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STANDING COMMITTEE ON FINANCE
(2015-16)

SIXTEENTH LOK SABHA

MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

DEMANDS FOR GRANTS
(2016-17)

THIRTIETH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

April, 2016 / Vaisakha, 1938 (Saka)

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Presented to Lok Sabha on 28 April, 2016

Laid in Rajya Sabha on 28 April, 2016

LOK SABHA SECRETARIAT
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COMPOSITION OF STANDING COMMITTEE ON FINANCE – 2015-16

Dr. M. Veerappa Moily - Chairperson

MEMBERS

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Venkatesh Babu T.G.
4. Shri Sudip Bandyopadhyay
5. Shri Nishikant Dubey
6. Shri P.C. Gaddigoudar
7. Dr. Gopalakrishnan C.
8. Shri Shyama Charan Gupta
9. Shri Chandrakant B. Khaire
10. Shri Rattan Lal Kataria
11. Shri Bhartruhari Mahtab
12. Shri Prem Das Rai
13. Shri Rayapati Sambasiva Rao
14. Prof. Saugata Roy
15. Shri Jyotiraditya M. Scindia
16. Shri Gajendra Singh Sekhawat
17. Shri Gopal Shetty
18. Shri Anil Shirole
19. Shri Shivkumar Udasi
20. Dr. Kiritbhai Solanki
21. Dr. Kirit Somaiya

RAJYA SABHA

22. Shri Naresh Agrawal
23. Vacant*
24. Shri A. Navaneethakrishnan
25. Shri Satish Chandra Misra
26. Dr. Mahendra Prasad
27. Vacant**
28. Shri C.M. Ramesh
29. Shri Ajay Sancheti
30. Shri Digvijaya Singh
31. Dr. Manmohan Singh

SECRETARIAT

1.	Smt. Abha Singh Yaduvanshi	-	Joint Secretary
2.	Shri P.C. Tripathy	-	Director
3.	Shri Ramkumar Suryanarayanan	-	Additional Director
4.	Shri Vivek Pandey	-	Committee Assistant

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* Vacancy caused due to retirement of Shri K.N. Balagopal, MP from Rajya Sabha w.e.f. 2.4.2016
** Vacancy caused due to retirement of Shri Naresh Gujral, MP from Rajya Sabha w.e.f. 9.4.2016

INTRODUCTION

I, the Chairperson of the Committee on Finance, having been authorised by the Committee, present this Thirtieth Report (Sixteenth Lok Sabha) on 'Demands for Grants (2016-17)' of the Ministry of Finance (Department of Revenue).

2. The Demands for Grants (2016-17) of the Ministry of Finance (Department of Revenue) were laid on the Table of the House on 11 March, 2016 under Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha.

3. The Committee took oral evidence of the representatives of the Ministry of Finance (Department of Revenue) on 29 March, 2016. The Committee wish to express their thanks to the representatives of the Department of Revenue for appearing before the Committee and furnishing the material and information which the Committee desired in connection with the examination of the Demands for Grants (2016-17).

4. The Committee considered and adopted this Report at their Sitting held on 26 April, 2016.

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

New Delhi;
26 April, 2016
06 Vaisakha, 1938 (Saka)

DR. M. VEERAPPA MOILY,
Chairperson,
Standing Committee on Finance.

REPORT

PART – I

Background Analysis

I. INTRODUCTORY

1.1 The Department of Revenue exercises controls in respect of matters relating to all the Direct and Indirect Taxes through two Statutory Boards, namely, the Central Board of Direct Taxes (CBDT) and the Central Board of Excise and Customs (CBEC). A Chairman who is also ex-officio Special Secretary to the Government of India heads each Board. Matters relating to the levy and collection of all the Direct Taxes are looked after by CBDT, whereas those relating to levy and collection of customs and central excise duties and service tax fall within the purview of CBEC. The two Boards were constituted under the Central Board of Revenue Act, 1963. Both CBDT and CBEC have six Members each. The Members are also ex-officio Special Secretaries to the Government of India.

1.2 The Department of Revenue is mainly responsible for the following functions:-

- All matters relating to levy and collection of Direct Taxes.
- All matters relating to levy and collection of Indirect Taxes.
- Investigation into economic offences and enforcement of economic laws.
- Framing of policy for cultivation, processing, export and fixation of price of Opium etc.
- Prevention and combating abuse of Narcotic drugs and psychotropic substances and illicit traffic therein.
- Enforcement of FEMA and recommendations of detention under COFEPOSA.
- Work relating to forfeiture of property under Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 and Narcotics Drugs and Psychotropic Substances Act, 1985.
- Levy of Taxes on sales in the course of inter-state trade or commerce.
- Matters relating to consolidation/reduction/exemption from payment of Stamp duty under Indian Stamp Act, 1899.

- Residual work of Gold Control Act.

1.3 The Department of Revenue administers the following Acts: -

- Income Tax Act, 1961;
- Wealth Tax Act, 1958;
- Expenditure Tax Act, 1987;
- Benami Transactions (Prohibition) Act, 1988;
- Super Profits Act, 1963;
- Companies (Profits) Sur-tax Act, 1964;
- Compulsory Deposit (Income Tax Payers) Scheme Act, 1974;
- Chapter VII of Finance (No.2) Act, 2004 (Relating to Levy of Securities Transactions Tax);
- Chapter VII of Finance Act 2005 (Relating to Banking Cash Transaction Tax);
- Chapter V of Finance Act, 1994 (Relating to Service Tax);
- Central Excise Act, 1944 and related matters;
- Customs Act, 1962 and related matters;
- Medicinal and Toilet Preparations (Excise Duties) Act, 1955;
- Central Sales Tax Act, 1956;
- Narcotic Drugs and Psychotropic Substances Act, 1985;
- Prevention of Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act,1988;
- Smugglers and Foreign Exchange Manipulators (SAFEM) (Forfeiture of Property) Act, 1976;
- Indian Stamp Act, 1899 (to the extent falling within jurisdiction of the Union);
- Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974;
- Foreign Exchange Management Act, 1999; and
- Prevention of Money Laundering Act, 2002.

1.4 The department looks after the matters relating to above mentioned Acts through divisions and attached/subordinate offices whose functions are as follows :-

- **Central Board of Direct Taxes**: All matters relating to levy and collection of direct taxes.

- **Central Board of Excise and Customs**: All matters relating to levy and collection of indirect taxes.

States Taxes Wing:

Administration of Sales Tax Laws (Validation) Act, 1956, Central Sales Tax, State-level Value Added Tax (VAT), Indian Stamp Act, 1989 etc.

Narcotics Control Division:

Framing of licensing policy for cultivation of opium poppy, production of opium and export and pricing of opium & alkaloids. Coordination of the working of Committee of Management (COM) and issues relating to UN and International Organizations.

Committee of Management (COM) :

Administering the Departmental Undertakings viz. Government Opium and Alkaloid work Neemuch (M.P.) and Ghazipur (U.P.) which are engaged in processing of raw opium for export purposes and also for extraction of alkaloids from opium, which are used by the pharmaceutical industry.

Administration Division :

All administrative matters of Department of Revenue. Maintenance of CR Dossiers of the staff and officers of the Secretariat proper of the Department IRS (Group-A), IRS (Customs & Central Excise) (Group-A). Coordination work and work relating to translation of languages and implementation of Hindi.

Revision Application Unit :

Work relating to revision applications filed against the orders of Commissioners of Customs (Appeals) and Commissioners of Central Excise (Appeals) and the cases filed before 11.10.1982 against CBEC.

Integrated Finance Unit:

Tendering advice in all financial matters pertaining to Department of Revenue and its constituent units & field formations under CBDT & CBEC. Deals with expenditure and financial proposals. Prepares & examines expenditure budget for grants relating to Department of Revenue, Direct Taxes & Indirect Taxes.

Competent Authorities:

Work relating to forfeiture of property under Smugglers and Foreign Exchange Manipulators (Forfeiture of property) Act, 1976 and Chapter V-A of Narcotics Drugs and Psychotropic Substances Act, 1985.

Appellate Tribunal for Forfeited Property :

Adjudication of appeals filed by persons against orders of forfeiture of properties passed by Competent Authorities under the SAFEM (FOP) Act, 1976 and Chapter V A of NDPS Act, 1985.

Customs, Excise, Service Tax Appellate Tribunal:

Appeals against the orders of Executive Commissioners and Commissioners (Appeals).

National Committee for Promotion of Social and Economic Welfare:

Recommending projects of social and economic welfare to the Central Government for issuance of notification under section 35 AC of the Income Tax Act, 1961.

Authority for Advance Rulings:

Giving advance rulings on a question of law or fact specified in an application filed by Non-Residents in relation to transaction, which has been undertaken or proposed to be undertaken by the applicant.

Customs and Central Excise Settlement Commission:

Settlement of applications filed by the assessees under the Customs Act and Central Excise Act.

Settlement Commission (IT/WT):

Settlement of applications filed by the assessees under the Income Tax Act, 1961 and the Wealth Tax Act, 1957.

Central Economic Intelligence Bureau:

Coordinating and strengthening of the intelligence gathering activities, the investigative efforts and enforcement action by various agencies concerned with investigation into economic offences and enforcement of economic laws.

Enforcement Directorate:

Responsible for enforcement of the provisions of Foreign Exchange Regulation Act. Recommending cases for detention under the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974. Under Foreign Exchange Management Act, 1999, the Enforcement Directorate is mandated primarily as the investigation and adjudicating agency. Powers have also been conferred on the Director of Enforcement under the relevant provisions of the Prevention of Money Laundering Act, 2002.

Financial Intelligence Unit:

To coordinate and strengthen collection and sharing of financial intelligence through an effective national, regional and global network to combat money laundering and related crimes. Powers have been conferred on the Director, Financial Intelligence Unit- India under the relevant provision of Prevention of Money Laundering Act, 2002

Adjudicating Authority under PMLA:

To exercise jurisdiction, powers and authority conferred by or under the Prevention of Money Laundering Act, 2002. The Authority is empowered to confirm the provisional attachment after hearing the aggrieved parties to ensure that property is not disposed-off during the pendency of trial for scheduled offence or offence of money laundering. Income Tax Ombudsman:ν Income Tax Ombudsmen have been posted in seven cities to look into taxpayers' grievances. Indirect Tax Ombudsman:ν The Indirect Tax Ombudsman in four cities to resolve the complaints relating to public grievances against the Customs, Central Excise and Service Tax Department have been appointed.

II. BUDGETARY ALLOCATIONS AND UTILISATION

2.1 The detailed Demands for Grants (2016-17) of the Ministry of Finance were presented to Lok Sabha on 11 March, 2016. The details of the Revenue Section and Capital Section of the Demands for Department of Revenue, Central Board of Direct Taxes (CBDT) and Central Board of Excise and Customs (CBEC) for the year 2016-17 are as follows :-

(Rs. in crore)

Sl. No.	No. and Name of Demand	Revenue voted	Capital voted	Total
1.	37 - Department of Revenue	11868.99	56.00	**11924.99**
2.	38 - Direct Taxes	5187.00	202.00	**5389.00**
3.	39 - Indirect Taxes	5140.00	200.00	**5340.00**

2.2. Summary of Budgetary Provisions under Demand Nos. 37, 38 and 39 for 2014-15, 2015-16 and 2016-17 is as under :

DEMAND NO. 37
DEPARTMENT OF REVENUE

Description	Actuals 2014-15			Budget Estimates 2015-16			Revised Estimates 2015-16			Budget Estimates 2016-17		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Total-Revenue Section	..	**11332.52**	**11332.52**	..	**16081.69**	**16081.69**	..	**17072.25**	**17072.25**	..	**11869.01**	**11869.01**
Charged	..	..	..	..	0.02	0.02	..	0.02	0.02	..	0.02	0.02
Voted	..	11332.52	11332.52	..	16081.67	16081.67	..	17072.23	17072.23	..	11868.99	11868.99
Total-Capital Section	..	**0.21**	**0.21**	..	**106.00**	**106.00**	..	**10.00**	**10.00**	..	**56.00**	**56.00**
Charged	..	..	..	..	..	..	..	..	..	..	..	..
Voted	..	0.21	0.21	..	106.00	106.00	..	10.00	10.00	..	56.00	56.00
Total (Revenue & Capital)	..	**11332.73**	**11332.73**	..	**16187.69**	**16187.69**	..	**17082.25**	**17082.25**	..	**11925.01**	**11925.01**
Charged	..	..	..	..	0.02	0.02	..	0.02	0.02	..	0.02	0.02
Voted	..	11332.73	11332.73	..	16187.67	16187.67	..	17082.23	17082.23	..	11924.99	11924.99

Demand No. 37 - Department of Revenue

- Under Demand No.37 - Department of Revenue, major expenditure is towards CST Compensation to the State Governments/Union Territories, which is budgeted at Rs.10469.47 crore for 2016-17. The VAT related expenditure is budgeted at Rs. 0.01 crore for 2016-17. The expenditure on Government Opium & Alkaloid Works is budgeted at Rs. 315.65 crore for 2016-17. The other Non-Plan expenditure included in the Outcome Budget is expenditure related to implementation of VAT scheme and Special Purpose Vehicle for Goods and Services Tax Network (GSTN).

- Government decided to set up a Special Purpose Vehicle¬ (SPV) for Goods and Service Tax Network (GSTN) to create enabling environment for smooth introduction of GST. It would provide IT infrastructure and services to various stakeholders, including the Centre and States. SPV has already been set up as a Section 25 Company. A budget provision of Rs. 696.69 crore has been kept in 2016-17 for GSTN: SPV.

- Government Opium & Alkaloid Works at Ghazipur and Neemuch are processing raw opium for exports, manufacturing of opium alkaloids and other related functions. They realized revenue of Rs. 208.80 crore in 2014-15 against the RE of Rs. 287.82 crore. In 2015-16, they have realized a revenue of Rs. 198.99. crore (prov.) against the RE of Rs. 312.70 crore.

- The Government has approved construction of Rajaswa Bhawan at New Delhi at an estimated cost of Rs. 485.16 crore. A provision of Rs. 50 crore has been kept for the purpose in 2016-17.

- A system of monthly report by Administrative and Coordinating Units of respective items under Outcome Budget has been introduced. Monthly and Quarterly review of trends of expenditure and progress under Outcome Budget is done at the Department/Ministry level. Project Monitoring/ Implementation Committee have been established to review the implementation of major project items. For coordinated efforts and faster decision making in massive computerization endeavours of CBDT and CBEC, an Empowered Committee is also functional where eminent experts from Private Sector are also members.

DEMAND NO. 38

DIRECT TAXES

Description	Actuals 2014-15			Budget Estimates 2015-16			Revised Estimates 2015-16			Budget Estimates 2016-17		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Total-Revenue Section	**..**	**4093.25**	**4093.25**	**..**	**4832.36**	**4832.36**	**..**	**4610.00**	**4610.00**	**..**	**5187.00**	**5187.00**
Charged	..	..	..	..	..	..	..	..	..	..	..	..
Voted	..	4093.25	4093.25	..	4832.36	4832.36	..	4610.00	4610.00	..	5187.00	5187.00
Total-Capital Section	**..**	**69.87**	**69.87**	**..**	**576.20**	**576.20**	**..**	**142.00**	**142.00**	**..**	**202.00**	**202.00**
Charged	..	..	..	..	..	..	..	..	..	..	..	..
Voted	..	69.87	69.87	..	576.20	576.20	..	142.00	142.00	..	202.00	202.00
Total (Revenue & Capital)	**..**	**4163.12**	**4163.12**	**..**	**5408.56**	**5408.56**	**..**	**4752.00**	**4752.00**	**..**	**5389.00**	**5389.00**
Charged	..	..	..	..	..	..	..	..	..	..	..	..
Voted	..	4163.12	4163.12	..	5408.56	5408.56	..	4752.00	4752.00	..	5389.00	5389.00

Demand No. 38 - Direct Taxes

➢ Against an outlay of Rs. 505.00 crore provided in Revised Estimates 2015-16 under Information Technology, Rs. 415.44 crores has been spent during 2015-16 (upto December, 2015).

➢ An outlay of Rs. 536.00 Crore has been provided in Budget Estimates 2016-17 under Information Technology to be spent inter alia, on following major programmes/schemes:-

- Perspective Plan for Phase -III of Comprehensive Computerisation Programme in the Income Tax Department.

  - System Integration
  - All India Tax network
  - Hiring of Data Centers
  - Physical Storage of arrear Pan forms of period 2003-09.
  - Scanning of arrear Pan forms of period 2003-09

- Tax Information Network (TIN)
- Taxpayer Services
- Aaykar Sampark Kendras
- E-filing of ITRs
- E-Payment of taxes
- On-line tracking of refunds
- Refund Banker
- Centralised processing Cell (CPC) TDS -(Both paper based & e-filed)
- Data Warehouse and Business Intelligence (DW&B) Solution
- Compliance Management (CPC)

➢ For purchase/construction of office accommodation at various places, an outlay of Rs.148.00 crore has been provided under Capital Section in BE 2016-17. These include purchase of land for construction of New Ayakar Bhavan & Residential quarters at Civil lines, Nagpur and purchase of land for residential quarters, office building MSTU building and Guest house etc. at Pratap Nagar, Udaipur.

- For construction of residential buildings, an outlay of Rs. 52.00 crore has been provided under Capital Section in BE 2016-17. These include construction of 40 flats alongwith community hall, guest hall etc. at Hadaspsar, Pune and acquisition of land for construction of staff quarters Tirupati, Hyderabad.

- The initiatives and measures undertaken by the Department have focused on simplification of tax laws and procedures while providing better facilities to taxpayers and minimizing the human interface between the taxpayers and the officials. These, inter alia, include facilities for online preparation and filing of Income Tax Returns, centralized processing of returns, Refund Banker scheme which includes direct credit of refunds to taxpayer's account through ECS, e-payment of taxes, on line tracking of refunds, Tax Returns Preparer Scheme (TRPS), setting up of 60 Aaykar Sewa Kendras for single window Tax Payer Services, Aaykar Sampark Kendras (call centers) etc. Also a "Sevottam' scheme with the view to bring in excellence in public service delivery base on a newly rewritten Citizens' Charter has been initiated.

- The actual expenditure in 2014-15 under this grant was Rs. 4163.12 crore against the Revised Estimates of Rs. 4328.97 crore which shows a utilization of 99.53%. In FY 2015-16, actual expenditure till December 31, 2015 stands at Rs. 3574.90 crore against the Revised Estimates of Rs. 4752.00 crore which shows a utilization of 75.23% of RE.

DEMAND NO. 39
INDIRECT TAXES

Description	Actuals 2014-15			Budget Estimates 2015-16			Revised Estimates 2015-16			Budget Estimates 2016-17		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Total-Revenue Section	**..**	**4164.24**	**4164.24**	**..**	**5001.49**	**5001.49**	**..**	**4471.70**	**4471.70**	**..**	**5140.50**	**5140.50**
Charged	..	..	..	..	0.50	0.50	..	0.50	0.50	..	0.50	0.50
Voted	..	4164.24	4164.24	..	5000.99	5000.99	..	4471.20	4471.20	..	5140.00	5140.00
Total-Capital Section	**..**	**128.80**	**128.80**	**..**	**663.61**	**663.61**	**..**	**128.80**	**128.80**	**..**	**200.00**	**200.00**
Charged	..	..	..	..	..	..	..	..	..	..	..	..
Voted	..	128.80	128.80	..	663.61	663.61	..	128.80	128.80	..	200.00	200.00
Total (Revenue & Capital)	**..**	**4293.04**	**4293.04**	**..**	**5665.10**	**5665.10**	**..**	**4600.50**	**4600.50**	**..**	**5340.50**	**5340.50**
Charged	..	..	..	..	0.50	0.50	..	0.50	0.50	..	0.50	0.50
Voted	..	4293.04	4293.04	..	5664.60	5664.60	..	4600.00	4600.00	..	5340.00	5340.00

Demand No. 39 - Indirect Taxes

A project to consolidate CBEC's IT infrastructure at a cost of Rs. 598.97 crore was approved by the CCEA in 2007. It comprised of 7 components such as Wide Area Network (WAN, Local Area Network, linking all the offices, seaports, airports, container depots etc., setting up of data warehouse (EDW), Automation of Central Excise and Service Tax (ACES), System Integration(SI), setting up Risk Management System for easy clearance of imports etc. was taken up. Contracts for the implementation of various components of Project were awarded to the selected vendors through an open tender. All the activities under the IT consolidation project have been implemented and are in support/maintenance phase. The project has been extended upto 2016 with augmented IT infrastructure and technical support at a total cost of about Rs. 170 crore. The open tender process has already been adopted for support and maintenance of various IT components except Data Center and WAN beyond March 2016. The Risk Management system (RMS) is operational in all¬ major Customs Ports/Airports covering more than 95% of India's international trade. A new upgraded version of RMS Import Module is in operation at 89 locations. RMS Export Module is also in operation at 89 locations. Procurement of 7 more Container Scanners (3 Mobile Gamma¬ Ray Scanners and 4 Fixed X-ray Scanners) for facilitating cargo clearance is underway. Mobile and Fixed Scanners are expected to be commissioned in 2015-16. 109 Marine Vessels for strengthening anti-smuggling operations in the territorial waters have been procured. A total provision of Rs. 70.00 crores has been made for the year 2016-17. Rs. 27.42 crore, Rs. 99.88 crore, Rs. 78.64 crore, Rs. 33.20 crore, Rs. 46.52 crore, Rs. 5.45 crore, Rs. 14.80 crore and Rs.18.29 crore have been spent for the years 2007-08, 2008-09, 2009-10, 2010-11, 2011- 12, 2012-13, 2013-14 and 2014-15 respectively under these schemes. During 2015-16, Rs. 16.76 crore have been spent up to December, 2015. Single Window Service for Large Tax Payers paying excise duty, income tax/corporate tax and service tax has been set up at Bengaluru, Chennai, Mumbai and Delhi. Any person or company who has paid income tax/corporate tax of more than Rs. 10 crore or excise duty of Rs. 5 crore or service tax of Rs.5 crore during any previous year can opt to function as large taxpayer by giving consent to the concerned Large Taxpayer Unit. In pursuance to Department of Expenditure's guidelines instructions on expenditure management permitting revenue generating departments to prepare scheme to utilize 1% of incremental revenue to encourage greater efforts at garnering revenue, enhancing organizational efficiency, infrastructure and wherewithal, CBEC has sanctioned/allocated Rs. 224.85 crores as on 31.03.2015 for various purposes such as Capacity building/improvement of infrastructure in Central Excise and Customs Ranges, hiring of vehicles for increasing organizational efficiency and outdoor preventive activities etc.

III. ISSUES RELATING TO DEMANDS FOR GRANTS (2016-17)

(i) Under utilisation of allocated funds

With a view to analysing the financial performance of the Department, the Committee desired to know about the surrender of funds in respect of Demand Nos. 37, 38 and 39 for the last three years. The Department of Revenue in their written reply furnished the following information in this context:

Demand No.37

IFU:

The details of the funds surrendered during the last three years and reasons therefor are as under:-

(Rs. in crore)

Year	Amount Surrendered	Remarks
2012-13	366.17	This mainly includes Rs.300 crore under CST Compensation to the States, Rs.11.33 crore under Grants to States for VAT Compensation, Rs.15.93 crore under VAT related expenditure, Rs.14.23 crore under Income Tax Overseas Units, Rs.8.58 crore under Enforcement Directorate and Rs.4.13 crore under Tax Information Exchange System.
2013-14	7611.91	This mainly includes Rs.7369.49 crore under CST Compensation to the States, Rs.87 crore under construction of Rajaswa Bhawan, Rs.97.22 crore under GSTN: SPV and Rs.10 crore under Grants to States for VAT related expenditure.
2014-15	503.86	This mainly includes Rs.271.98 crore under CST Compensation to the States/UTs, Rs.100 crore under construction of Rajaswa Bhawan, Rs.80.74 crore under GSTN: SPV, Rs.25.68 crore under Govt. Opium and Alkaloid Works, Rs.6.72 crore under Enforcement Directorate and Rs.5.66 crore under Capital Section of Govt. Opium & Alkaloid Works.

As regards Demand No.37, it is stated that most of the surrenders in the previous years were on account of non-utilization of the provision meant for Compensation to the States for phasing out of CST/introduction of VAT. The large amount was surrendered as no decision could be taken about providing CST Compensation to the States beyond 2011-12 and VAT Compensation claims of all the States were settled. Further, there were savings under Goods & Services Tax Network (GSTN) due to less requirement of funds project by them. Funds meant for construction of Rajaswa Bhawan had to be surrendered as the tendering process could not be completed. To avoid recurrence of such instances in future, it has been decided to include only such provision in the Demand as is likely to be fully utilized.

Demand No.38

(Rs. in crore)

Year	Amount Surrendered	Remarks
2012-13	375.97	The saving was due to postponing the payment of Rs.300 crore to MCD pertaining to Civic Centre and due to less scope for expenditure and non-finalization of some proposals for purchase/construction of residential properties.
2013-14	238.88	There were savings due to non-finalization of some proposals for purchase of properties and less acquisition of immovable properties. The saving was also due to less number of medical claims, foreign visits, training programmes and less purchase of computers etc.
2014-15	912.16	The major saving was in Capital Section due to non-finalization /non-clearance of some proposals for purchase/construction of properties. The saving was also due to non-filling up of vacant posts, less travel expenses and economy measures leading to less expenditure on Information Technology procurement, electricity, purchase and hiring of vehicles and misc. official expenses.

Demand No.39

(Rs. in crore)

Year	Amount Surrendered	Remarks
2012-13	111.06	The saving was mainly due to (i) non-finalization of the technical specifications of boats by the boat supplier and delay in import of 18 Gamma ray scanners and two X-ray scanners; and (ii) non-finalization of issues regarding payment of stamp duty on registration and conversion of leasehold to freehold and non-materialization of proposal of office accommodation/ residential accommodation.
2013-14	146.57	The saving was due to (i) non-payment of different category of vessels and non-procurement of spare parts; and (ii) non-commissioning of projects of container scanner by March 2014.
2014-15	696.17	The saving was due to non-filling up of various posts after roll out of cadre restructuring and non-finalization of procurement of anti-smuggling equipment, spare parts & purchase of ready built office accommodation/construction of office accommodation etc.

As regards surrender of funds Demand Nos.38&39, it is submitted that the same were primarily under the 'Capital Section' on account of various reasons as informed to the Standing Committee on Finance. It is stated that all the proposals of procurement of properties require coordination with different authorities i.e. land owing agencies, PWD, State Government, Municipal authorities etc. Therefore, some of such proposal did not materialize or get delayed. The funds for procurement of equipment/vessels could not be utilized due to non-fulfillment of contractual agreement or late delivery, etc. Therefore, the savings were on account of various reasons that are beyond the control of Government. Moreover, these savings were already taken into account while finalizing the Revised Estimates for the relevant years. The Budgetary Authorities have already been advised in this regard so that allocated funds are utilized properly.

CBDT

The details of surrender during last three years due to under-utilizations in respect of **Grant No. 38 (Direct Taxes)** is as under:-

Financial Year	Revenue	Capital	Total	Reasons
2012-13	0	375.97	375.97	A
2013-14	117.95	120.94	238.89	B
2014-15	235.92	676.24	912.16	C

A Reason for surrender F.Y. 2012-13.

Capital Section: - Surrender in Capital section was due to postponement of various projects, slow pace of completion of projects by CPWD, non-sanctioning of projects, litigation and other local issues. The details of few of such projects are as under:

1 Construction of Advanced Training Centre and Mess by NBCC at NADT Nagpur Rs. 36.40 Cr
2 Construction of RTI building at Mohali Rs. 20 Cr
3 Construction of office building at Bangalore Rs. 28 Cr
4 Construction of office cum residential building at Lucknow Rs. 44 Cr
5 Construction of residential complex at Pune Rs. 25 Cr
6 Purchase of land for office building at Finance City Rs. 60 Cr
7 Purchase of ready built office space at Bhopal Rs. 53 Cr

B Reason for surrender FY 2013-14.

Revenue Section:- Surrender in revenue section in F.Y 2013-14 was made to make compliance with 10% mandatory cut of budget as communicated vide IFU letter F. No. 7/6/2013-IFU (B&A) DT dated 20.09.2013.

Capital Section: - Further, surrender in Capital section was due to postponement of various projects; slow pace of completion of projects by CPWD, non-sanctioning of projects, litigation and other local issues. The details of few of such projects are as under:

1 Construction of Advanced Training Centre and Mess at NADT Nagpur Rs.26.40 Cr
2 Construction of office cum residential building at Lucknow Rs. 20 Cr
3 Construction of residential complex at Pune Rs.25 Cr

4 RTI Ahmedabad Rs. 60
Cr
5 Purchase of NBCC Plaza at Saket New Delhi Rs. 43
Cr

C Reason for surrender F.Y. 2014-15.

Revenue Section: - Out of total saving of Rs 249.64 Cr, fund of Rs 163.92 Cr was cut at R.E stage by the Budget Division. Out of rest saving of Rs 85.72 Cr, Rs 65.49 Cr was on account of salary expenditure and balance in other object heads. The reasons for savings are adhering to economy measures, postponement of foreign training of newly promoted Assistant Commissioner batch, curtailment of approved publicity plan, lesser requirement of funds for air travel as travelling was restricted to travel in economy class, lesser liabilities of payment to Standing Council and valuers, less expenditure on various activities like sports, rewards, various office related items, IT software and hardware etc.

Capital Section: - The surrender in Capital section was due to postponement of various projects; slow pace of completion of projects by CPWD, non-sanctioning of projects, litigation and other local issues. The details of some such projects are under:

The details of few of such projects of **MH 4059** are as follows:

(Rs. in crores)

Description of the project	**Amount**
Construction of RTI at Mohali	30
Construction of RTI at Ahmedabad	10
Construction of RTI at Lucknow	3
Construction of office building at Bangalore	40
Construction of office building Lucknow	40
Construction of office building at Nariman Point Mumbai	30
Purchase of Ready built Office accommodation at Etah (UP)	4
Purchase of land at Hyderabad	40
Construction of Office Building at Saket Delhi	25
Purchase of office building at Okhla, Delhi	125
Purchase of office building at Kidwai Nagar, Delhi	30
Construction of office cum residential building at Navsari CCIT,Surat	10
Construction of office cum residential building at Shahjahanpur.	1.2

Other projects, proposed for F.Y 2014-15 but which were not sanctioned / executed and warranting savings are as follows:

1 Construction of advance training centre at Nagpur.
2 Purchase of office space at Bhopal.
3 Construction of office building at Pune.
4 Upgradation of AayakarBhawan, Hyderabad.
5 Guest house at Raipur.
6 Construction of auditorium and recreation room in Kozhikode.

7 Construction of office building in Kurukshetra.
8 Construction of office cum residential building at Bilashpur, CCIT, Shimla region.
9 Renovation of Takshila at NADT, Nagpur.
10 Renovation of guest house in Delhi.
11 Construction of office cum residential building, Ludhiana.

Similarly, details of some projects under **MH 4216** which could not be approved / executed warranting savings are as follows

i). Construction of residential complex at Pune.
ii). Construction of quarters in Chennai.
iii). Special Repair and upgradation of staff quarter in Delhi.
iv). Renovation/upgradation of residential accommodation at Bangalore.
v). Construction of quarter at Chandigarh.
vi). Construction of overhead of water tank at Bhopal.
vii). Purchase of land at Rajsambandh, (CCIT, reason Udaipur).
viii). Upgradation of quarter in Ahemadabad.
ix). Upgradation of 23 toilets in Ahmedabad.
x). Construction of residential accommodation at Bilashpur (CCIT, region Shimla)
xi). Construction of quarter at Aligarh.
xii). Construction of Sewage treatment plant at IT Colony, Bangalore.

Similarly, there was also savings in **MH 4075** due to less acquisition/maintenance of immovable property.

CBEC

The requisite information in respect of **Grant No. 39** is as under :

(Amount in '000)

Sl. No.	**Year**	**Funds surrendered**		
		Revenue	**Capital**	**Total**
(1)	**(2)**	**(3)**	**(4)**	**(5)**
1	2012-13	2,78,25	108,28,00	111,06,25
2	2013-14	19,62,30	126,94,44	146,56,74
3	2014-15	*563,52,00	132,64,98	696,16,98

**The surrender under Revenue Section of Rs.563,52,00 thousands in 2014-15 is mainly under object head 'Salary', the provision for which was made on account of roll out of the Cadre Restructuring in December, 2013. However, the provision was not utilized fully due to non-filling up of posts created as a result of Cadre Restructuring.*

3. At the outset, it is relevant to mention that the process of Budget

Formulation for erstwhile Grant which is now Grant No.39 (Indirect Taxes) is such that the possibility of persistent overestimation followed by underutilization is either ruled out or minimized to a great extent. So far as the erstwhile Grant, now Grant No.39, is concerned, the Expenditure Management Wing of DGHRD on receipt of Budgetary proposals from 108 Budgetary Authorities scrutinizes the same rigorously with reference to the utilization/requirement of the previous year, as well as the current year, keeping in mind the Government of India instructions issued from time to time. After a thorough scrutiny of the proposals, BE/RE proposal is sent to IFU which vets the same and then it is submitted to the Budget Division by the IFU itself. The Budget Division takes the final view on the Budgetary Proposals and approves the BE/RE. Hence, it may be noted that there is no scope of overestimation.

4. In fact it would not be out of place to mention here that there has been demand for greater allocation of fund to Budgetary Authorities under 'Revenue Section' which is not possible to fulfill at times because of scarcity of funds. This is not to deny that there is no surrender of funds under 'Revenue Section'. However, the same is very negligible and due to reasons or factors beyond the control of the Department, e.g., 10% mandatory cut because of austerity measures, non-approval of re-appropriation proposals, etc.

5. So far as under utilization of funds under 'Capital Section' is concerned, it may be appreciated that as per the provision of GFR and Government of India's instructions, all proposals under 'Capital Section', i.e, acquisition of land/building, constructions, acquisition of equipments, boats, scanners, etc. have to be necessarily scrutinized and approved by the competent authorities, i.e, IFU, Cabinet Committee, etc. Further, all such proposals require coordination with different authorities like land owning agency, PWD, State Governments, Municipal Authorities, etc., and hence despite the best efforts of the Department, some of the proposals either do not get approved in time for utilizing the funds, or in some cases, they are rejected leaving the Department with no option but to surrender the Budget provision for such proposals.

6. As a corrective measure, the Expenditure Management Wing has since formulated a mechanism for realistic budgetary formulation by notifying the Chief Commissioner/Director General of Customs & Central Excise (except in some places only) as independent Budgetary Authority. This would enable better analysis and compilation of the budgetary proposals at the initial projection level, as well as at the level of the Expenditure Management Wing. This will also help to scrutinize and examine each Budget proposals more minutely resulting in better projection and allotment of Budgetary provisions to the field formations. Hereinbefore, there were 108 Budgetary Authorities including Chief Commissioners and Commissioners. From the year 2015-16, however, in the revised mechanism, there are only 74 Budgetary Authorities. The Budgetary Authorities are the zonal heads, and are therefore in a better position to give more realistic projections of the Grants required under the various object heads.

7. In addition, the Expenditure Management Wing of HRD has specified periodic reporting by the field formations/Directorates of the expenditure vis-à-vis the Grants and also guides the Budgetary Authorities appropriately to ensure that the Grants provided are utilised fully and the surrender of funds is avoided.

(ii) <u>Direct and Indirect Tax : Targets and Collections</u>

Regarding the target and collection figures of direct and indirect taxes, the Committee has taken into consideration the following figures of last four years:

Direct Taxes :

(In Rs. crore)

FY	BE	RE	Actuals
2012-13	570257	565835	558658
2013-14	668109	636318	638591
2014-15	736000	705628	695743
2015-16	797995	752020	(7.48 lakh crore - provisional)
2016-17	847097	--	--

Indirect Taxes :

(In Rs. crore)

FY	BE	RE	Actuals
2012-13	505044	469546	474482
2013-14	565003	519520	497061
2014-15	624902	542325	545936
2015-16	647918	703642	(7.11 lakh crore- provisional)
2016-17	779669	--	--

(iii) Revenue Foregone

In light of the fact that in FY 2015-16, the revenue foregone stands at staggering Rs. 6.11 lakh crores. which is an increase of Rs. 56,779 crore over the previous fiscal, and its impact on various stake holders and constituents of the economy, the CBDT and CBEC *vide* their written reply have stated as under :

CBDT

"The revenue foregone is on account of various tax incentives provided under the Income-tax Act, 1961 (the Act). These have been provided to promote exports; balanced regional development; creation of infrastructure facilities; employment; rural development; scientific research and development; cooperative sector and to encourage savings by individuals and donations for charity etc.

Though the revenue impact has been quantified in terms of tax expenditure, it does not imply that this quantum of revenue has been waived by the Government. Rather, these could be seen as targeted expenditure for the promotion of certain sectors. In some cases, the economic and social activities which are incentivized by such indirect subsidy by way of tax expenditure may not have actually been undertaken or may have been much lower in scale in the absence of such incentives.

Further, Finance Minister in his Budget Speech for 2015-16 announced intention of Government to phase out various exemptions and deductions under the Act along with phasedreduction of corporate tax rates. Accordingly, the detailed phase out plan of various tax incentives as proposed in Finance Bill 2016-17.

Also, it is proposed that in the case of domestic companies having total turnover or gross receipts not exceeding Rs. 5 crore in the financial year 2014-15, the income-tax shall be charged @ 29%. Besides, the domestic companies incorporated on or after 1st March, 2016 and engaged solely in manufacture and production of articles and things, may, at their option, pay tax @25% if they do not claim any accelerated depreciation, investment allowance, profit linked deductions and investment linked deductions".

CBEC

"Estimated revenue impact of tax incentives for F.Y. 2015-16 in respect of Central Excise Duty is Rs.2,24,940 crore and in respect of Customs Duty is Rs.2,57,549 crore. Total estimated revenue impact of tax incentives in respect of customs and excise duties is Rs. 4,82,489 crore, showing an increase of Rs. 46,733 crore over F.Y.2014-15.

However, this high revenue impact is in many cases on account of a higher and use on Customs Tariff rate of duty, prescribed with intention to have a tariff cushion the same judiciously if the need so arises. Some such situations Duty side are:

(i) Diamonds, Gold
(ii) Mineral fuels and mineral oils
(iii) Edible oils
(iv) Pulses, edible vegetables, roots and tubers
(v) Iron and steel
(vi) Fertilizers
(vii) Aircrafts
(viii) Ships, vessels, boats
(ix) Articles of iron and steel
(x) Preferential rates under various Free Trade Agreements Collectively, above cases account for revenue impact of tax incentives of about Rs.1,96,462 Crore.

Similarly, on the Central Excise side high revenue impact, in the following cases, is largely on account of higher Tariff rate:

(i) Mineral fuels and mineral oils
(ii) Motor vehicles
(iii) Cement
(iv) Sugar
(v) Fertilisers

Collectively, above cases account for revenue impact of tax incentives of about Rs.1,14,837 Crore.

Moreover, the quantum of revenue foregone in respect of Customs and Central Excise in the last five fiscal years is as under:

(Rs. in crore)

	Revenue foregone in 2011-12	**Revenue foregone in 2012-13**	**Revenue foregone in 2013-14**	**Revenue impact of tax incentives in 2014-15**	**Revenue impact of tax incentives in 2015-16 (Estimated)**
Excise Duty	1,95,590	2,09,940	1,96,223	1,96,789	2,24,940
Customs Duty	2,36,852	2,54,039	2,60,714	2,38,967	2,57,549
Total	**4,32,442**	**4,63,979**	**4,56,937**	**4,35,756**	**4,82,489**

1. Customs and central excise duties are indirect taxes, where the incidence of the tax is on the importer, manufacturer or the service provider respectively but the burden of the tax is on the final consumer.
2. Indirect taxes are a pass through i.e. the taxes are borne by the ultimate consumer.
3. Revenue forgone is calculated as under:

Revenue forgone = Value of goods X (tariff rate of duty – effective rate of duty).

4. Hence, revenue forgone generally reduces the burden on the ultimate consumer and generally does not benefit the importer or the manufacturer.

5. The indirect tax structure seeks to harmonize revenue considerations with the interest of consumers, farmers, and industry etc. to achieve the policy objectives of the government.

6. Examples of revenue forgone on the customs side (during F.Y. 2014-15 for which figures are final) where the consumer benefits either directly or indirectly and which promotes domestic manufacturing due to lower effective rate of duty than the tariff rate of duty (on specified goods) are as follows:

Commodity	**Tariff rate (in %)**	**Effective rate (in %)**	**Revenue forgone (Rs. in crore)**
Crude edible oils	45	12.5	42694
Refined edible oils	100	20	
Pulses, edible vegetables, roots and tubers, onions	30	Nil	6814
Sugar	100	40	2379
Fertilizers	10 / 5	7.5 / 5 / 2.5	6279
Manmade filaments	10	7.5 / 5	7609
Crude petroleum	5	Nil	55646
Coking coal	10	2.5	
Steam coal	10	2.5	
Other petroleum products falling under Ch.27	10	5	
Organic chemicals	10	7.5	10959
Inorganic chemicals	10	7.5	4115
Iron and steel	15	12.5/ 10/ 7.5/ 5/ 2.5	8766
Machinery	10 / 7.5	10 / 7.5 / 5 / 2.5/ Nil	16586
Electrical machinery	10 / 7.5	10 / 7.5 / 5 / Nil	14698
Ores	10	2.5	3344

7. Some other major areas of revenue forgone on customs / excise side:

- Supplies to projects funded by UN or other agencies (international organizations) are exempt from customs and excise duties [it would not be desirable to appropriate a part of such funds towards duties].
- Domestic LPG (subsidised as well as non-subsidised) and Kerosene for PDS is fully exempt from customs as well as excise duties.
- SSI exemption – clearances upto Rs.1.5 crore in a FY are exempt for units whose turnover does not exceed Rs.4 crore in the previous FY.
- Area based exemptions – to promote industrial development of backward States / areas.

  Lower excise duty on items of mass consumption.

(iv) <u>Tax GDP-Ratio and Tax Base</u>

Regarding the low Tax-GDP Ratio of our economy as against other comparable economies of the world and endeavors to widen the tax base, the Ministry *vide* their reply has stated as under :

The Indirect and Direct Tax-GDP ratio in the last five years has been as under:

(Rs. in crore)

Sl. No.	Financial Year	Indirect Tax Revenue	Direct Tax Revenue	Indirect Tax-GDP Ratio (%)	Direct Tax-GDP Ratio (%)	Total Tax-GDP Ratio (%)
1.	2011-12	3,92,444	4,93,947	4.4	5.5	9.9
2.	2012-13	4,74,482	5,58,658	4.8	5.6	10.4
3.	2013-14	4,97,061	6,38,591	4.4	5.6	10.00
4.	**2014-15**	**5,45,936.92**	**6,95,743.86**	**4.35**	**5.55**	**9.90**
5.	**2015-16 (RE)**	**7,03,642.34**	**7,52,020.91**	**5.19**	**5.54**	**10.73**
6.	**2016-17 (BE)**	**7,79,669.5**	**8,47,097.23**	**5.20**	**5.65**	**10.85**

CBDT

There are several reasons for India's tax-GDP ratio being lower than some of the other countries. It may be pointed out that tax revenue in the developed countries also includes social security contributions and due to this reason the tax-GDP ratio is higher in those countries. Moreover there is a component of state taxes in the Indian economy which is not aggregated with the central tax figures, which reduces the tax-GDP ratio. A large segment of the Indian economy is agrarian. This component of the GDP does not contribute to the direct taxes, which is also a reason for lower tax-GDP ratio than the developed economies. It is also pointed out that per capita income in the country is low and the basic exemption limits are quite high. The small and very small proprietorship businesses do not contribute to direct taxes, even though they have a contribution to GDP, which is also a reason for a low tax- GDP ratio. However, there is sufficient scope to increase the tax-GDP ratio for which several administrative and legislative steps are continuously being undertaken.

The total number of taxpayers of income-tax is 5.45 Crore, for Assessment Year 2014-15. This works out to 4.36% of the estimated population of 125 Crore. Though the population of India is large, a large section of it is not liable to pay income-tax due to the reasons that the agricultural income is exempt, the basic exemption threshold is quite high, a number of other exemptions and deductions are available under the law and a relatively small size of the workforce is actually engaged in economic activities.

Measures taken by the Government to mobilize additional revenue and improve the tax-GDP ratio in the country are enumerated as under:

A. Legislative Measures:

The major policy proposals, intended to broaden the tax base and augment revenue, in the **Union Budget 2016-17** are as under:-

(i) It is proposed that surcharge in the case of individuals, HUF, association of persons, body of individuals and artificial persons shall be increased from 12% to 15% if their total income exceeds Rs.1 crore.

(ii) It is proposed to provide for additional chargeability of income exceeding Rs ten lakhs by way of dividends @10% in the hands of shareholders being individuals/HUFs/firms.

(iii) In order to bring High Value Transactions in tax net & check cash economy, it is proposed to levy Tax Collection at Source (TCS) on purchase of motor vehicles of value exceeding Rs 10 lakh and purchase in cash of any goods and services exceeding two lakh rupees.

(iv) To provide equalisation levy @6% of the amount of consideration for specified services received or receivable by a non-resident not having Permanent Establishment (PE) in India, from a resident in India who carries out business and profession or from a Non-Resident having PE in India.

(v) To provide that additional tax at maximum marginal rate shall be levied on the accreted income represented by net assets on the date of conversion of a trust or institution from charitable organisation to a non-charitable one.

Major policy proposals in Union Budget 2015-16:

(i) To provide for chargeability of interest paid by a permanent establishment (PE) or a branch of a foreign bank in India to its Head office and other overseas branches under the source rule of taxation and for treating the PE or branch as a taxable entity for computation of income and for purpose of levy of tax and TDS.

(ii) To provide for penalty on amount taken/ repaid in cash above Rs.20,000/- in relation to transfer of any immovable property transactions.

(iii) To enable the Central Government / CBDT to capture information regarding prescribed foreign remittances to ensure proper taxation of such payments.

(iv) Surcharge on income-tax has been increased from 5% to 7% for domestic companies having income exceeding Rs.1 crore & upto Rs.10 crore and from 10% to 12% for domestic companies having income greater than Rs. 10 crore. Further, the surcharge on income-tax has been increased from 10% to 12% for non-corporate assessees having income greater than Rs. 1 crore.

Major policy proposals in Union Budget 2014-15:

(i) Inclusion of investment linked deduction within the ambit of Alternate Minimum Tax (AMT) after making adjustment for depreciation.

(ii) Levy of dividend distribution tax on the gross amount instead of only the actual amount paid to shareholders.

(iii) Tax deduction at source at the rate of 2 per cent levied on non-exempt payment of maturity amount over a specified threshold of Life Insurance Policies.

B. Administrative measures:

The administrative and technological initiatives to augment revenue are as under:

(i) A non-adversarial and non-intrusive tax regime to enhance ease of doing business is being promoted through modernization of the business processes of tax administration. Extensive use of information technology is being made for e-enablement of tax payer services. Filling of income tax returns, various forms, audit reports, statements of tax deduction at source have been made compatible with electronic filling and computerized processing. These steps are expected to raise the level of voluntary compliance and augment revenue collection.

(ii) Two measures, namely, Centralised Processing Center for income-tax returns at Bengaluru and for TDS returns at Vaishali Ghaziabad have enabled tax administration to function in a more efficient and automated environment and to reduce the compliance burden on the tax payers. Centralised processing of returns also enables the tax administration to track stop filers, non-filers, non-payment of taxes etc. which helps in widening of the tax base.

(iii) Data warehouse and business intelligence project has been undertaken for developing a comprehensive platform for effective utilisation of information to enhance voluntary compliance and deter non-compliance.

(iv) The Income Tax Department has developed a comprehensive strategy for widening of tax-base consisting of following measures:

a) Developing region specific strategies
b) Effective collection of information about high value transactions
c) Efficient handling of information without valid PAN
d) Improving compliance to TDS/TCS Provisions
e) Promoting voluntary compliance
f) Ensuring compliance from identified non-filers through various methods.

It is constant effort of the Income Tax Department to widen the tax base by comprehensive computerization of the Income Tax Department, utilization of data and information available in house, gathered from third party, publicity and awareness campaigns etc.

(v) With a view to identify non-filers of return through Non Filer Monitoring System (NMS), the Income Tax Department analyses and assimilates all in-house information as well as transactional data received from third-party including Annual Information Return (AIR), Tax Deduction at source (TDS) and Tax collection at Source (TCS) statements, Central Information Bureau (CIB) data etc. to isolate such persons/entities who have undertaken high value financial transactions but have not filed return. Over 1.36 crore potential non-filer have been identified under NMS and more than 52 Lakh returns have been filed by the target segment.

(vi) The mechanisms for collection and verification of financial information have also been strengthened. These include collection of specified transactional data from various agencies in form of Annual Information Return (AIR) and collection of information on high-value expenditure from commercial establishments by Central Information Branch (CIB).

(vii) A target of adding One Crore 'New Taxpayers' during the Financial Year 2015-16 has been fixed by CBDT. The said target has been further distributed region-wise and action points for field formations have been communicated. Till 31.12.2015, 49.63 Lakh new taxpayers have been added through this drive and further efforts to achieve the target are underway.

(viii) More and more types of transactions are being included for mandatory quoting of PAN.

(ix) The Government has taken several steps, both by way of policy-level initiatives as well as by increasing the effectiveness of enforcement actions on the ground, to tackle the issue of tax evasion / black money better. These steps include putting in place robust legislative and administrative framework, systems and processes with due focus on capacity building and integration of information through increasing use of information technology. Major initiatives taken by the Government in this regard include –

(a) Constitution of the Special Investigation Team (SIT) on Black Money under Chairmanship and Vice-Chairmanship of two former Judges of Hon'ble Supreme Court

(b) Enactment of a comprehensive new law titled 'The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015' to specifically and more effectively deal with the issue of black money stashed away abroad which has come into force w.e.f. 01.07.2015

(c) Section 139 of Income Tax Act has been amended to provide for furnishing of return of income by the beneficial owner or beneficiary of a foreign asset.

(d) Amendment in the law to provide for penalty on amount taken/ repaid in cash above Rs.20,000/- for immovable property transactions.

(e) Introduction of the Benami Transactions (Prohibition) Amendment Bill, 2015 to amend the Benami Transactions (Prohibition) Act, 1988 with a view to enable confiscation of Benami property and provide for prosecution

(f) While focusing upon non-intrusive measures, due emphasis on enforcement measures in high impact cases with a view to prosecute the offenders at the earliest possible for creating credible deterrence against tax evasion / black money

(g) Proactively engaging with foreign governments for enhanced exchange of information under Double Taxation Avoidance Agreements (DTAAs)/Tax Information Exchange Agreements (TIEAs) / Multilateral Conventions

(h) Proactively furthering global efforts to combat tax evasion/black money, *inter alia*, by joining the Multilateral Competent Authority Agreement in respect of Automatic Exchange of Information and having information sharing arrangement with USA under its Foreign Account Tax Compliance Act (FATCA).

CBEC

Indirect Tax- GDP ratio:

The tax collection during a financial year is a function of economic growth and tax policy initiatives. India's central indirect tax-GDP ratio for F.Y 2015-16 is estimated at 5.2% as against 4.3% in F.Y 2014-15.

A numbers of steps have been taken to increase the tax-GDP ratio, like, widening the tax base by comprehensive taxation of all services (introduction of Negative List approach to taxation of services w.e.f 1st July 2012) and reduction of exemptions in Central Excise, Customs and Service Tax wherever possible. The Negative List has been further pruned in successive budgets and exemptions have been rationalized. Similarly on the Central Excise side exemptions are reviewed continuously and where feasible these have been rationalized.

Besides, other measures have been taken to improve the compliance levels are mandatory e-filing and e-payment of taxes, high interest rates for delayed payment, extensive use of third party sources such as State VAT department, Income Tax etc. for compliance verification, taxpayer education and media campaign.

A. LEGISLATIVE MEASURES

Measures taken by the Government in the **Budget, 2016-17** to augment the indirect tax –GDP ratio is mentioned below:

Customs & Central Excise:

- Clean Energy Cess [being renamed as Clean Environment Cess] levied on coal, lignite and peat has been increased from Rs.200 per tonne to Rs.400 per tonne.
- An Infrastructure Cess @ 1%, 2.5% and 4% has been imposed on certain specified motor vehicles.
- Excise duty on Aerated waters, lemonade and other waters, containing added sugar or other sweetening matter or flavoured has been increased from 18% to 21%.
- Additional Excise Duty on cigarettes has been increased on non-filter and filter cigarettes of various lengths so that the aggregate of duties of excise on such cigarettes increases by about 10%.
- Specific rates of Excise duty on Cigar and cheroots, Cigarillos, Cigarettes of tobacco substitutes, Cigarillos of tobacco substitutes and other forms of tobacco substitutes has been increased by about 10%.
- Excise duty on Gutkha, chewing tobacco (including filter khaini) and jarda scented tobacco has been increased from 70% to 81%, Excise duty on unmanufactured tobacco has been increased from 55% to 64%. Further, excise duty on pan masala has been increased from 16% to 19%. Accordingly, duty payable per machine per month for each of these tobacco products has been also been revised upwards.
- Excise duty on Aviation turbine fuel [ATF], other than for supply to aircraft under the Regional Connectivity Scheme, has been increased from 8% to 14%.
- Excise duty of 2% (without CENVAT credit) and 12.5% (with CENVAT credit) has been imposed on branded readymade garments and made up articles of textiles of retail sale price of Rs.1000 or more. Also, tariff value of these goods has been increased from 30% of the retail sale price to 60% of the retail sale price.
- Excise duty of 1% (without CENVAT credit) and 12.5% (with CENVAT credit) has been imposed on Articles of Jewellery [excluding silver jewellery, other than studded with diamonds/other precious stones].
- Basic Customs Duty on Cashew nuts in shell has been increased from Nil to 5%.

Service Tax

- An enabling provision has been incorporated in the Finance Bill, 2016 to empower the Central Government to impose a Krishi Kalyan Cess on any or all the taxable services at a rate of 0.5% on the value of such taxable services. The proposed levy will come into force with effect from 1st June 2016.
- The Negative List entry covering 'service of transportation of

passengers, with or without accompanied belongings, by a stage carriage' has been omitted [section 66D (o) (i)]. Consequently, service tax would be leviable on transportation of passengers, with or without accompanied belongings, by air-conditioned stage carriage.

- Finance Act, 1994 was amended vide Finance Act, 2015 so as to make any service (and not only support services) provided by Government or local authority to business entities taxable from a date to be notified later. 1st April, 2016 has been notified as the date, from which any service provided by Government or local authority to business entities shall be taxable.
- Assignment by the Government of the right to use the radio-frequency spectrum and subsequent transfers thereof has been proposed to be declared as a service under the Finance Act 1994.
- Exemption is being withdrawn in respect of the following services,-
    - i). Services provided by a senior advocate to another advocate or to a law firm;
    - ii). Services provided by a person represented on an arbitral tribunal to an arbitral tribunal.
    - *iii).* Exemption to the services of transport of passengers, by ropeway, cable car or aerial tramway is being withdrawn.
    - *iv).* Exemption to construction, erection etc., of monorail or metro is being withdrawn, in respect of contracts entered into on or after 1st March 2016.
- Abatement on shifting of used household goods by a Goods Transport Agency has been rationalized at the rate of 60%.

B. ADMINISTRATIVE MEASURES

The following administrative measures have been taken for revenue augmentation by CBEC :-

(i) **Scrutiny of Returns**:

a. Scrutiny of returns of **defaulters**, and the **late filers** in Central Excise and Service Tax to take action for recovery of any short payment of duty by them.
b. Detailed scrutiny of returns of certain **<u>non-mandatory units</u>** (i.e. those units which are not scheduled for audit) selected by applying the risk parameters.

(ii) **Audit:**

a. 100% coverage of all Mandatory units and of other Non-mandatory units selected on the basis of risk parameters, in Central Excise and Service Tax as per the specified frequency.
b. Finalisation of all the Audit paras pending for **more than three months**.
c. Usage of third party information to select Central Excise and Service Tax assessees for carrying out compliance verification
d. Conduct of Onsite Post Clearance Audit of all ACP clients.
e. Audit of selected EOUs.

(iii) **Use of Third Party Information:**

1. Section 15A, read with section 37 of the Central Excise Act, 1944 and section 94, read with section 83 of the Finance Act,1994, the Central Government has prescribed the Service Tax and Central Excise (Furnishing of Annual Information Return) Rules, 2016 by RBI and Electricity Boards with a view to detect evasion of tax/duty and augment revenues.
2. MoU signed with CBDT for sharing of Data to identify taxpayers/assessees who have not paid or short paid their dues.

(iv) **Adjudication and Disposal of Appeals:**

a. **CESTAT:** Filing of early hearing application in cases involving revenue of more than Rs. 5 crore and pending for more than one year or more.
b. **High Courts:** Identification of cases fit for bunching and filing application for bunching of such cases.
c. **Supreme Court:** Identification of cases involving substantial question of law and involving revenue of Rs. 5 crore or more, and filing of early hearing application in such cases.
d. **Alternate Dispute Resolution (Settlement of cases):** Identification of show cause notices which are prima-facie in favour of the Department and which may be disposed of by Settlement Mechanism and persuasion of the notices to opt for settlement.

(v) **Enforcement:**

DGCEI and DGRI are tasked with curbing of evasion of tax/duties as well as augmentation of revenue. Each field formation has also its own enforcement wing to take action in this regard.

a. Collection of actionable intelligence regarding evasion of duty and having potential for recovery during the current financial year.
b. Extensive surveillance operations to detect any clandestine movement of goods to evade payment of duty,
c. Identification of cases under investigation having potential for recovery during the current financial year, and finalization of such investigation.

(vi) **Use of IT Tools:**

Enterprise Data Warehouse (EDW) tool is being utilized for data mining and thereby detection of possible short-payment of duty, in the following manner:

a. Identification of non-filers, stop-filers and late-filers
b. Difference between tax payable and tax paid
c. Identification of assessees paying NIL duty, who had paid Rs. 10 lakh or more during the previous year
d. Identification of assessees paying duty but with a negative growth
e. Payment of duty through CENVAT credit only
f. Non-payment of Service Tax after obtaining registration
g. Detection of rebate claim against bogus Shipping Bills.

(v) **<u>Presumptive Tax</u>**

Regarding the details of presumptive tax proposals mentioned in the Union Budget 2016-17 and efficacy of such proposals, the Ministry *vide* their written reply have stated as under:

"The Central Government issued Notification NoA.50050/112/2015-Ad.I dated 27th October, 2015 constituting a 10-Member Committee under the Chairmanship of Justice R.V. Easwar with certain broad objectives such as to study and identify the provisions which impact the ease of doing business; to study and identify the provisions of the Act for simplification in light of the existing jurisprudence.

This Committee was of the view that this scheme is quite popular amongst small traders. It was felt that there is a strong case for introducing a similar simplified presumptive income scheme for professionals. Accordingly, the Committee in its report recommended introduction of a presumptive income scheme for professionals. The recommendations of the committee were examined.

It was found that the existing scheme of taxation provides for a simplified presumptive taxation scheme for certain eligible persons engaged in certain eligible business only and not for persons earning professional income. The presumptive taxation scheme is generally adopted for bringing the hard-to-tax group who are small assessees and are reluctant to come into the tax net due to the fear of compliance burden of maintenance of books of accounts. Thus, in order to rationalize the presumptive taxation scheme and to reduce the compliance burden of the small tax payers having income from profession and to facilitate the ease of doing business and broaden the tax base, the Finance Bill,2016 has proposed the following measures to modify the Presumptive taxation regime in order to make it attractive and more effective:

(A) **Presumptive taxation for professionals:** It is proposed to insert new section 44ADA in the Income-tax Act so as to provide for a presumptive taxation regime for professionals engaged in certain notified profession whose gross receipt does not exceed Rs 50 lakh. The deemed income under this scheme would be fifty per cent of total gross receipt received from such profession. No further deductions shall be allowed in computing the income under the scheme.

Presumptive taxation for Business: It is proposed to amend the existing provision of section 44AD of the Income tax Act so as to increase the threshold limit of presumptive taxation for eligible business from Rs. 1 crore to Rs. 2 crore. It is also proposed to provide that if the taxpayer opts for the presumptive taxation scheme, he shall remain in that scheme for 5 years. Further, if he does not offer the income as per the said scheme in any of the five years, he shall not be eligible to claim the benefit under the scheme for next 5 years".

(vi) Implementation of Recommendations of SIT on black money / RV Easwar Committee / Shome Commission

Regarding the implementation of the recommendations of the Shome Commission; RV Easwar Committee and SIT on black money headed by Justice M.B. Shah, the Ministry *vide* their written reply has stated as under :

"The features and status of implementation of TARC are as stated hereunder:

- The Tax Administration Reforms Commission **(TARC) headed by Dr. Parthasarathi Shome** have submitted four reports to the Government, making a large number of recommendations spread across fifteen chapters.

- In their First and Second reports 139 recommendations on Customer focus, Structure & Governance, Peoples Function, Dispute Management, Key Internal Processes, Information & Communication Technology, Information Exchange. Out of these in as many as 27 recommendations action has already been initiated by CBDT even before the TARC submitted their report. 89 recommendations have been found to be acceptable as such, or with modifications for implementation over a period of time. These have been assigned to different Members/Directorates for further action within given timelines.16 recommendations have been identified as 'not acceptable' and 7 recommendations are matter of details or in the nature of observations etc.

- The third report contained 154 recommendations/observations on Impact Assessment, Expanding the Base and Compliance Management. Out of these, 30 recommendations were found to be related to activities already taken up by the Department and hence acceptable. 25 recommendations have been found to be acceptable as such, or with modifications for implementation over a period of time. 18 recommendations were identified for further examination by different Divisions of CBDT. 52 recommendations were found to be in the nature of observations and matters of detail with reference to recommendations which have been found to be acceptable as such or with modifications. 23 recommendations found to be not relevant for CBDT as they pertained to CBEC and other Departments. 6 recommendations were found to be not acceptable.

- The Fourth Report of TARC contains its views and recommendations on Revenue Forecasting, Predictive Analysis and Research for

Tax Governance. The recommendations are 92 in number. Out of these, 20 are on-going activities. 52 recommendations have been found to be acceptable as such, or with modifications for implementation over a period of time.15 recommendations are either in the nature of advisory or are matter of details. 5 recommendations have been found to be not-acceptable.

As regards the **R.V. Easwar Committee** set up for suggesting measures for simplification of the provisions of the Income-tax Act, an interim report so far been submitted by the Committee. Taking into account the suggestions of this Committee, a number of amendments in the Income-tax Act have been proposed through the Finance Bill including:

i) The monetary limit of turnover for presumptive taxation for specified businesses has been increased from Rs. 1 crore to Rs. 2 crore.

ii) The presumptive taxation scheme is proposed to be extended to professionals having gross receipts up to Rs.50 lakh with presumption of profit at 50% of gross receipts.

iii) The monetary limit for mandatory audit of accounts for professionals is proposed to be increased from Rs.25 lakh to Rs.50 lakh.

iv) The time period for rectification of its order by ITAT is proposed to be reduced from 4 years to 6 months.

As regards the **SIT on black money headed by Justice M.B. Shah**, the Ministry has made following submission :

"The SIT submits its reports to the Hon'ble Supreme Court. Investigation Division of CBDT has received from the secretariat of the SIT only relevant recommendations/directions contained in the SIT's three reports so far. Appropriate action on recommendations/directions of the SIT has been taken. Meetings of the SIT are held on regular basis, particularly on the issues concerning CBDT. The SIT has been updated in this regard from time to time, inter alia, through secret communications and briefings. In addition to the above, large numbers of tax evasion cases are also under regular monitoring and review of the SIT, and the SIT has been updated in this regard also from time to time.

Appropriate action against evasion of taxes/black money is an on-going process. Such action under direct tax laws includes searches, surveys, enquiries, assessment of income, levy of taxes, penalties, etc. and filing of prosecution complaints in criminal courts, wherever applicable. Such taxes, penalties, etc. form part of the total tax liability of each assessee and is recovered in accordance with law. Such liability is also recovered from assets seized during the searches conducted by the Income Tax Department. There are also provisions for recovery of the same from the assets kept abroad in accordance with legal instruments with the foreign jurisdictions concerned. As per scheme of the Income-tax Act, 1961, only the demand/liability raised in relation to the total income assessed is recoverable and not the undisclosed income/black money *per-se*. However, the newly enacted Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, has included the offence of willful attempt to evade tax etc. in relation to undisclosed foreign income and assets a Scheduled Offence under the Prevention of Money-laundering Act, 2002 (PMLA). This enables attachment and confiscation of the proceeds of crime of willful attempt to evade such tax, etc. in respect of undisclosed foreign income and assets, eventually leading to recovery of such undisclosed foreign income and assets/black money stashed abroad. Further, where property/ proceeds of crime is taken or held outside the country, PMLA has been amended through the Finance Act, 2015 enabling attachment and confiscation of property equivalent in value held within the country.

HSBC cases: In response to information received in 2011 from Government of France, relating to the bank accounts of 628 Indian persons in HSBC, Switzerland, substantial progress has been made in the investigation by the Income Tax Department. Out of 628 cases (including 4 duplicate entries), 214 were found not actionable because of no balances in the accounts information, non-residents, not traceable, amounts taxable in some other hand etc. Out of the actionable cases, assessments have been completed in 390 cases (including the cases settled by Income-tax Settlement Commission as also the cases where assessment proceedings have been dropped) so far. Undisclosed income of about Rs.6500 crore has been brought to tax on account of deposits made in unreported foreign bank accounts which includes an amount of Rs.1482 crore assessed on protective basis. Tax demand of about Rs.4584 crore has been raised in such cases which includes demand in protective assessments. Concealment penalty of Rs.1213 crore has been levied in 157 cases. Also, 154 prosecution complaints have been filed in HSBC cases so far.

ICIJ cases: International Consortium of Investigative Journalists (ICIJ), a Washington based organization, put in public domain [www.icij.org] certain information pertaining to offshore entities based in no tax or low tax jurisdictions. Such information included certain offshore entities allegedly linked to about 700 Indian persons. However, no information relating to financial transactions/bank accounts was available. Sustained investigations conducted in the cases of persons who are subject to tax in India have so far led to detection of credit in the undisclosed foreign accounts of such Indian persons in excess of Rs.2000 crore. 52 prosecution complaints under the provision of Income-tax Act, 1961 have been filed against offenders so far. Further investigations are in progress.

(**vii)** **<u>Direct Taxes Code</u>**

Regarding the implementation of Direct Taxes Code, 2010 as a transformation measure in our taxation regime, the Ministry *vide* their written reply has stated as under :

"The stated policy of the government in this regard was expressed by Finance Minister in Para 129 of his budget speech for 2015-16 which is reproduced as under:

“Enactment of a Direct Taxes Code (DTC) has been under discussion for quite some time. Most of the provisions of the DTC have already been included in the Income-tax Act. Among the very few aspects of DTC which were left out, we have addressed some of the issues in the present Budget. Further, the jurisprudence under the Income-tax Act is well evolved. Considering all these aspects, there is no great merit in going ahead with the Direct Tax Code as it exists today.”

(viii) Cases with one crore plus agricultural income

Regarding detailed facts and veracity of those facts regarding cases with one crore plus agricultural income, the Ministry *vide* their written reply has stated as under :

"An RTI application was filed on 16.3.2015 seeking details of all agricultural income declared by assessees for the last ten financial years. The CPIO, an officer of the rank of Deputy Commissioner, obtained the reply from the technical team and supplied the information.

The applicant then filed a PIL in the Hon'ble Patna High Court on 18.12.2015 seeking its intervention so that investigation is done in all these cases where agricultural income has been declared.

The data of agricultural income was extracted from the data base of the Department and it was found that there were apparently 2,746 cases between A.Y. 2007-08 to A.Y. 2015-16 where agricultural income exceeding Rs. One Crore had been disclosed. This is a system generated figure. The Department orally sought permission of the Hon'ble High Court to verify the correctness of the information supplied by the CPIO and the Hon'ble High Court has granted time upto 18.4.2016 for the department to verify the correctness of the figures disclosed in the reply to the RTI application.

Accordingly, vide letter dated 10.03.2016, assessing officers have been asked to verify the correctness of such agricultural income declared in the income tax returns also from the assessment records and send a status report after verifying the following:

i. Whether the taxpayer may have made a data entry error while filling up the return.

ii. Wherever scrutiny assessment has been completed, AO may provide feedback based on assessment records.

iii. In cases where proceedings u/s 143(3) are pending, assessing officers may be informed to thoroughly verify the claims.

After full verification is done and data entry errors, if any, are rectified, the figure of 2,746 taxpayers declaring agricultural income over Rs. One crore can be confirmed".

"In order to verify the genuineness of the Agricultural Income reported by the tax payers for the period AY 2007-08 to AY 2015-16, a letter dated 10.03.2016 had been issued by this Directorate to the field authorities. Subsequently, three reminder letters have also been issued to furnish the reply after verifying the same from the assessment records. A total of 2746 cases where agricultural income above Rs 1 Cr was reported by the taxpayer in Schedule EI or Part B-TI of the Income Tax Returns for AYs 2007-08 to AY 2015-16 were initially identified which included revised returns filed in a few cases. Therefore, a total of 2517unique cases were subjected to verification from the field authorities.

In response, replies have been received in about 980 cases from the field authorities. Replies are still being received from field authorities in other cases. Out of the above mentioned cases, only in 633 cases complete report is received. In the remaining cases, either the PAN number is not reported or the actual income is not reported. Therefore, after conducting preliminary analysis of the replies in these 633 cases, it has been found that the figures of agriculture income as per the ITRs vis-a-vis the figures reported by the Assessing officers can be broadly classified in to the following:

i. **Data entry error:** Inadvertent data entry errors have been committed while punching the data related to agricultural income in the system. (both for e-filed as well as paper returns).

ii. **Income under other heads of income has been shown as Agriculture Income:** As per the report received from the assessing officers, in a few cases, the tax payer has wrongly claimed certain income as agriculture income (claimed exemption). However, the same has been disallowed and reclassified by the assessing officers as Business income/Income from other sources/Capital Gains.

iii. **Non-genuine income shown as Agriculture income:** In a few cases, the assessing officer has reported that the genuineness of the Agriculture income couldn't be verified completely during the assessment proceedings due to want of relevant documentary evidences. Therefore, adhoc disallowance has been made in the assessment proceedings to disallow certain portion of agricultural income and treat the same as income from other sources.

iv. **No variation in the agriculture income** reported by the tax payer in the return of income and the income confirmed by the assessing officer.

Accordingly, the number of cases with Agricultural income above Rs.1 Cr, initially, identified as 2746 for the aforementioned period has reduced as under:

Number of cases initially identified above Rs 1 Cr	2746
Less: Cases determined to be revised returns (hence duplicate)	(-) 229
Number of cases after considering revised returns	2517
Less: Number of cases reported as on 05.04.2016 as incorrect data entry or changed after scrutiny proceedings	(-) 168
Number of cases with agricultural income above Rs 1 Cr as determined on 05.04.2016	2349

This figure is expected to change once further reports are received from field authorities".

(ix) <u>Pendency of Tax Refunds</u>

Regarding the pendency of tax refunds, both in terms of cases and amount, the Ministry *vide* their written reply stated as under :

"As on 31.03.2016, refunds in 13.34 Lakh cases are pending for various assessment years involving a total amount of Rs. 1,29,910 Crore approximately. This includes refunds pending in 3.64 lakh cases for Assessment Year 2014-15 and earlier years, involving total amount of Rs. 63, 810 Crore approximately .

The age-wise pendency of refunds as on 31.03.2016 is given in the table below:

Number of refund claims pending:

Assessment Year	Number	Pending for less than 1 month	1-6 Month	6 Month - 1 year	1-2 years	More than 2 years
2013-14	94,352	1,755	10,754	20,884	29,929	31,030
2014-15	2,69,391	99,759	35,300	31,248	1,03,083	1
2015-16	9,71,109	3,71,424	2,93,962	3,05,721	2	-
Total	13,34,852	4,72,938	3,40,016	3,57,853	1,33,014	31,031

Amount of refunds pending:

Assessment Year	Refund Amount in Rs Cr	Pending less than 1 month in Rs Cr	1-6 Month in Rs Cr	6 Month -1 year in Rs Cr	1-2 years in Rs Cr	More than 2 years in Rs Cr
2013-14	15,194	10	42	51	8,441	6,649
2014-15	48,616	2,461	4,223	1,909	40,023	0
2015-16	66,100	1,018	45,729	19,353	0	-
Total	1,29,910	3,489	49,995	21,314	48,463	6,649

Most of the outstanding refund claims are less than one year old. As on 01.03.2016, refunds in only 1.64 lakh cases are pending for a period exceeding one year, involving an aggregate amount of Rs. 55,112 Crore approximately. While majority of the refund claims are settled without any delay, some claims get delayed, the major reasons for which are:

(i) Refunds in cases selected for scrutiny under section 143(3) of the Income Tax Act 1961are issued only after the completion of the scrutiny proceedings.

(ii) In cases where intimations have been issued to taxpayers for adjustment of arrears of earlier years, refunds can be issued only after the taxpayer has replied to the intimation/ notice of the Department.

(iii) Incorrect details of bank account furnished by taxpayers.

(iv) Incorrect address or change of address of taxpayers.

(v) Cases where taxpayer has not submitted ITR-verification (ITR-V) form to the department after e-filing the return.

(vi) Cases where defective notice has been issued to taxpayer under section 139 (9) of the IT Act 1961.

(vii) Delayed filing of return by taxpayer.

However, various measures have been undertaken by the CBDT to reduce the time period involved in processing, determination, issuance and delivery of refunds so as to minimize the interest outgo on the same. These include expanding the scope of mandatory e-filing of returns for expeditious processing, issuance of refunds through refund banker, e-filing of TDS/TCS statements to reduce data mismatch, facility of viewing 26AS statements by taxpayers for verification of taxes paid/deducted and credited, online viewing of status of refund and strengthening of grievance redressal mechanism.

Recently, CBDT has issued directions to CPC and the field authorities for expeditious processing of refund claims upto Rs. 50,000/-, in non-scrutiny cases, as these form the bulk of pendency.

Further, with a view to provide relief to small taxpayers, CBDT has directed CPC and the field authorities to issue refunds upto Rs. 5,000/- immediately, without any adjustment of outstanding demands".

(x) Mechanism to deal with tax arrears

In light of the fact that there is ever increasing pendency of tax arrears including undisputed and uncollected direct as well as indirect tax becoming perennial and unmanageable, the Ministry was asked for mechanism to deal with such menace. Regarding this, the Ministry *vide* their written reply has stated as under :

"Raising of direct taxes demand and collection/recovery of outstanding dues is a continuous process. Besides action for collection/recovery, as stipulated under the statutes relating to Direct Taxes (including attachment of movable or attachment and sale of immovable properties), CBDT has also prescribed detailed guidelines for focused action by field formations in this area of work. This includes setting targets for recovery of arrears as well as current demand raised, regular monitoring of the actions of the assessing officer by the hierarchical superior authorities, utilizing information from various data bases like Individual Transaction Statement and 360-degree profile generated by the Department and data bases of other agencies like FIU-IND, etc about tax-defaulters, taking assistance of the Investigation Wing in important cases for identification of assets, guidelines for Tax Recovery Officers for focused efforts towards recovery, adherence to guidelines for dealing with stay petitions and early disposal of appeals especially in high demand cases, etc."

"In order to tackle the ever increasing tax pendency the following measures have been initiated:-

(i) Initiation of recovery where no stay has been granted.
(ii) Special monitoring of cases where action has been initiated u/s 142 of the Customs Act.
(iii) Regular Inspections of the zones by Tax Arrear Recovery officers/Chief Commissioner Zones.
(iv) Review/Scrutiny of arrears recovery cases involving Rs. 5 Cr. & above.
(v) Cases of untraceable defaulters to be taken up with FIU on FINEX module.
(vi) Creation of Database for detailed history of cases U/s 142 of Custom Act has been initiated.
(vii) Identification of cases for Write-off.
(viii) Vigorously pursue the cases pending with BIFR/Debt Recovery Tribunal/Official Liquidator etc."

PART - II

OBSERVATIONS / RECOMMENDATIONS

Under-utilisation of Allocated Funds

1. The Committee note with deep concern the persistent under-utilization of allocated funds in respect of Demand Nos. 37, 38 & 39 of the Ministry of Finance (Department of Revenue) during the last three years. The amount surrendered during the last three years in respect of Demand No. 37 ranges from Rs. 366.17 crore to Rs. 7,611.91 crore, in respect of Demand No. 38 from Rs. 238.88 crore to Rs. 912.16 crore and in respect of Demand No. 39, from Rs. 111.06 crore to Rs. 696.17 crore. The Committee disapprove of the routine reply by the Ministry that the large amount was surrendered in absence of any decision regarding providing CST Compensation to the States and also due to non-finalization / non-clearance of some proposals of purchase / construction of Rajaswa Bhawan /other office buildings / equipments etc. Such a practice only indicates the lack of proper ideation on part of the Ministry in respect of utilization of allocated funds. The Committee, therefore, recommend that the Ministry should henceforth, pursue for realistic budgetary formulation, followed by optimum utilization of allocated funds through effective management and micro monitoring. Moreover, the Committee desire that an all pervasive mechanism for fixing accountability be developed so that the budgetary exercise meets its logical end otherwise, such a mutual co-existence of over-estimation and under-utilization would certainly jeopardize our budgetary process.

Direct & Indirect Tax : Targets and Collections

2. The Committee are constrained to note that as far as total revenue collection is concerned, our economy is witnessing only incremental growth instead of any substantial increase in figures. This becomes more visible in view of the fact that except in the last fiscal, all of the BE figures have been corrected on the lower side at RE stage. Moreover, the Committee opine that the recent increase in indirect taxes would indirectly result in inflation. In light of the above-stated situation, the

Committee recommend that the Ministry should usher in next generation tax reforms in our economy by ideating afresh about our tax policy / regime which only would lead to transformational revenue generation figures in place of current dull situation and incremental figures of revenue both in direct and indirect taxes. The Committee also suggest that a concrete road map as well as suitable administrative measures be prepared and kept ready for smooth rollout of GST.

Revenue Foregone

3. The Committee are constrained to note that though in last Union Budget, there were proposals to minimize the quantum of revenue foregone and they had sought for the road map as to how the Government would do it, no such road map has been brought to the notice of this Committee. Though the Committee accept the fact that incentives are surely needed to motivate and propagate the economic activities yet they are of the opinion that foregoing revenue to the tune of Rs. 6.11 lakh crore whereas Government's gross tax collection in last fiscal is provisionally estimated at Rs. 14.6 lakh crore, needs to strengthen the economic development by substantial increase in job creation and other opportunities. Moreover, the Committee desire to know whether such exemptions or incentives are in coherence with the overall intention / policy of the Government. The Committee, therefore, reiterate their earlier recommendation for a comprehensive roadmap for a review of revenue foregone with a case by case 'impact assessment' study, that would facilitate in making it more effective, targeted and in coherence with the underlying policy of the Government.

Tax-GDP Ratio and Widening of Tax Base

4. In light of the Tax-GDP ratio for 2016-17 (BE) which is 10.85 percent, the Committee note that India's overall tax to GDP ratio is quite less than that of comparable countries. But what is really noticeable is that tax buoyancy for the fiscal year 2014-15 is 0.6 percent for both direct and indirect taxes. This does not augur well for the tax capacity. It basically suggests that we are not able to capture the growth of the

economy properly for purposes of tax collection; it also reflects deficiency in the functioning of tax administration.

Further, the Committee observe with dismay the fact mentioned in the Economic Survey for 2015-16 that nearly 85 percent of the economy remains outside the tax net which is against the general impression that the unaccounted income lies anywhere from 30 to 40 percent. This fact needs to be understood in the context of "missing taxpayer" which the survey points out, would have contributed about Rs. 31,500 crore in tax revenue. The Committee opine that these missing taxpayers are the ones who are engaged in small businesses. The Committee observe that this is due to lack of cohesiveness in taxation policy and therefore, they call for overhaul of administrative governance of taxation policy. Therefore, the Committee suggest for proper and relevant mechanism / steps by the Ministry to substantially improve the score on this board by bringing the missing tax payers into the tax net and harness their tax potential.

Further, the Committee would like to point out that rationality and equitability in taxation rates / structure / classification should be maintained. For instance, excise duty structure proposed on goods such as plastic materials should be kept uniform, so that tax disputes can be avoided.

Presumptive Tax

5. In light of fact mentioned in the Economic Survey, 2015-16 that around 85% of Indian economy is out of the tax net, the Committee observes this as an alarming situation. The Committee feel that if our economy has to be more prosperous and equitable / rational in tax collection, presumptive taxation may prove to be prime mover in this field. The Committee appreciate the Government's Presumptive taxation proposals made in Union Budget 2016-17 viz. presumptive taxation for professionals (whose gross receipts do not exceed Rs. 50 lakh) and presumptive taxation of business of Rs. 2 crore. The Committee view that an iterative planning and execution of presumptive taxation regime will surely prove to be a great revenue fetching exercise / mode as the

biggest chunk of our working population lies in unorganised sector (alongwith small businesses) and non-TDS category of assessees, and are usually reluctant to come into tax net due to fear of compliance burden of maintenance of account books, which will also contribute to ease of doing business, and broaden the tax base.

<u>Implementation of recommendations of following Committees / SIT / Commissions</u>

(i) Tax Administration Reforms Commission (TARC) headed by Dr. Parthasarathi Shome;
(ii) R.V. Easwar Committee for simplification of the provisions of the Income Tax Act; and
(iii) SIT headed by Justice M.B. Shah on Black Money.

6. The Committee note that the Government has taken various steps in pursuance of the recommendations of these panels. However, the Committee are constrained to observe that the Government are relying upon only half-hearted implementation of the recommendations of these panels. This will only fetch limited and insufficient results. The Shome panel called for time-bound refunds, avoiding retrospective amendments to tax law, and streamlining the tax administration because simple tax laws will also help cut down litigation, reduce arrears and improve tax collection. The Ministry needs to execute these suggestions seriously and promptly. The Committee appreciate the Government's decision to set up the Tax Policy Research Unit (TPRU) alongwith Tax Policy Council (TPC). Though a delayed action, it will be of significant help in near future. However, the Committee doubt whether these developments will finally culminate in the merger of the CBDT and CBEC and abolition of the post of Revenue Secretary, as suggested by TARC.

Justice R V Easwar Committee's recommendations, although dealing with simpler issues such as Income Computation and Disclosure Standards (ICDS), Section 14 A, Tax Deducted at Source (TDS) credits, assessment procedures, refund of taxes, etc., if implemented in letter and spirit, would bridge the communication and trust gap between the tax authorities and taxpayers, and would enable the objective of ease of doing business in India.

The Committee observe that a lot needs to be done by the Ministry regarding unearthing of black money. The Committee are not satisfied by the incomplete response of the Ministry regarding quantum of unaccounted money brought back from abroad. The Committee recommend the Ministry to give utmost priority to the implementation of Justice Shah's panel so that black money stashed abroad may be brought to our hand in time. Moreover, with a view to preventing and curbing generation of unaccounted money in the first place, the Committee are of the view that a combination of policy, legislative and concrete enforcement measures need to be adopted and implemented on priority basis.

Direct Taxes Code

7. The Committee are constrained to observe that the Government are picking and choosing the proposals made in the Direct Taxes Code, 2010 instead of adopting the Code in toto and they are displeased by the casual approach of the Government in stating that there is no merit in going ahead with the DTC as it exists today. They are unable to appreciate the reluctance of the Government to whole heartedly embrace the code in totality. The Committee reiterate its suggestion of adoption of DTC, 2010 in its entirety which would go a long way in simplification and rationalization of our present cumbersome tax regime.

Cases with One Crore plus Agricultural Income

8. The Committee have taken note of the sudden surge in the number of cases with Rs. one crore plus agricultural income. The Committee are not satisfied by the adhoc manner in which the Department has been handling such an important issue. Such a lapse or overlooking may lead to creation of 'domestic tax haven' in our economy whereby unaccounted or black money may be stashed / hidden under the head / guise of agricultural income. They recommend for stringent action on part of the Ministry to check this trend forthwith. The Committee, therefore, desire that the latest update on this subject alongwith judicial outcome, if any,

may be furnished to the Committee within a month of the presentation of this Report.

Pendency of Tax Refunds

9. The Committee are alarmed upon observing the fact that 13.34 lakh cases of tax refunds involving Rs. 1,29,910 crore are pending. The figures mentioned above clearly indicate that a substantial proportion of taxes collected are being returned by way of refunds. The Committee would like to be apprised of the reasons behind ever increasing pendency of tax refunds. The Committee suggest for time-bound refunds and thorough review for curbing the piling up of such cases immediately otherwise this phenomenon will inflict grave implication on quantum of net revenue generated. Moreover, it is pertinent to mention here that the Committee have been recommending for interest liability of tax refunds to be included in the Union Budget. The Committee are still awaiting the Ministry to act upon this. They desire the Ministry to take necessary action in the matter.

Mechanism to deal with Tax Arrears

10. The Committee are constrained to note that the Department seems to be trapped in vicious cycle of tax arrears whereby raising of unrealistic demands proved to be prime mover. The huge pendency of tax arrears is clear manifestation of failure of tax policy and administration. Though a lot of measures have been enumerated to be taken by the Department to curb this issue, they have proved to be insufficient and ineffective. The Committee, therefore, recommend for overhauling the procedure which leads to such arrears and also advocate for a changed approach, based on identifying debtors rather than the present method of identifying debts / arrears, which can give better results.

New Delhi;
26 April, 2016
06 Vaisakha, 1938 (Saka)

DR. M. VEERAPPA MOILY,
Chairperson,
Standing Committee on Finance

Minutes of the Twelfth sitting of the Standing Committee on Finance

The Committee sat on Tuesday, the 29 March, 2016 from 1100 hrs. to 1715 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Dr. M. Veerappa Moily - Chairperson

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Venkatesh Babu T.G.
4. Shri Nishikant Dubey
5. Shri Shyama Charan Gupta
6. Shri Chandrakant B. Khaire
7. Shri Rattan Lal Kataria
8. Shri Bhartruhari Mahtab
9. Prof. Saugata Roy
10. Shri Jyotiraditya M. Scindia
11. Shri Gopal Shetty
12. Shri Anil Shirole
13. Dr. Kiritbhai Solanki
14. Dr. Kirit Somaiya

RAJYA SABHA

15. Shri Naresh Agrawal
16. Shri Naresh Gujral
17. Shri A. Navaneethakrishnan
18. Dr. Mahendra Prasad
19. Shri C.M. Ramesh
20. Shri Ajay Sancheti
21. Dr. Manmohan Singh

SECRETARIAT

1.	Smt. Abha Singh Yaduvanshi	-	Joint Secretary
2.	Shri P.C. Tripathy	-	Director
3.	Shri Ramkumar Suryanarayanan	-	Additional Director
4.	Shri Kulmohan Singh Arora	-	Deputy Secretary

PART - I

(1100 hrs. to 1415 hrs.)

1. XX XX XX XX XX

PART-II
(1445 hrs. to 1515 hrs.)

1. XX XX XX XX XX

PART-III

(1515 hrs. to 1715 hrs.)

Ministry of Finance (Department of Revenue)

1. Dr. Hasmukh Adhia, Secretary (Revenue)
2. Shri Atulesh Jindal, Chairman (CBDT)
3. Shri Najib Shah, Chairman (CBEC)
4. Shri B.N. Sharma, Additional Secretary (Revenue)

2. At the outset, the Chairperson welcomed the Members and the Witnesses to the Sitting of the Committee.

3. After the introduction of the Witnesses and their introductory remarks, the Committee took their evidence in connection with the examination of Demands for Grants (2016-17) of the Ministry of Finance (Department of Revenue). The major issues discussed during the sitting broadly related to rethinking over taxation policy; low tax-GDP ratio; impact assessment of tax exemptions or revenue foregone on economy particularly on job / employment creation in the country; broadening of tax base; tax buoyancy; huge tax arrears; implementation of GST and Direct Taxes Code; unearthing of black / unaccounted money through new scheme proposed in the Budget 2016-17; duty rates on petroleum especially Aviation Turbine Fuel (ATF); reduction of interest rates on small savings schemes such as PPF etc.; steps to reduce fiscal and revenue deficits; number of persons having income more than one

crore in agricultural sector; proposed excise duty on non-silver jewellery; harmonious data sharing between the concerned bodies of the Department etc. Moreover, the Committee reiterated that the tax action policy should reflect and be directed towards promotion of intended industry sectors in the economy. The Chairperson directed the representatives of Ministry of Finance to furnish written replies to the points raised by the Members which could not be answered to / adequately responded to during the discussion, within 10 days to this Secretariat.

(The witnesses then withdrew).

A verbatim record of the proceedings has been kept.

The Committee then adjourned.

Minutes of the Fourteenth sitting of the Standing Committee on Finance

The Committee sat on Tuesday, the 26 April, 2016 from 1530 hrs. to 1810 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Dr. M. Veerappa Moily - Chairperson

LOK SABHA

2. Shri Venkatesh Babu T.G.
3. Shri Nishikant Dubey
4. Shri P.C. Gaddigoudar
5. Shri Shyama Charan Gupta
6. Shri Chandrakant B. Khaire
7. Shri Rattan Lal Kataria
8. Shri Bhartruhari Mahtab
9. Shri Rayapati Sambasiva Rao
10. Shri Gajendra Singh Sekhawat
11. Shri Gopal Shetty
12. Shri Anil Shirole
13. Dr. Kiritbhai Solanki
14. Dr. Kirit Somaiya
15. Shri Shivkumar Udasi

RAJYA SABHA

16. Shri Satish Chandra Misra
17. Shri Ajay Sancheti
18. Shri Digvijaya Singh
19. Dr. Manmohan Singh

SECRETARIAT

1.	Smt. Abha Singh Yaduvanshi	-	Joint Secretary
2.	Shri P.C. Tripathy	-	Director
3.	Shri Ramkumar Suryanarayanan	-	Additional Director

PART - I

(1530 hrs. to 1645 hrs.)

WITNESSES

1. XX XX XX XX XX

(The witnesses then withdrew).

PART-II

(1645 hrs. to 1700 hrs.)

The Committee then took up for consideration and adoption the following draft Reports.

(i) Draft Report on Demands for Grants (2016-17) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment).

(ii) Draft Report on Demands for Grants (2016-17) of the Ministry of Finance (Departments of Revenue)

(iii) Draft Report on Demands for Grants (2016-17) of the Ministry of Statistics and Programme Implementation.

(iv) Draft Report on Demands for Grants (2016-17) of the Ministry of Corporate Affairs.

(v) Draft Report on Demands for Grants (2016-17) of the Ministry of Planning.

The Committee adopted the above draft Reports with some minor modifications as suggested by Members. The Committee authorised the Chairperson to finalise the Reports in the light of the modifications suggested and present the same to Parliament.

The Committee then adjourned.