

IT APPLICATIONS IN INCOME TAX DEPARTMENT

[Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Second Report (16th Lok Sabha)]

MINISTRY OF FINANCE (DEPARTMENT OF REVENUE)

PUBLIC ACCOUNTS COMMITTEE (2015-16)

TWENTY SIXTH REPORT

SIXTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

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Presented to Lok Sabha on: 10.12.2015

Laid in Rajya Sabha on: 10.12.2015

LOK SABHA SECRETARIAT
NEW DELHI

December, 2015 /Agrahayana, 1937 (Saka)

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**Not appended to the cyclostyled copy of the Report*

**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2015-16)**

Prof. K.V. Thomas - Chairperson

MEMBERS

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Sudip Bandyopadhyay
4. Shri Ranjit Singh Brahmpura
5. Shri Nishikant Dubey
6. Shri Gajanan Kirtikar
7. Shri Bhartruhari Mahtab
8. Shri Ramesh Pokhriyal "Nishank"
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10. Shri Dushyant Singh
11. Shri Janardan Singh Sigriwal
12. Dr. Kirit Somaiya
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RAJYA SABHA

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19. Shri Vijay Goel
20. Shri Bhubaneswar Kalita
21. Shri Shantaram Naik
22. Shri Sukhendu Sekhar Roy

SECRETARIAT

1. Shri A.K. Singh - Additional Secretary
2. Shri T.Jayakumar - Director
3. Smt. Anju Kukreja - Under Secretary

INTRODUCTION

I, the Chairperson, Public Accounts Committee (2015-16), having been authorised by the Committee, do present this Twenty Sixth Report (Sixteenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Second Report (Sixteenth Lok Sabha) on **'IT Applications in Income Tax Department'** relating to Ministry of Finance (Department of Revenue).

2. The Second Report was presented to Lok Sabha/laid in Rajya Sabha on 25th November, 2014. Replies of the Government to all the Observations/Recommendations contained in the Report were received. The Public Accounts Committee considered and adopted the Twenty Sixth Report at their sitting held on 7th September, 2015. Minutes of the sitting are given at Appendix I.

3. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

5. An analysis of the action taken by the Government on the Observations/Recommendations contained in the Second Report (Sixteenth Lok Sabha) is given at *Appendix-II*.

NEW DELHI;
9th December, 2015
18 Agrahayana, 1937 (*Saka*)

PROF. K.V. THOMAS,
Chairperson,
Public Accounts Committee.

REPORT

PART – I

INTRODUCTORY

This Report of the Public Accounts Committee deals with the Action Taken by the Government on the Observations and Recommendations of the Committee contained in their Second Report (16th Lok Sabha) on **"IT Applications in Income Tax Department"** based on C&AG Report No. 23 of 2012-13, Union Government, relating to Ministry of Finance (Department of Revenue).

2. Second Report (16th Lok Sabha), which was presented to Lok Sabha/laid in Rajya Sabha on 25th November, 2014, contained 16 Observations and Recommendations. Action Taken Notes in respect of all the Observations and Recommendations have been received from the Ministry of Finance (Department of Revenue) and are broadly categorized as under :

- (i) Observations/Recommendations which have been accepted by the Government:

Para Nos. 1, 3, 4, 5, 7, 8, 9, 11, 13, 14, 16

**Total: 11
Chapter - II**

- (ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government:

Para Nos. Nil

**Total: Nil
Chapter - III**

- (iii) Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee and which require reiteration:

Para Nos. 2, 10, 12, 15

**Total: 4
Chapter - IV**

- (iv) Observations/Recommendations in respect of which Government have furnished interim replies:

Para No. 6

Total: 1

Chapter – V

3. The Committee's examination of IT Application in Income Tax Department by the Ministry of Finance (Department of Revenue) revealed the following shortcomings:

- ₹ 790 crore were spent on computerization of the Department of Income Tax between 2006 to 2011, yet the Department had not utilized important functionalities of various modules.
- The Department failed to make a thorough and diligent assessment before choosing to commission the Centralised Processing Centre (CPCs) at Manesar and Pune to process the paper returns of the entire Country. There was an inadequate response to tendering for the projects of CPCs at Manesar and Pune due to unprecedented increase in e-filing and consequent reduction in the volume of paper returns available for processing and, consequently, the project of commissioning the two CPCs had to be scrapped.
- The features of Assessment Information System (AST) which were designed to keep track of proceedings and to integrate the results of the same into the system once final orders were prepared and uploaded module were not utilised by the Assessing Officers, inspite of specific instructions to carry out all post-processing actions only on AST. Across India, out of 11.31 lakh cases selected by Audit for regular assessment under section 143(3) during FY 07 to FY 10, only 1.98 lakh cases were entered into AST.
- As on 01.06.2011, out of 77,385 cases pending in appeal, only 3205 (4 %) cases in respect of 14 Regional Computer Centres (RCCs), were found to be entered in the system. Further, not a single case, finalised by Income Tax Appellate Tribunal (ITAT), was found recorded while of the cases finalised by the High Courts and the Supreme Court, only 15 cases were entered in the system.
- The AST module was deficient with regard to transactions involving legacy issues like carry forward and set off of losses and unabsorbed depreciation. Such cross linkages were also found wanting even in CPC environment. The module

totally relied upon the data furnished by the assesseees in its return for giving them such benefit.

- The matter of duplicate/multiple/invalid PAN cards being issued by the Income Tax Department remains unresolved.
- The collection reported by Regional Computer Centre (RCC), Delhi to Zonal Accounts Office (ZAO) was more than actual tax collection reported by RBI to ZAO. This difference amounted to ₹ 331.16 crore and ₹ 441.50 crore in Financial Years 2010 and 2011, respectively.
- Although, Controller General of Accounts (CGA) had de-authorized branches from collecting taxes where the quality of PAN/TAN data in uploads to the TIN was beyond acceptable limits, several bank branches which had been de-authorized were collecting taxes.

4. The Committee had accordingly given their Observations/Recommendations in their Second Report (16th Lok Sabha). The gist of important observations/recommendations as contained in the Report are given as under:

- (i) Instead of scrapping the project of CPCs at Manesar and Pune altogether, the Ministry could have alternatively dedicated the said CPCs for processing of e-returns instead of paper returns.
- (ii) The Ministry of Finance should ensure that scrutiny assessment details under various sections of the Income Tax Act were recorded invariably in the designated system.
- (iii) Demand Management Solution needs to be expeditiously implemented by the Ministry of Finance and the lapses of non-availability of updated information resulting in incorrect or undue tax demand notices issued to the assesseees should not recur.
- (iv) A state-of-the-art IT infrastructure should be put in place which, in turn, would ensure better tax administration.
- (v) The Income Tax Department should explore the possibility of issuing PAN cards based on biometric data (Finger prints/iris scan/face photo).

- (vi) More banks/branches should be authorized for tax collection and the defaulter banks/branches be dealt with strictly.
- (vii) Ministry should execute contracts with vendors in accordance with best international practices and incorporate deterrent penalty clause in the contract so that cases of time overruns would not recur.
- (viii) Policy decision regarding linking e-banking with e-filing of ITR be expedited with a view to ensuring tax payment agility.
- (ix) A National Economic Information Sharing System should be set up to establish a set of data sharing standards with legal backing as well as to enable data sharing among agencies such as Central Board of Excise and Customs, Central Board of Direct Taxes, Reserve Bank of India etc.

5. The Action Taken Notes furnished by the Ministry of Finance (Department of Revenue) in respect of all the Observations/Recommendations of the Committee have been reproduced in the relevant chapters of this Report.

6. The Committee desire that Government should furnish final/conclusive action taken replies to the Recommendations for which interim replies have been furnished.

The Committee will now deal with the action taken by the Government on some of their Observations/Recommendations made in their Second Report, which need reiteration or merit comments.

A. Commissioning of Central Processing Centres (CPCs)

(Recommendation Para No. 2)

7. In their earlier report, the Committee had found that the projects relating to two more Central Processing Centres (CPCs) at Manesar and Pune, which were to be commissioned to process the paper returns of the entire country other than Karnataka and Goa, were not carried out because due to unprecedented increase in e-filing and the consequent reduction in the volume of paper returns available for processing, there was no adequate response to tendering the projects of CPCs at these stations. Keeping in view the increasing volume of e-returns, the Committee had felt that instead

of scrapping the projects of CPCs at Manesar and Pune altogether, the Ministry could have alternatively dedicated the said CPCs for processing e-returns.

8. In this regard, the Ministry of Finance (Department of Revenue) in their Action Taken Note, submitted as under:

"1. The Central Processing Centres (CPC) at Bengaluru was set up in 2009 and designed to process e-filed Income Tax Returns of the entire country and paper returns of Karnataka and Goa while CPC at Ghaziabad was set up to handle Tax Deducted at Source (TDS) Statements.

2. At the time of issue of the tender of CPC Bengaluru in October 2008 and till the issue of award to M/s Infosys in Feb 2009, the number of e-returns filed that formed the basis for estimation of volumes likely to be processed at CPC, i.e. in FY 2007-08 and for FY 2008-09, was about 22 Lakh and 48 Lakh. There has been a significant increase in e-filing in FY 2011-12 onwards (Table 1) which was partly due to changes in policy, making it mandatory for certain categories of taxpayers to e-file their Income Tax return, and also partly due to the faster processing of e-returns and issue of refunds by CPC that encouraged taxpayers to adopt e-filing of IT Returns.

Table 1- Growth in number of E-filed returns

Financial year	Number of e-Returns (in Lakh)	% of total Returns (approx)
2006-07	3.62	1%
2007-08	21.70	7%
2008-09	48.31	15%
2009-10	50.74	16%
2010-11	90.50	28%
2011-12	164.33	51%
2012-13	214.86	66%
2013-14	296.82	88%

3. When CPCs at Manesar and Pune was conceptualized in response to a Budget announcement by the Finance Minister in 2011-12 to process Paper Returns of the rest of India, the volumes for processing were calculated on the basis of figures of 2011-12 and 2012-13 and the anticipated figures for the future are as under:

Year	Total Returns in lakh	Manesar in lakh	Pune in lakh
Year 1	85	40	45
Year 2	80	35	45
Year 3	70	30	40
Year 4	55	25	30
Year 5	50	20	30

4. The Tender for setting up the CPCs at Pune and Manesar were issued based on the volumes anticipated. However, the tenders floated for CPC Manesar & Pune did not elicit significant response from prospective bidders. The primary reasons being:

- a. The general downward trend of volume of paper returns being received by the Department did not encourage vendors to participate since the bidders did not find the project to be financially viable.
- b. There had been resistance from the staff unions against movement of paper returns to CPC Bangalore which created uncertainty.
- c. The success of e-filing of returns (which now covered over 90% of all returns filed by taxpayers) meant that volume of paper returns would be very minimal.
- d. Due to these reasons, the project for setting up CPCs at Pune and Manesar was scrapped, with the approval of the Finance Minister. The CPC Bengaluru has the scalability to handle all e-filed returns, with a per day capacity to process on an average over 2 Lakh returns. Processing these e-filed returns at CPC Pune and Manesar was never considered since it would have involved duplication of

cost and unwarranted expenditure which would be questioned in audit."

9. The Committee are unhappy to observe that though a decline in filing of tax through paper returns was well anticipated from the very beginning, the decision was still taken to call tenders for two separate CPCs to handle the paper returns. They are unable to understand the Ministry's logic that the volumes for processing Paper returns for conceptualising the 2 new CPCs, were calculated on the basis of figures of 2011-12 and 2012-13, since during both these years, the actual figures of e-returns were already 51% and 66% respectively, which, in other words, meant that the percentage of paper returns was 49% in 2011-12 and 34% in 2012-13. In such a scenario, the Committee feel that the the Ministry should have pursued the project with one CPC only, instead of two. Given the declining trend of volume of paper returns, the clubbing of paper returns at one CPC would have made at least one CPC financially viable to be commissioned, in compliance to the Budget announcement by the Finance Minister in 2011-12. Further, in response to the Committee's recommendation that instead of scrapping the project of CPCs at Manesar and Pune, the Ministry could dedicate them for processing of e-returns, the Ministry have reasoned that the CPC Bengaluru has the scalability to handle all e-filed returns, having capacity to process, on an average, over 2 Lakh returns per day. As the Government is taking various measures to widen the tax base of the economy, it would translate into more number of returns being filed. As these would likely to be e-returns, given the present tax rules, the Committee desire that the Ministry should consider dedicating atleast one of the CPCs at Pune or Manesar, for processing e-returns. Moreover, having only a single CPC dedicated to processing of e-returns of the entire Country leaves the entire process as well as the database vulnerable to the safe operation of the concerned CPC, in absence of any alternative processing Centre in case of exigencies. The Committee, therefore, urge the Ministry to explore the scope and viability of partial decentralization of e-return processing

to be handled by either Pune or Manesar, in view of anticipated widening of the tax base of the economy.

**B. Income Tax Business Applications:
(Recommendation Para No. 6)**

10. In their earlier Report, the Committee had observed that Income Tax Business Applications (ITBA) project was undertaken by the Department of Revenue which sought the re-writing of ITD applications in a new architecture and design. This *inter-alia* included writing software for all processes (including core functions like assessment, appeal, rectifications etc.) of the Department, maintenance of old application till development of new application, migration of old data to the new application, development of interface with UTI Infrastructure Technology and Services Limited/ National Securities Depository Limited /CPC Bengaluru/CPC TDS/ Refund Banker, development of Data Centre for the application, development of Technology Training Centre, development of test environment for old and new application, training of 20,000 employees and development of HRMS module. An overview of the scope and functions of this project revealed ITBA being the key to achieving efficient and effective digitization of the overall functioning of ITD. As per the Ministry's admission, the project was likely to be completed by April, 2015. The Committee had expressed hope that with completion and implementation of ITBA in the Income Tax Department within the stipulated time, a State-of-the-art IT infrastructure would be put in place, which, in turn, would ensure better tax administration.

11. In their Action Taken note to the above said recommendation of the Committee, the Ministry of Finance (Department of Revenue) submitted as under:

"The project ITBA is under implementation and is planned to be rolled out in stages from April 2015.

The Salient features/functions of ITBA, *inter alia*, are:

- i. Writing of Software for all processes of the department.
- ii. Maintenance of old application till development of new application.
- iii. Migration of old data to new application
- iv. Development of Interface with UTI/NSDL/CPC Bengaluru/CPC TDS/ Refund Banker.
- v. Development of New Data Centre with better IT infrastructure for the application.
- vi. Development of Technology Training Centre.
- vii. Development of test environment for old and new application.
- viii. Training of 20,000 employees.
- ix. Development of HRMS module.
- x. Creation of Technology Help Desk
- xi. Workflow based management system
- xii. Alert and notification services
- xiii. Consolidated view of tax payers,
- xiv. Capability to generate a large number of standard and customized reports for all (authorized users),
- xv. A uniform mailing solution to all,
- xvi. The landing page (portal after log-in) will make all statistics (customizable by the user) relevant to him/her for the day visible to a user (AO, Range head, CIT, CCIT), enabling him to keep updated about statistical details of his charge.
- xvii. Dashboard for the users for better control of their work.

12. The Committee note that during the course of examination of the subject, the Ministry had informed that the Project relating to Income Tax Business Applications (ITBA) was likely to be completed by April, 2015. The Ministry in their Action Taken Note have now informed that the project is planned to be rolled out in stages from April, 2015. However, the Action Taken Note is bereft of any details of these stages as well as the time period by when the entire project would actually be implemented. Since this project is expected to bring the modules of the Income Tax Department under one common architecture, thereby improving the efficiency of the Income Tax Department in the areas such as assessments (summary/scrutiny assessments), issue of refunds, disposal of appeals, anti-tax evasion measures, widening of tax base etc, the Committee desire to know the number of features completed out of the 17 features envisaged under the project so far. They desire that the project should be implemented within specific time schedule. The Committee would like to have a detailed note on the progress of ITBA and the resultant qualitative change in various areas of tax administration.

**C. Tax Collections made at de-authorized/unauthorized branches:
(Recommendation Para No. 12)**

13. In their earlier Report, the Committee had noticed that the Controller General of Accounts (CGA) authorized 12,926 branches of Nationalized and Private Sector Banks to collect taxes of which 11,638 branches collected taxes. CGA de-authorized branches from collecting taxes where the quality of PAN/TAN data in uploads to the TIN was beyond acceptable limits. However, the Committee had found that several bank branches which had been de-authorized to collect taxes were still collecting taxes. On this aspect, the Secretary, Department of Revenue, had admitted, that in 99 per cent of the instances cited by the C&AG in their Report, taxes were being collected by the defaulter branches in the time gap of receipt of communication de-authorizing the branches from the office of the Principal Chief Controller of Accounts, CBDT. While observing that inadequate number of authorized branches for tax collection might also, be a factor for collections made by de-authorized/unauthorized bank branches, the Committee had recommended that the Ministry should authorize more banks/branches for tax collection so that tax is collected in an authorized manner, and the defaulter banks/branches be dealt with strictly.

14. The Ministry of Finance (Department of Revenue) in their Action Taken Note have stated as under:

"The Office of Principal Chief Controller of Accounts which authorizes and de-authorized branches is aware of the fact and the matter has been discussed in various meetings with banks. Several banks have stated that the collection shown by de-authorised bank branches is because of wrong mapping of the Basic Statistical Return (BSR) code in their IT system or due to delay in receipt of the information regarding de-authorisation.

1. On-line tax collection by unauthorized banks/non-agency banks:

Audits conducted by office of Pr.CCA, CBDT on the performance of agency banks in relation to collection & remittance of Direct Taxes have revealed that some "Agency Banks" have offered the facility of collection of Direct Taxes to

some “Non-Agency Banks” [referred to as the Banks which have not been duly authorized by Pr.CCA, CBDT for collection of direct taxes, through any means i.e. physical, online, ATM].

The Non-Agency Banks [NABs] have entered into tie-ups/agreements with Agency Banks [ABs] and are using net-banking facility for e-payment of direct taxes.

The Reserve Bank of India (RBI) was requested to intervene in this matter and issue suitable guidelines/instructions to stop the ABs from entering into agreements/tie-ups with NABs and also ensure that unauthorized banks are not allowed to collect direct taxes. Accordingly, D.O.No. A/101/4/2010-11/RCDN/55/561-62 dated 07.07.2014 and letter No. A/101/4/2010-11/RCDN/55/861 dated 04.12.2014 were issued to RBI in this regard.

2. Authorisation of banks branches of CBDT:

Pr.CCA CBDT, authorises bank branches for direct tax collection. Among the various parameters the proposals of authorization are strictly approved on the basis of following:

- i) The proposed branch/branches must have the requisite technical infrastructure required to work under “On Line Tax Accounting system (OLTAS)”.
- ii) The branches must have the essential technical requirements (hardware, software, connectivity, training, date entry) as per the norms laid down for empanelment for direct tax collection work.
- iii) Applications of non-CBS enabled branch are not entertained.

All the agency banks have been apprised of PAC observations on C&AG Audit Report on “Revenue Collection” by O/o Pr. CCA and action initiated to mitigate such collections by publishing “General Notice” to all individual/tax payers through advertisement in 63 leading newspapers across India on 17.05.2014. This notice gave the hyperlink to the O/o Pr. CCA webpage wherein the list of

authorised bank branches was displayed for viewing of general public. All agency banks were advised to follow suit by information to all tax payers to deposit taxes in authorized bank branches only.

List of all authorised bank branches collecting direct taxes is available the official website of Pr. CCA, CBDT i.e. www.pccacbdtd.gov.in the list of authorised branches is updated regularly, so that tax payer, at any point of time is shown the correct list of authorised branches on the website.

Further, following the advisory of the Committee all the agency banks were advised to submit fresh proposals for authorization of additional branches for direct tax collection. The following table indicates the liberal approach taken by Pr. CCA, CBDT, during last 2 years towards authorizing more bank branches for direct tax collection so that tax is collected in an authorised manner.

Sr. No.	Name of the Agency Bank	No. of authorised branches			
		At the beginning of F.Y. 2013-14	Added during F.Y. 2013-14	Added during F.Y. 2014-15 (till date)	Total (till date)
1	Allahabad Bank	538	282	192	1012
2	Andhra Bank	416	2	811	1229
3	Axis Bank	406	0	0	406
4	Bank of Baroda	554	12	0	566
5	Bank of India	512	778	0	1290
6	Bank of Maharashtra	182	0	0	182
7	Canara Bank	462	98	275	835
8	Central Bank of India	461	464	184	1109
9	Corporation Bank	480	0	0	480

10	Dena Bank	165	40	11	216
11	HDFC Bank Ltd.	303	0	0	303
12	ICICI Bank Ltd.	176	0	0	176
13	IDBI Bank Ltd.	138	0	0	138
14	Indian Bank	414	0	4	418
15	Indian Overseas Bank	350	1	1	352
16	Jammu & Kashmir Bank	24	0	0	24
17	Oriental Bank of commerce	155	0	0	155
18	Punjab & Sind Bank	209	9	63	281
19	Punjab National Bank	698	227	215	1140
20	Reserve Bank of India	15	0	0	15
21	State Bank of Bikaner & Jaipur	329	56	1	386
22	State Bank of Hyderabad	273	0	0	273
23	State Bank of India	3625	2	3	3630
24	State Bank of Mysore	271	0	0	271
25	State Bank of Patiala	214	0	0	214
26	State Bank of Travancore	195	1	0	196
27	Syndicate Bank	333	0	0	333
28	UCO Bank	308	0	0	308
29	Union Bank of India	706	49	280	1035
30	United Bank of India	338	42	1	381
31	Vijaya Bank	287	0	0	287
Total		13537	2063	2041	17641

As is evident from the above table, during the last two years more than 4100 branches have been additionally authorised by Pr. CCA, CBDT for direct tax collection work.

3. Acting against defaulter banks/branches:

The Audit Paras raised by C&AG in its Report were based on OLTAS data pertaining to F.Y. 2010-11. On the aspect of tax collection by de-authorised branches, as already informed, in 99 percent of the instances cited in the Audit Report, taxes were collected by the defaulter branches in the time gap of receipt

of communication for de-authorising the branches from the office of Pt. CCA, CBDT.

To mitigate such delay in receipt of communication, the letters of authorization /de-authorisation of bank branches are now being e-mailed directly to the Bank's Head office for taking immediate necessary action. Further, the letters/orders/circulars are also uploaded on "CFMS – Challan File Movement System" – web portal of office of Pr. CCA, CBDT. It is ensured that "Bank Branches Master" is updated simultaneously across all the stakeholders involved i.e. Pr. CCA, CBDT/Zonal Accounts Office, CBDT/NSDL – OLTAS/RBI.

As a follow-up of these actions, there are "NIL" instances of collection of direct taxes by de-authorised bank branches. However, analysis of MIs of direct tax collections is carried out on regular basis to avoid recurrence of collection of taxes by unauthorized means.

4. The statistics related to increasing coverage of e-payment of taxes are as under:

OLTAS Challan Collection statistics						
Financial Year	e-Payment		Total Collection		% of e-Payment	
	Number of Challan	Amount (Cr)	Number of Challan	Amount (Cr)	% by count	% by amount
2010-11	1,33,20,223	4,13,317.41	2,99,27,478	5,15,100.30	44.51	80.24
2011-12	1,87,40,787	4,87,778.67	3,44,45,596	5,85,840.49	54.41	83.26
2012-13	2,22,18,018	5,37,396.06	3,69,23,107	6,32,191.80	60.17	85.01
2013-14	2,61,11,119	6,17,707.55	4,08,38,959	7,18,802.11	63.94	85.94
2014-till 31-Dec-2014	2,14,57,605	4,72,325.84	3,08,43,968	5,42,535.25	69.57	87.06

15. The Committee are happy to note that in pursuance of their recommendation, the Ministry has initiated various measures to mitigate any unauthorised collection. They have also advised all the Agency Banks to submit fresh proposals for authorization of additional branches for direct tax collection.

As a result, during the last two years more than 4100 branches have been additionally authorized by Pr. CCA, CBDT for direct tax collection work. The Committee, however, are still perturbed to note that some “Agency Banks” had offered the facility of collection of Direct Taxes to some “Non-Agency Banks” [referred to as the Banks which have not been duly authorized by Pr.CCA, CBDT for collection of direct taxes, through any means i.e. physical, online, ATM]. This grave misconduct by Agency Banks needs to be dealt with strictly, although, the Ministry has roped in RBI to issue suitable guidelines/instructions to stop the Agency Banks from entering into tie-ups with Non-Agency Banks and also ensure that unauthorized banks are not allowed to collect direct taxes. The Committee would like the Ministry to follow up the matter vigorously with the RBI as well as ensure that the Banks receive authorisation/non-authorisation information promptly. The Ministry must also advise all the Banks to undertake correction of identified errors in their IT systems so that such instances could be prevented.

D. Setting up of National Economic Information Sharing System:

(Recommendation Para No. 15)

16. Setting up of information systems that would regularly capture economic data and make it available to authorized users in a timely and secure manner is important for effective administration of various taxation and economic laws and sound policy formulation. While, observing that at present the Country has a diverse array of independent organizations with information in 'silos' which does not enable the law enforcement agencies and policy makers to 'connect the dots' even when the required information is sloshing in disparate systems, the Committee had recommended in their earlier report for setting up of a National Economic Information Sharing System to establish a set of data sharing standards with legal backing and enable data sharing among agencies such as Central Board of Excise and Customs, Central Board of Direct Taxes, Reserve Bank of India, etc.

17. The Ministry of Finance (Department of Revenue) in their Action Taken Note have stated as under:

"Following steps have been taken to share data with other Departments:

- (i) CBDT and FIU-IND implemented a joint bulk matching exercise to identify high risk corporate non-filers who had conducted high value cash transactions.
- (ii) CBDT and CBEC implemented a bilateral bulk matching exercise related to service tax cases in January 2014 to generate actionable information in respect of persons not complying with their obligations under service tax and income tax. The results of the exercise have been very useful and similar exercise for service tax and customs data for FY 2013-14 is currently under implementation.
- (iii) CBDT is currently implementing a comprehensive data sharing protocol with 6 State commercial tax departments, CBEC, MCA, DGFT under Tax 360 pilot project.
- (iv) CBDT has had detailed discussions with FIU-IND, CBEC, MCA for better understanding of data sources and develop a common roadmap for developing streamlined exchange mechanism.
- (v) CBDT is developing an integrated data exchange and analytical platform to streamline exchange and utilization of information under Project Insight.

Further, Central Economic Intelligence Bureau (CEIB) is the nodal agency for economic intelligence mandated to ensure effective interaction and coordination among all the agencies in the area of economic offences. It also functions as the clearing house of all economic intelligence and provides a platform for such exchange between various agencies within the Department of Revenue and other intelligence and enforcement agencies including IB, RAW, CBI, etc. The Economic Intelligence Council is apex forum for coordination, exchange of information and evolving common strategies to combat economic offences."

18. The Committee in their earlier recommendation had suggested for setting up of National Economic Information Sharing System to establish a set of data

sharing standards with legal backing and enable data sharing among agencies such as Central Board of Excise and Customs, Central Board of Direct Taxes, Reserve Bank of India etc. The Ministry in their action taken note have enumerated only the present information sharing arrangement being followed amongst various departments like CBEC, MCA, DGFT and FIU-IND. The Committee feel that the multiplicity of these departments sharing arrangements with the CBDT itself underlines the need for having one National Economic Information Sharing System. Under such system different agencies can directly access a national resource base which shall provide them with more diverse information under different modules than any particular department. The idea is not only to facilitate information exchange among Government agencies but also to build a national authorized repository of economic data/intelligence of considerable depth and scope. However, there is also a need to have such fail-safe security features in the National Economic Information Sharing System so that only the authorised officers could access the database. This is particularly required in view of cases where some unauthorised and unscrupulous officers were found to have hacked the computerised information systems to gain access to sensitive information and approached concerned companies/individuals for personal gratification. Thus, the Committee reiterate the need for setting up of a secure National Economic Information Sharing System for the purpose of consolidation and authorization of information. The Committee would like to be apprised of the action taken by the Ministry in this regard within three months of the presentation of this Report to Parliament.

NEW DELHI;
9th December, 2015
18 Agrahayana, 1937 (Saka)

PROF. K.V. THOMAS,
Chairperson,
Public Accounts Committee.

APPENDIX-II

(Vide Paragraph 5 of Introduction)

**ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE
OBSERVATIONS/RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE
CONTAINED IN THEIR SECOND REPORT (SIXTEENTH LOK SABHA)**

(i)	Total number of Observations/Recommendations	16
(ii)	Observations/Recommendations of the Committee which have been accepted by the Government: Para Nos. 1, 3-5, 7-9, 11, 13, 14, 16	Total : 11 Percentage: 69%
(iii)	Observations/Recommendations which the Committee do not desire to pursue in view of the reply of the Government: Para Nos. Nil	Total : 0 Percentage: 0
(iv)	Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration: Para Nos. 2, 10, 12, 15	Total : 4 Percentage: 25
(v)	Observations/Recommendations in respect of which the Government have furnished interim replies: Para Nos. 6	Total : 1 Percentage: 6