at 10 per cent of the value of the transaction. However, the Government after considering all the relevant factors, had imposed service tax at a rate of 5%. As service tax is new to the Indian economy and most of the services are in the decentralised sector, to make the tax acceptable to the tax payer, the rate of tax has been kept nominal at 5% and a lot of emphasis had been placed on voluntary compliance by the tax payers. At the beginning itself, if high tax rates are prescribed, the tax regime will not achieve the desired success. From the increasing trend in revenue realisation from service tax and the increase in the number of service tax assessees registered with the department, it is evident that the compliance is progressively improving. Hence the rate of service tax fixed at 5% is considered reasonable and meets the overall objective of expanding the tax base of indirect taxes, in the present circumstances. In future, if it will be feasible that excise and service tax are merged together, a common rate of 16% as a tax on goods and services alike can be considered. In the absence of a comprehensive kind of VAT that encompasses goods and services alike, higher rate of tax on services would lead to cascading effect of a high order which is not desirable."

70. The Committee note that the share of services in GDP had increased from around 41 per cent in 1980-81 to almost 51 percent in 1998-99. They are perturbed to find that the Government managed to tap only a fraction of the potential from the services sector. As against a total potential of Rs. 1,42,612.60 crore between 1994-95 and 1998-99 (at the rate of 5 per cent of total GDP from services of Rs. 28,52,252 crore), the Government managed to collect only Rs. 5,690.33 crore which was less than four per cent of the existing potential. Adding further gravity to the issue is the fact that 72 percent of the total collections come from state owned service providers namely telephone and insurance services. They are of the view that the growth trend observed in service sector is indicative of a shift of consumption expenditure from manufacturing to value added services which is generally associated with the process of economic development. This structural transformation has long term fiscal implications. Failure to tax adequately this significant proportion of the consumption spending could result in adversely affecting elasticity of indirect tax revenues which is already under pressure due to substantial reduction in Customs Tariffs and rationalisation of excise duty structure. They, therefore, recommend that instead of adopting adhoc measures to capture a few segments / sub segments of the service sector under the tax net, the Govt. should make sincere and concerted efforts the comprehensive coverage of the service sector under the tax net.

71. The need for an independent Act on Service tax gains credence from the nature of permanency of levy of service tax in the realm of resource mobilisation, its expanding coverage and promising revenue yielding capacity.

The Committee are of the considered opinion that revenue collections from the tax levied depend to a large extent on legislative and administrative support. Hence, they desire that the Government should introduce an independent Act on Service tax with a view to bringing multitude of service providers including self employed persons under the tax net and vesting the revenue authorities with punitive powers which are at par with administration of other taxes and levies.

72. Despite the recommendation of the Tax Reforms Commission and Expert Group on Service tax that levy on services should eventually be integrated with Central Excise duties, the Govt. seems to be reluctant to concur with the idea per-se. Keeping in view the inbuilt tax buoyancy of services and their increasing share towards the growth of GDP, the Committee recommend that incidence of taxation on services should be progressively increased to bring these at par with the CENVAT rate. They also desire that inclusion of PAN details in the ST-1 form should be given a serious thought to help the revenue authorities to cross check and correlate the facts and figures provided by the assessees.

Demand No. 35
Indirect Taxes
Major Heads : 2037 – Customs excluding Coast Guard Organisation and 2038 – Union Excise Duties
Object Head : 52

Machinery & Equipment

73. This head is meant for procurement, repair and maintenance of boats and crafts for sea patrolling, tele-communication equipments, hiring of helicopters for surveillance, etc. The Budget Estimates, Revised Estimates and actuals are given below :-

(Rupees in 000's)

Year	BUDGET ESTIMATES	REVISED ESTIMATES	Actuals
1995-96	10,36,00	7,53,00	6,54,31
1996-97	32,07,75	19,24,00	6,77,36
1997-98	19,20,50	15,26,50	7,62,86
1998-99	19,32,50	14,27,00	7,01,22
1999-2000	14,31,50	13,70,10	5,05,76
2000-2001	12,42,50	6,83,40	
2001-2002	6,66,40		

74. From the above table it is seen that despite steep downward revision of provisions at RE stage the outlays were grossly underutilised. Elucidating the reasons for underutilisation the Department stated that :

> "The outlays under this head have been progressively down sized over the years. ;Procurement of various equipments are being made more from the Custom Special Fund for acquisition of anti-smuggling equipments to minimise pressure on budgetary provision. Although the budgetary provision under the head has been substantially reduced, there has been under-utilisation of funds owing to non-finalisation of certain procurement proposals of machinery and equipment due to the factors that could not be anticipated while framing the estimates."

75. The Committee observe that despite progressively downsizing the Budgetary Estimates at RE stage, the outlays were grossly underutilised to the tune of Rs. 98.69 lakh, Rs. 12.56 crore, Rs. 7.63 crore, 7.2 crore and Rs. 8.6 crore during 1995-96, 1996-97, 1997-98, 1998-99 and 1999-2000, respectively. The Committee are deeply perturbed to notice that though adequate funding has been made to meet the infrastructural needs for surveillance over high seas from the limited scarce resources of the exchequer the same have been idly locked up year after year. The Committee are of the view that underutilisation of funds on account of non-finalisation of certain procurement proposals of machinery and equipment reflect the inability and lack of keen interest on the part of the Department to foresee and project the requirements at the mid-year review stage realistically, year after year. The callous attitude of the Department on the budgetary front calls for a serious review of the system in operation. The Committee, therefore, desire that all out efforts should be sincerely made to project the estimates realistically.

Demand No. 35
Indirect Taxes
Major Head : 4216
Minor Head : 01.108
Sub head : 01
Detailed head : 01.00.54

Residential Buildings for Customs and Central Excise Employees

Investments

76. The budgetary provisions under the head 'Investments' are meant for procurement of ready built residential accommodation for use of officers and staff of Customs and Central Excise Departments. The Budget Estimates, Revised Estimates and Actuals are given below :

(Rupees in 000's)

Year	BUDGET ESTIMATES	REVISED ESTIMATES	Actuals
1995-96	40,00,00	40,00,00	42,49,84
1996-97	70,00,00	45,00,00	40,46,44
1997-98	70,00,00	44,80,00	46,22,28
1998-99	69,20,00	50,00,00	48,42,01
1999-2000	55,00,00	49,50,00	36,43,94
2000-2001	55,00,00	19,00,00	
2001-2002	34,00,00		

77. From the above table it is seen that inspite of steep downward revision of Budgetary Estimates under this head the same have remained grossly underutilised. The Department while elucidating upon the reasons for downward revision and the above mentioned underutilisation has stated that :

> "The procedure for procuring ready built accommodation is quite lengthy, which involves obtaining of clearance from Negotiation Committee, Committee on Non-plan Expenditure authorities like CPWD, etc. The budget provision every year is therefore, reviewed at RE stage on the basis of the progress made during that year in fulfilling various procedural formalities. This has resulted in downward revision of the provision at RE stage. Inspite of downward revision of the budgetary estimates, there has been underutilisation of funds owing to non-finalisation of certain purchase proposals due to factors that could not be anticipated at the time of framing the estimates."

78. The Committee also noticed that there has been considerable variation in the utilisation of budgetary allocations made under the object head ' Purchase of Ready built Non-residential Accommodation'. The details of Budget Estimates, Revised Estimates and actuals are given below :

(Rupees in 000's)

Year	BUDGET ESTIMATES	REVISED ESTIMATES	Actuals
1995-96	5,00,00	5,00,00	--
1996-97	5,00,00	5,00,00	8,70,90
1997-98	5,00,00	5,00,00	5,18,36
1998-99	5,00,00	5,00,00	3,80,57
1999-2000	6,00,00	5,50,00	6,44,61
2000-2001	6,00,00	6,00,00	
2001-2002	6,00,00		

79. From the above given details it is seen that except during 1998-99 the provisions made at RE stage under this object head have went beyond official estimates, when asked about the reasons for the same, the Department has stated as under ;

> "The actual expenditure under this head has exceeded the revised estimate during the years 1996-1997, 1997-1998 and 1999-2000 due to opening of new offices and acquiring of premises for their use. In the year 1998-1999, there has been some under utilisation, as some of the on going purchase proposals did not materialise."

80. In response to a query whether the Investments made under this head had a positive over bearing in reducing outlays under Rent, Rates and Taxes, the reply of the Department reads as under :

> "Investment made under this head has not resulted in any significant savings under the head 'Rent, Rates and Taxes'. This is on account of the fact that this investment has been made primarily for providing accommodation for the newly created offices of Customs and Central Excise Commissionerates. Most of the existing offices of these Commissionerates are however, still functioning from their erstwhile premises. As rents of these buildings are required to be revised periodically in terms of contracts with landlords, there is hardly any scope for saving under the head RRT. It may however, be mentioned that even where these offices are accommodated in Govt. owned buildings, Municipal taxes are required to be paid from the provisions under this head. Since these taxes are being regularly revised upwards by the various Municipal Authorities, the scope for savings under this head gets further reduced."

81. The Committee are concerned to note that the Department has been repeatedly resorting to steep downward revision of the Budgetary provisions earmarked for the procurement of ready built residential accommodation at RE stage year after year since 1996-97. The Committee are informed that the procedure to procure the ready built accommodation is quite lengthy which involves obtaining of clearance from Negotiation Committee, Committee on Non-plan, Expenditure, authorities like CPWD, etc. The Committee fail to appreciate the reasons forwarded for steep downward revision and gross under utilisation which have been happening under this head since 1996-97. They are of the opinion that had the Department undertaken serious review of the proposals to purchase ready built flats with desired insight and had pursued and monitored the goals set at BE/RE stages with greater vigour, locking up of huge budgetary grants unnecessarily could have been avoided. The Committee take serious note of the apathetic attitude of the Department in fixing realistic estimates and recommend that every effort should invariably be made to utilise the budgeted amounts within the financial year itself and steps taken to inculcate financial prudence within the Department for fixing realistic estimates.

82. The Committee also observe that scant regard has been paid to abide by the estimates made at RE stage under the object head of purchase of Ready built Non-Residential Accomodation and the overutilisation of funds spanned to the tune of Rs. 3.70 crore, Rs. 18 lakhs and Rs. 94.6 lakhs during 1996-97, 1997-98 and 1999-2000, respectively. They are of the view that repeated failure to project realistic estimates year after year even at RE stage amply highlight the casual approach followed within the Department while making the budgetary projections and the same calls for further explanation. The Committee, therefore, recommend that in order to bring in an objective assessment into the whole exercise that the budgetary authorities are responsible for, the department should scrupulously ensure that the estimates are reviewed thoroughly both at BE and RE stages every year.

83. Primarily to reduce the rising recurring expenditure towards the payment of rent of the existing offices of Customs and Central Excise Commissionerates, the Committee desire that henceforth, the procurement policy of ready built non-residential accommodation for office purpose should be further extended to purchase of premises for the existing offices also.

NEW DELHI;
23 April, 2001
3 Vaisakha, 1923(Saka)

(SHIVRAJ V. PATIL)
Chairman,
Standing Committee on Finance.

MINUTES OF THE EIGHTH SITTING OF STANDING COMMITTEE ON FINANCE

The Committee sat on Tuesday, 17 April, 2001 from 1500 to 1910 hours.

PRESENT

Shri. Shivraj V. Patil – Chairman

MEMBERS

LOK SABHA

2. Smt. Renuka Chowdhury
3. Shri M.V.V.S. Murthy
4. Shri Rupchand Pal
5. Shri Prakash Paranjpe
6. Dr. Sanjay Paswan
7. Shri Annasaheb M.K. Patil
8. Shri Varkala Radhakrishnan
9. Shri Pravin Rashtrapal
10. Shri Ram Singh Rathwa
11. Shri Kirit Somaiya
12. Shri Kharebela Swain

RAJYA SABHA

13. Shri S.S. Ahluwalia
14. Shri Krishna Kumar Birla
15. Shri Suresh A. Keshwani
16. Dr. Manmohan Singh
17. Shri Narendra Mohan
18. Shri Praful Patel
19. Shri P. Prabhakar Reddy
20. Shri N.K.P. Salve
21. Shri Solipeta Ramachandra Reddy

SECRETARIAT

1. Dr. (Smt.) P.K. Sandhu	-	Joint Secretary
2. Shri P.K. Grover	-	Deputy Secretary
3. Shri S.B. Arora	-	Under Secretary

WITNESSES

MINISTRY OF FINANCE
(Department of Revenue)

1. Dr. S. Narayan, Secretary
2. Dr. G.C. Srivastava, Additional Secretary (Adm.)
3. Shri Sukumar Shankar,Chairman, Central Board of Excise & Customs (CBEC)
4. Shri A. Balasubramanian, Chairman, Central Board of Direct Taxes (CBDT)
5. Shri Gopal Achari , Director General, Narcotics Control Bureau
6. Shri P.N. Malhotra, Member (Customs) CBEC
7. Shri A.K. Pandey , Member (AS&P&V) CBEC
8. Shri R.K. Chakraborty, Member (L&J) CBEC
9. Shri N. Raja, Chief Vigilance Commissioner (CBEC)
10. Shri O.P. Srivastava, Member (IT) CBDT
11. Shri R.K. Pathania , Member (A&J) CBDT
12. Shri Raj Narain, Member (L) CBDT
13. Shri Prashant Mehta , Joint Secretary (NCB&A)
14. Shri T.R. Rustagi, Joint Secretary (TRU) CBEC
15. Shri Lakhinder Singh, Joint Secretary (Legal) CBEC
16. Shri A.N. Prasad, Joint Secretary (TPL-I) CBDT
17. Shri G.C. Srivastava, Joint Secretary (TPL-II) CBDT
18. Shri B.S. Meena, Joint Secretary (Admn.) CBEC
19. Ms. Charusheela Sohoni, Joint Secretary (Admn.) CBEC
20. Shri N.R. Rayalu, FA(F)
21. Shri Rajendra Prasad, Additional Director General (Vig.), CBEC
22. Shri S.S. Ranjhen, Joint Secretary (DBK)
23. Shri R. Battacharjee, Narcotics Commissioner
24. Shri S.K. Goel, Chief Controller of Factories
25. Shri B.M. Mehra , Secretary, Settlement Commission (IT/WT)
26. Ms. Usha Sehajpal, Pr. Chief Controller of Accounts CBEC
27. Shri K.B. Chopra , Pr. Chief Controller of Accounts, CBDT

The Institute of Chartered Accountants of India

1. Shri Sunil Goyal, Chairman, Fiscal Laws Committee
2. Shri Talati, Council Member
3. Shri R. Devarajan, Secretary, Fiscal Laws Committee

The Delhi Parsi Anjuman /Chitshakti Trust

1. Smt. Nergish
2. Lt. Gen Adi Sathna
3. Shri Dadi Mistry
4. Dr. Tamali Sengupta

All India Rubbersied Coir Products Manufacturers' Association

1. Shri S. Sundaresan, President
2. Shri Ravi Agarwal, Vice President
3. Shri Shankar Ram, Member
4. Shri Pukhraj Jain, President, Karnataka Curled Coir Manufacturers Association

Forum of Acrylic Fibre Manufacturers

1. Shri R.K. Garg, President FAFM and MD, Indian Acrylics Ltd.
2. Anil Rajvanshi, Executive Director

Federation of All India Textile Manufacturers' Association

1. Shri Arvind Kumar Poddar, President
2. Shri Dinesh Parekh, Member
3. Shri Chintanbhai Parekh, Member
4. Shri Kamal Oswal, Member
5. Shri Arun Churiwal, Member

2. At the outset, the Chairman welcomed the representatives of Ministry of Finance (Department of Revenue) to the sitting of the Committee and invited their attention to the provisions contained in Direction 55 of the Directions by the Speaker.

3. The Committee then took oral evidence of representatives of Ministry of Finance (Department of Revenue) on Demands for Grants (2001-2002) of the Ministry of Finance (Department of Revenue) and other related matters.

4. The evidence was concluded.

5. A verbatim record of proceedings has been kept.

The witnesses then withdrew.

6. The Chairman welcomed the representatives of The Institute of Chartered Accountants of India, The Delhi Parsi Anjuman /Chitshakti Trust, All India Rubbersied Coir Products Manufacturers' Association , Forum of Acrylic Fibre Manufacturers and Federation of All India Textile Manufacturers' Association to the sitting of the Committee and invited their attention to the provisions contained in Direction 55 of the Directions by the Speaker.

7. The Committee then heard the views of the representatives of the above mentioned Institutions/Organisations on the proposals contained in the Budget 2001-2002

8. The evidence was concluded.

9. A verbatim record of proceedings has been kept.

The witnesses then withdrew.

(Committee then adjourned)

MINUTES OF THE TENTH SITTING OF STANDING COMMITTEE ON FINANCE

The Committee sat on Tuesday, 23 April, 2001 from 1500 to 1700 hours.

PRESENT

Shri. Shivraj V. Patil – Chairman

MEMBERS

LOK SABHA

2. Smt. Renuka Chowdhury
3. Shri Brahmanand Mandal
4. Shri Kamal Nath
5. Shri Prakash Paranjpe
6. Dr. Sanjay Paswan
7. Shri Annasaheb M.K. Patil
8. Shri S. Jaipal Reddy
9. Shri C.N. Singh
10. Shri Kirit Somaiya
11. Shri Kharebela Swain

RAJYA SABHA

12. Shri Krishna Kumar Birla
13. Shri K. Rahman Khan
14. Shri Suresh A. Keswani
15. Dr. Manmohan Singh
16. Shri N.K.P. Salve
17. Shri Amar Singh
18. Shri Solipeta Ramachandra Reddy

SECRETARIAT

1. Dr. (Smt.) P.K. Sandhu	-	Joint Secretary
2. Shri P.K. Grover	-	Deputy Secretary
3. Shri S.B. Arora	-	Under Secretary
4. Shri N.S. Hooda	-	Assistant Director

2. At the outset Chairman welcomed the Members to the sitting of the Committee. Then the Committee took up for consideration and adoption of the following draft reports on Demands for Grants (2001-2002) of (I) Ministry of Finance (Departments of Economic Affairs & Expenditure), (II) Ministry of Finance

(Department of Revenue), (III) Ministry of Planning, (IV) Ministry of Statistics and Programme Implementation and (V) Department of Disinvestment.

3.	X	X	X	X
	X	X	X	X

4.	X	X	X	X
	X	X	X	X

5. Thereafter, that they took up for consideration the draft report on the Demands for Grants (2001-2002) of the Ministry of Finance (Department of Revenue). The Committee considered the propriety and desirability of inclusion of their observations on the deposition made before them by the following organisation in their report :-

(i) The Institute of Chartered Accountants of India;
(ii) The Delhi Parsi Anjuman;
(iii) All India Rubberised Coir Products Manufacturers Association;
(iv) Forum of Acrylic Fibre Manufacturers
(v) Federation of All India Textile Manufacturers Associations.

X	X	X	X
X	X	X	X

The Committee adopted the draft report with the amendments shown in *annexure II.*

6.	X	X	X	X
	X	X	X	X

7.	X	X	X	X
	X	X	X	X

8. The Committee authorised the Chairman to finalise the draft Report in the light of modifications as also to make verbal and other consequential changes arising out of the factual verification and present the same to both the Houses of Parliament.

(Committee then adjourned)

Annexure II

Amendments made by the Committee in the draft report on Demands for Grants (2001-2002) of Ministry of Finance (Department of Revenue)

(i) Page 14, after para 14, insert the following :

"Demand no. 33
Deptt. of Revenue

Budget Proposals

15. The representatives of the following organisations deposed before the Committee on the proposals contained in the Annual Financial Statement (2001-2002) :

(i) The Institute of Chartered Accountants of India;

(ii) The Delhi Parsi Anjuman;

(iii) All India Rubberised Coir Products Manufacturers Association;

(iv) Forum of Acrylic Fibre Manufacturers.

(vi) Federation of All India Textile Manufacturers Associations.

16. The Institute of Chartered Accountants of India in their post budget memoranda submitted to the Committee has inter alia stated as under :-

> "Due dates for filing of returns
>
> Clause 54 – Substitution of sub-section (1) for the existing one in section 139 w.e.f. A.Y. 2001-002
>
> The above proposed sub-section (1), inter alia, specifies due dates for the purpose of filing returns of income. Explanation 2 in this regard reads as follows :
>
> In the sub-section, "due date" means :
>
> (a) where the assessee is a company, the 31st day of October of the assessment year;
> (b) in the case of a person other than a company, referred to in the first proviso to this sub-section, the 31st day of October of the assessment year;
> (c) in the case of any other assessee, the 31st day of July of the assessment year.

The proposed preponement in dates for filing of returns may pose practical problems due to the following reasons :

(i) Budget will be passed around mid of May leaving only two months for tax audit.

(ii) In case of exporters getting deduction, say, under section 80HHC or 80HHE, the consideration is permitted to be received in or brought into India by the assessee within a period of six months from the end of the relevant previous year i.e. 30th September. Issuing audit reports prior to this date will only increase the follow up and administrative work of the department.

(iii) Not all assessees have shifted to computerization in India. Therefore, the proposed dates may be difficult for them to comply with. In rural areas, mostly, accounts are handled by part time accountants.

Hence it is suggested that for all those cases where no statutory audit is required the returns may be filed by 31st July and for those cases where statutory audit is required the returns may be filed by 31st October for A.Y. 2001-2002 and for subsequent years the date for those cases where statutory audit is required may be fixed as 30th September."

17. During the course of evidence the representatives of Delhi Parsi Anjuman have apprised the Committee that with a view to promote transparency in the functioning of Charitable Institutions / Trusts it has been proposed that Charitable Institutions should publish their annual accounts in a local newspaper which they felt that would put undue financial burden on the Trusts, which are precariously surviving on donations. They further suggested that in place of above mentioned proposal the Trust may be asked to duly audit and certify their accounts by a qualified Chartered Accountant and submit the same to the Commissioner of Income Tax / Charity Commissioner/ Designated Officer in the concerned region where the trust is situated.

18. The All India Rubberised Coir Product Manufacturers Association in their presentation to the Committee have stated that the imposition of excise duty on rubberised coir materesses would adversely effect the performance of an environment-friendly agro-based industry and would further render many agricultural labourers

employed in the coir industries jobless. They, therefore, pleaded for the withdrawal of the imposition of excise duty on rubberised coir mattresses.

19. The forum of Acrylic Fibre Manufacturers while deposing before the Committee have pleaded for the creation of a level playing field to help them to compete with their counterparts who import the finished product i.e. the Acrylic fibre at 20% import tariff. In this connection they requested that the import duty on raw material used to manufacture acrylic fibre may be reduce from 35% to 5% to protect them from the onslaught of imports.

20. The representatives of Federation of All India Textile Manufacturers Associations during the course of evidence stated that the proposal to introduce the ad- valorem duty on independent textile processing houses is a retrograde step and would effect the efficient performance of the textile industries and the revenue collections thereon. Hence, they requested for the restoration of Chamber based compounded excise duty on independent textile process houses.

21. The Committee observe that the suggestions put forward by the All India Institute of Chartered Accountants of India and Delhi Parsi Anjuman do not involve any financial implications, therefore these may be considered favourably. The issues raised by All India Rubberised Coir Products Manufacturers Association, Forum of Acrylic Fibre Manufacturers and Federation of All India Textile Manufacturers Associations, however might involve some revenue implications. The Committee desire that the same may be considered appropriately."

(ii) The subsequent para nos. may be changed accordingly.