
**AVOIDABLE EXPENDITURE ON
SERVICE TAX BY INSURANCE
REGULATORY AND DEVELOPMENT
AUTHORITY (IRDA)**

MINISTRY OF FINANCE
(Department of Financial Services)

PUBLIC ACCOUNTS COMMITTEE
(2015-16)

FORTY-EIGHTH REPORT

SIXTEENTH LOK SABHA



LOK SABHA SECRETARIAT
NEW DELHI

FORTY-EIGHTH REPORT

PUBLIC ACCOUNTS COMMITTEE

(2015-16)

(SIXTEENTH LOK SABHA)

AVOIDABLE EXPENDITURE ON SERVICE TAX BY INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY (IRDA)

MINISTRY OF FINANCE
(Department of Financial Services)



Presented to Lok Sabha on: 28.04.2016

Laid in Rajya Sabha on: 28.04.2016

LOK SABHA SECRETARIAT
NEW DELHI

April, 2016 / Vaisakha 1938 (Saka)

CONTENTS

		PAGES
	Composition of the Public Accounts Committee (2015-16)	(i)
	Composition of Sub-Committee-III (Direct and Indirect Taxes) of the Public Accounts Committee (2015-16)	(ii)
	Introduction	(iii)
	REPORT	
	PART- I	
I	Introduction	1
II	The Issue	1-2
III	Observations of Audit	2
IV	IRDA's contention	2-3
V	Ministry's reply	3-7
VI	Refund of Service Tax collected from the subscribers of Varishtha Pension Bima Yojana (VPBY)	7-8
	PART - II	
	OBSERVATIONS/RECOMMENDATIONS	9-12
	APPENDICES	
I	Minutes of the 1st Sitting of Sub-Committee-III (Direct and Indirect Taxes) held on 11th January, 2016.	
II	Minutes of the 3rd Sitting of Sub-Committee-III (Direct and Indirect Taxes) held on 25th April, 2016.	
III	Minutes of the 27th Sitting of PAC (2015-16) held on 26th April, 2016.	

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"
9. Shri Neiphiu Rio
10. Shri Dushyant Singh
11. Shri Janardan Singh Sigriwal
12. Dr. Kirit Somaiya
13. Shri Anurag Singh Thakur
14. Shri Shivkumar Udasi
15. Dr. P. Venugopal

RAJYA SABHA

16. Shri Naresh Agrawal
17. Shri Satyavrat Chaturvedi
18. Shri Anil Madhav Dave
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. Bharti S. Tuteja | - Deputy Secretary |
| 4. Ms. Malvika Mehta | - Committee Officer |

**COMPOSITION OF SUB-COMMITTEE-III (DIRECT AND INDIRECT
TAXES) OF THE PUBLIC ACCOUNTS COMMITTEE**
(2015-16)

Shri Nishikant Dubey - Convenor
Dr. Kirit Somaiya - Alternate Convenor

MEMBERS

LOK SABHA

3. Shri Ramesh Pokhriyal "Nishank"

RAJYA SABHA

4. Shri Shantaram Naik
5. Shri Sukhendu Sekhar Roy

INTRODUCTION

I, the Chairman, Public Accounts Committee (2015-16), having been authorised by the Committee, do present this Forty-eighth Report (Sixteenth Lok Sabha) on '**Avoidable Expenditure on Service Tax by Insurance Regulatory and Development Authority (IRDA)**' based on Para No. 6.1 of C&AG Report No. 18 of 2015, Union Government (Civil) (Compliance Audit Observations) relating to Ministry of Finance.

2. The Report of the Comptroller and Auditor General of India was laid on the Table of the House on 24th July, 2015.

3. The Public Accounts Committee (2015-16) selected the subject for detailed examination and report. A Sub-Committee under the convenorship of Shri Nishikant Dubey, MP and a Member of PAC was constituted for the purpose. The Sub-Committee took evidence of the representatives of the Ministry of Finance (Department of Financial Services) on the subject at their sitting held on 11th January, 2016. The Sub-Committee-III considered and adopted the Report at their sitting held on 25th April, 2016 and thereafter, the Public Accounts Committee (2015-16) considered and adopted this Report at their sitting held on 26th April, 2016. Minutes of the Sitzings form Appendices to the Report.

4. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in **bold** and form Part II of the Report.

5. The Committee thank the Sub-Committee for taking oral evidence and obtaining information on the subject as well as finalizing and placing the Draft Report before the main Committee.

6. The Committee would like to express their thanks to the representatives of the Ministry of Finance for tendering evidence before them and furnishing the requisite information to the Committee in connection with the examination of the subject.

7. 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.

NEW DELHI;
26th April, 2016
6 Vaisakha 1938 (Saka)

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

Part-I

I Introduction

1. Report no. 18 of 2015 of the C&AG of India contains significant results of the compliance audit of financial transactions of the Ministries/ Departments of the Union Government and their autonomous bodies under the economic/ general and social services. Para 6.1 of this report relates to the failure of Insurance Regulatory and Development Authority of India to recover service tax from its clients and subsequent payment thereof from own funds resulting in avoidable expenditure of ₹ 22.58 crore. The Insurance Regulatory and Development Authority (IRDA) was set up as an autonomous body under the IRDA Act, 1999 with the main objective to protect the interests of policy holders, to regulate, promote and ensure orderly growth of the insurance industry, and for matters connected therewith or incidental thereto. The IRDA is under the administrative control of the Department of Financial Services, Ministry of Finance.

2. The main activities of IRDA include framing regulations for insurance industry in terms of Section 114A of the Insurance Act 1938, from the year 2000, registering new insurance companies in accordance with regulations and monitoring insurance sector activities for healthy development of the industry and protection of policyholders' interests.

II The Issue

3. Insurance Regulatory and Development Authority (IRDA), Hyderabad has been rendering services to the Public/ Private Insurance companies, agents, brokers etc. by collecting charges/ fees. As per the provisions of the Finance Bill 2012, service tax is to be levied on all services except those specified under Section 66D (Negative List and exempted services). The services provided by IRDA were not included in the negative list. Hence, IRDA was required, with effect from 1 July 2012, to collect service tax on the charges/ fees collected for the services provided by it.

4. IRDA, instead of collecting the tax, requested (April 2012) the Ministry to get the services rendered by it included in the Negative List. IRDA did not, however, collect the service tax as per the provisions of the Act pending decision from the Ministry.

5. Ministry stated (July 2013) that it was a conscious decision of Government to keep exemptions at the minimum and as such the services of IRDA are liable to service tax.

6. Subsequently, IRDA sought opinion from a tax consultant, who confirmed (December 2013) the service tax liability and assessed the same for the period from 1 July 2012 to 2 December 2013 at ₹ 17.09 crore.

7. IRDA decided (December 2013) to collect service tax payable from 1 January 2014 from service receivers. It however, paid the service tax of ₹ 22.58 crore for the period 01.07.2012 to 31.12.2013.

III : Observations of Audit

8. Audit observed (February 2014) that

- IRDA did not consider it prudent to recover service tax from its service receivers pending Ministry's reply which was received after 15 months.
- Even after receipt of Ministry's reply in July 2013, IRDA did not initiate action to recover service tax from its clients and instead it decided to pay the tax from its own funds.

IV : IRDA's contention

9. IRDA stated (September 2014) that

- As there was no clarity on the subject, it sought the opinion of Ministry and the clarification was received in July 2013.
- Opinion sought from tax consultant was for calculation of service tax and not regarding its applicability.

- It felt that it was cumbersome to collect the service tax from agents (20 lakh), brokers (300), etc. and hence a conscious decision was taken to bear the service tax liability.

V Ministry's reply

10. In this regard, to the question of the Committee on the enormous delay of 15 months on the part of Department of Financial Services in responding to IRDA on a matter of urgent importance with potential serious financial implications, the Secretary, Department of Financial Services during oral evidence replied that on consultation with the Department of Revenue and on receiving a clarification from them, the decision was conveyed to IRDA.

11. In the context of the main reason attributed to the delay in recovery of Service Tax by Insurance Regulatory and Development Authority of India (IRDAI), the Ministry submitted the following:-

"IRDAI was of the view that the services of the authority are not subjected to the provisions of the service tax, as the function performed by the IRDAI under IRDA Act 1999 are in the nature of statutory obligations which are fulfilled in accordance with the law.

After getting the clarifications from Department of Revenue, intimated by DFS on 30th July, 2013 that the service provided by the authority are liable to service tax, the matter was referred to the Chartered Accountant firm for opinion on the method of working i.e. method of calculation, retrospective or prospective etc. The opinion of the Chartered Accountant firm placed before the authority in its 81st meeting held on 31.12.2013. Since IRDAI had not collected service tax from the service receivers, it was felt difficult to recover the service tax for the earlier period i.e. from 01.07.2012 to 31.12.2013. It was proposed to collect the service tax from 1st January, 2014 prospectively. It was also decided that the service tax payable from 1st July, 2012 to 31st December, 2013 would be borne by IRDAI. There appears to have been a misunderstanding in IRDAI on the applicability of service tax.

After C&AG's audit observation on non recovery of service tax, the matter was placed before the 87th meeting of the Board held on 27th March, 2015 and it was decided to recover the entire service tax due and authorise Chairman, IRDAI to constitute a three member committee for recovery of service tax. The three member committee recommended to recover the service tax from all concerned and the authority has recovered 96% of the

total dues i.e. ₹ 21.60 crore as against the total of ₹ 22.58 crore as on date.

12. According to Audit, the reply of the Ministry needs to be viewed in light of the following:-

- Services provided by IRDA were covered neither in the negative list nor by any specific exemption notification and were therefore liable to service tax.
- Tax consultant in his opinion also confirmed that services provided by IRDA were neither covered under negative list nor Mega Exemption List, therefore attracted service tax.
- IRDA could have attempted to collect service tax from its service recipients at the time of renewal of licenses as the services provided by IRDA were clearly taxable and its decision to bear the burden without initiating steps to recover the same was flawed.

13. Therefore IRDA's decision initially to not collect service tax and subsequently to bear the tax liability resulted in an avoidable expenditure of ₹ 22.58 crore. The matter was reported to Ministry (October 2014), their reply was awaited.

14. In this regard, the Ministry in their background note submitted the following:-

"IRDA submitted a revised ATN indicating the status of recovery vide their letter dated 06/10/2015, in which it was mentioned that the authority has recovered an amount of ₹ 16.80 crore against the total of ₹ 22.58 crore. Accordingly, a revised ATN was submitted to C&AG by this Department on 26th October, 2015. The C&AG vetted the ATN vide their letter dated 5th January, 2016 with the conclusion that ₹ 16.80 crore has been recovered against the total payment of Service Tax amounting to ₹ 22.58 crore. Further progress of the remaining recovery may please be intimated to Monitoring Cell, Ministry of Finance/PAC under intimation to Audit.

As per the latest information provided by IRDA, the authority has so far recovered an amount of ₹ 21.60 crore as against the total of ₹ 22.58 crore and only a balance of 4% i.e. ₹ 98 lakh is pending for recovery now. The authority has further informed that they are vigorously pursuing the recovery of the remaining amount of Service Tax."

15. In this regard, the representatives of IRDA stated the following:-

"Initially the Board decided not to collect it. But as soon as the C&AG raised the objection, immediately we started the collection process. We have already collected 96 per cent of the amount. Only four per cent is pending and we assure you that we would be able to collect the money by the end of this month."

16. The Committee asked if electronic system was being followed in the Ministry for addressing of queries or for the purpose of obtaining information and such issues could be sorted in 10-15 days if electronic approach is taken. To this the Secretary, Department of Financial Services replied that at present they were not following it.

17. On being asked about the details of fees and entities (intermediaries) from whom fees are charged along with the quantum by IRDAI and its regulations, the Ministry gave the following information:-

Sr No	Regulated Entity	Fees Structure	Regulation Details	Remarks
1	Insurers	Application –Rs 50,000/- per class of business Renewal -1% of one-twentieth of Gross Written Premium subject to a maximum of Rs 5 Crore.	Registration of Indian Insurance Companies 2000 and Fifth Amendment-2013	
2	TPAs	Rs 15,000/-	Third Party Administrators- Health Services (Second Amendment) Regulations, 2013	
3	Agents	Rs 125/-	(Licensing of Insurance Agents) (Amendment) Regulations, 2013	After Insurance Law Amendment 2015, the function of licensing of Agents by IRDAI

Sr No	Regulated Entity	Fees Structure	Regulation Details	Remarks
				has been withdrawn.
4	Brokers	Application Fees: Direct broker: ₹ 20,000 Reinsurance broker: ₹ 25,000 Composite broker: ₹ 40,000 Annual licence fees: <i>Direct Broker</i> 0.50% of remuneration earned in the preceding financial year subject to minimum of ₹ 25,000 and maximum of ₹ 1,00,000. <i>Reinsurance broker</i> 0.50% of remuneration earned in the preceding financial year subject to minimum of ₹ 75,000 and maximum of ₹ 3,00,000. <i>Composite broker</i> 0.50% of remuneration earned in the preceding financial year subject to minimum of ₹ 1,25,000 and maximum of ₹ 500,000. Renewal fee: ₹ 1000	Insurance Brokers Regulations, 2013	
5	Surveyors	Application Fee Rs1,000/- Renewal Fee Rs 100/-	Insurance Surveyors and Loss Assessors Regulations, 2015	
6	Insurance Repositories	Application Fees - Rs10,000/- Renewal Fees - Rs 20,000/-	Guidelines on Insurance repositories and electronic issuance of insurance policies	
7	Web Aggregators	Application & Renewal Fees Rs10,000/-	Web Aggregators Regulations 2013	
8	Referral Entities	Application & Renewal Fees Rs10,000/-	Sharing of Databases for	

Sr No	Regulated Entity	Fees Structure	Regulation Details	Remarks
			Distribution of Insurance Products Regulations 2010	
9	Corporate Agents	Application Fee Rs10,000/- Registration Fee Rs25,000/-	Registration of Corporate Agents Regulations, 2015	
10	CSI	Application Fee Rs 5000/- Renewal Fee Rs 1,000/-	Insurance Services by Common Service Centres Regulations, 2015	
11	Insurance Marketing Firm	Application Fee Rs 5000/- Renewal Fee Rs 2,000/-	Registration of Insurance Marketing Firm Regulations, 2015	

18. In the context of services being rendered by regulators such as IRDA, the Committee queried that due to the dual role being performed by regulators as service providers or market developers, what were the provisions of auditing the income generated by this second role as service providers. The Secretary, Department of Financial Services, Ministry of Finance in this regard replied that these were thought provoking points and that they would get the issue of auditing of regulators as service providers checked in case of all other regulators under them.

VI Refund of Service Tax collected from the subscribers of Varishtha Pension Bima Yojana (VPBY)

19. In a related context, during the oral evidence of the representatives of the Department of Financial Services, Ministry of Finance, the Committee asked about the status of refund of service tax collected from the subscribers of Varishtha Pension Bima Yojana and how much money had so far been refunded and what steps were taken by IRDA to ensure refund. The Ministry in their reply stated the following:-

"In the Union Budget, 2015, Life Insurance service provided by way of Varishtha Pension Bima Yojana (VPBY) scheme has been exempted from service tax w.e.f. 01st April, 2015. However, for the period from 14th August, 2014 (date of launching) to 31st March, 2015, LIC had collected service tax on policy subscriber contribution under the scheme and it was decided that

amount of service tax collected under VPBY for above period will be reimbursed to LIC as and when LIC would lodge the claims alongwith a certificate from the Chartered Accountant firm/auditors indicating that the amount have been reimbursed to the subscribers of the scheme. LIC has informed that as the payment process is not yet completed by the LIC's offices, the desired certificate from the Chartered Accountant could not be obtained. As per LIC the refundable service tax under VPBY scheme is Rs.109.40 crore. As on date LIC has refunded Rs.108 crore to the subscribers and an amount of Rs.1.40 crore is to be refunded for which they are taking all efforts."

Part-II

Observations/ recommendations of the Committee

Para 6.1 in report no. 18 of 2015 of the C&AG of India pertains to the failure of Insurance Regulatory and Development Authority of India (IRDA) to recover service tax from clients and subsequent payment thereof from own funds resulting in avoidable expenditure of RS. 22.58 crore. The Committee, based on the analysis of the audit para, oral evidence of the representatives of Department of Financial Services (DFS), Ministry of Finance and replies furnished by the DFS have found certain shortcomings on its part and IRDA and place their observations and recommendations on the matter in the succeeding paragraphs.

1. Delay on the part of DFS in replying to IRDA

The Committee note that IRDA which has been rendering services to the Public/ Private Insurance companies, agents, brokers etc. by collecting charges/ fees was required, with effect from 1 July 2012, to collect service tax on the charges/ fees collected for the services provided by it, as per the provisions of the Finance Bill 2012. The Committee note that IRDA, instead of collecting the tax, requested the Ministry in April 2012 to get the services rendered by it included in the Negative List (List of those who are not to pay service tax) and also did not collect the service tax as per the provisions of the Act pending decision from the Ministry. The Committee observe that the Ministry intimated IRDA on 30th July, 2013 that the services provided by the Authority are liable to service tax.

The Committee are distressed to note that in this modern era of fast paced developments, it took the Ministry fifteen long months to give clarification on a single query raised by the IRDA resulting in non-collection of service tax during the period. The Committee observe that the Ministry which imposes penalties for delays on other parties is oblivious of its own laxity. The Committee are of the view that a time frame may be prescribed for the Ministry to clear all the queries referred to it so that such lapses are not repeated in future.. The Committee also desire that responsibility for this delay be fixed and stringent action taken against

those found guilty and the Committee be apprised thereof within three months of presentation of this report.

2. Computerisation of query addressing system

The Committee note that the Ministry does not follow electronic approach for receiving/ addressing/ processing the queries received for clarification. The Committee feel that queries such as liability to service tax is a routine matter for the Ministry and can be handled by prescribing a procedure which can be implemented electronically. The Committee, therefore, desire that Ministry may adopt and apply electronic systems/approach to all its processes to streamline such seeking of clarifications and obtaining information to avoid instances of unconscionable delay. The Committee also feel that such electronic system should also provide for reporting the time of receiving the queries and the time taken to address them for enabling effective monitoring.

3. Collection of Service Tax

The Committee note that despite receiving the clarification from the Ministry in July, 2013 that IRDA was liable to pay service tax, the Authority sought an opinion from a tax consultant, who confirmed in December 2013, the service tax liability and assessed the same for the period from 1 July 2012 to 2 December 2013 at ₹ 17.09 crore. The Committee further observe that IRDA decided then to collect service tax payable w.e.f. 1 January 2014 from service receivers. It however, paid the service tax of ₹ 22.58 crore for the period 01.07.2012 to 31.12.2013 from its own funds as it was felt difficult to recover the service tax for the earlier period. It was only after Audit's observation on non-recovery of service tax, the matter was placed before the 87th meeting of the Board held on 27th March, 2015 and it was decided to recover the entire service tax due. The Committee note that IRDA has recovered 96% of the total dues i.e. ₹ 21.60 crore as against the total of ₹ 22.58 crore as on date.

The Committee observe with concern that there was an avoidable and inordinate delay on the part of IRDA by seeking the opinion from the tax consultant when the Ministry had already directed them to pay service tax. The

process took five months for calculating the service tax liability. The Committee desire that accountability maybe fixed on the officials concerned, so that such matters of financial significance are not neglected or repeated in future by the Authority. The concerned officials in the Ministry of Finance should have prevailed upon the IRDA in timely following the provisions of the Finance Bill, 2012. The Committee view seriously about the failure of the Ministry in this regard. The Committee while cautioning the Authority on being careful in the future in financial matters, would further like to be apprised of the status of recovery of the balance amount of 4% i.e. ₹ 98 lakhs from the service receivers. The Committee further recommend that IRDA should computerise and strengthen its tax collection systems to facilitate service tax collection.

4. Audit of income and expenditure

The Committee note that at first, the IRDA decided not to collect service tax pending decision of the Ministry and then after the Ministry had given its decision to collect the service tax, IRDA found it cumbersome to collect the dues of service tax from the receivers and paid it from its own funds. The Committee observe that the IRDA should not have used its own funds to pay up the liabilities of the service providers. The Committee further observe that the IRDA, apparently, did not exercise financial discipline and feel that internal audit of the working of the regulator may be done regularly to ensure reasonableness, appropriateness and accuracy of the inflow/outflow of funds. The Committee while noting that C&AG only audits the administrative expenditures of the regulators and the orders that are passed in its quasi-judicial capacity are not subject to Audit are, however, of the strong opinion that though orders may not be auditable, the incomes, wherever and however, generated, must fall within the scope of Audit.

5. Regulators as service providers

The Committee note that in view of the surge in number of services and service providers, the number of regulatory authorities have also increased which are mandated with dual roles i.e. both regulation and development of the

respective sectors and for achieving these aims, they provide certain services for which charges/fees are taken. The Committee also note the reply of the Ministry while deciding on the issue of exemption to IRDA that "it was a conscious decision of the Government to keep the exemptions at the minimum and hence the services rendered by IRDA are liable to service tax". The Committee are of the view that instead of taking decisions to only align with the strategy to keep the exemptions to the minimum, the Ministry should analyse whether services rendered by these regulators should be liable under service tax and whether all the regulators are paying service tax for services rendered by them and bring out a policy decision on the same under intimation to the Committee.

6. Reimbursement to the subscribers of the VPBY

The Committee note that in the Union Budget 2015, life insurance service provided by way of Varishtha Pension Bima Yojana (VPBY) scheme was exempted from service tax w.e.f. 1.4.2015. However, as LIC had collected service tax on policy subscriber contribution from 14.8.2014 to 31.3.2015, it was decided that LIC would be reimbursed on production of certificate from the Chartered Accountants indicating that the amounts have been reimbursed to the subscribers. The Committee note from the reply of the Ministry that LIC has refunded ₹108 crore to the subscribers and ₹1.40 crore is yet to be refunded. The Committee observe that the IRDA should monitor such cases earnestly to ensure that the moneys due to subscribers are paid back expeditiously. The Committee are of the view that IRDA should work in tandem with the insurance companies in such cases and display all such information on its website in bold to safeguard the interests of the subscribers. The Committee desire that the remaining service tax collected from the subscribers of VPBY be refunded at the earliest under intimation to the Committee.

NEW DELHI;
26th April, 2016
6 Vaisakha 1938 (Saka)

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

MINUTES OF THE FIRST SITTING OF SUB-COMMITTEE-III (DIRECT/INDIRECT TAXES) PUBLIC ACCOUNTS COMMITTEE (2015-16) HELD ON 11TH JANUARY, 2016.

The Committee sat on Monday, the 11th January, 2016 from 1130 hrs to 1210 hrs in Room 'E', Parliament House Annexe, New Delhi.

PRESENT

Shri Nishikant Dubey

Convenor

Members

LOK SABHA

2. Dr. Kirit Somaiya

RAJYA SABHA

3. Shri Shantaram Naik

LOK SABHA SECRETARIAT

1. Shri Tirthankar Das - Additional Director
2. Shri A.K. Yadav - Deputy Secretary

REPRESENTATIVES OF THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1. Shri P. Mukherjee - Deputy C&AG (C)
2. Ms. Mala Sinha - Director-General (ESM)
3. Ms. G. Sudharmini - Principal Director
4. Shri Manish Kumar - Principal Director (PAC)

REPRESENTATIVES OF THE MINISTRY OF FINANCE

1. Ms. Anjuly Chib Duggal - Secretary
2. Shri Alok Tandon - Special Secretary (DFS)
3. Shri M.S. Jayakumar - CAO, IRDA

2. At the outset, the Convenor welcomed the Members and the representatives of the Ministry of Finance, Department of Financial Services to the first sitting of the Sub-Committee III. The Convenor, then, apprised the Members that the meeting was convened to discuss Para no. 6.1 on 'Avoidable Expenditure on Service Tax by Insurance Regulatory and Development Authority' in C&AG Report No.18 of 2015. He drew the attention of the witnesses to the confidentiality of the matter till a report on the same was presented to the House.

3. The Convenor and members then raised various queries on the above-mentioned subject including the reasons for the enormous delay on the part of the Department of Financial Services in replying to IRDA's query of including services rendered by them in the Negative List under section 66D; rationality in charging fees on services being provided by IRDA; the dual role of regulatory authorities such as IRDA of being regulators and that of marketing/ developing of business and the provisions in place for auditing accounts of such organisations related to the income generated on account of fees collected for services provided by IRDA to agents, brokers, insurance companies etc.

4. The Secretary, Department of Financial Services replied to the queries raised by the members on related aspects of the subject. As some queries required detailed information and clarifications to be sought from other departments, the Chairperson asked the Secretary to furnish written replies to the Secretariat at the earliest. The Secretary assured to do the same.

5. The Chairperson thanked the representatives of the Ministry for appearing before the Committee and the representatives of the office of the C&AG of India for providing assistance to the Committee in the examination of the subject.

The witnesses then withdrew.

A copy of the verbatim proceedings has been kept on record.

The Committee, then, adjourned.

DRAFT MINUTES OF THE THIRD SITTING OF SUB-COMMITTEE-III (DIRECT/INDIRECT TAXES) OF PUBLIC ACCOUNTS COMMITTEE (2015-16) HELD ON 25TH APRIL, 2016.

The Sub-Committee sat from 1630 hrs. to 1640 hrs. on 25th April, 2016 in Committee Room "A", Parliament House Annexe, New Delhi.

PRESENT

Shri Nishikant Dubey - Convenor

MEMBERS

LOK SABHA

2. Dr. Kirit Somaiya

RAJYA SABHA

3. Shri Sukhendu Sekhar Roy

LOK SABHA SECRETARIAT

1. Shri A. K. Singh - Additional Secretary
2. Shri T. Jayakumar - Director
3. Smt. Bharti S. Tuteja - Deputy Secretary

REPRESENTATIVES FROM THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1. Dr. P. Mukherjee - Deputy C&AG

2. At the outset, the Convenor, Sub-Committee III of PAC (2015-16) welcomed the Members to the Sitting of the Sub-Committee. Then, the Sub-Committee took up the draft Report on the subject "Avoidable Expenditure on Service Tax by Insurance Regulatory and Development Authority" based on Para 6.1 of the C&AG Report No. 18 of 2015 for consideration.

3. The Convenor invited suggestions of the Members on the above-mentioned draft report. After discussing the contents of the draft report, the Committee adopted the same without any changes/modifications.

4. The Sub-Committee authorized the Convenor to finalise the Report in the light of consequential changes arising out of factual verification by the Audit and place the same before the Main Committee for consideration and adoption.

The Committee then adjourned.

**MINUTES OF THE TWENTY SEVENTH SITTING OF THE PUBLIC
ACCOUNTS COMMITTEE (2015-16) HELD ON 26TH APRIL, 2016.**

The Committee sat from 1500 hrs. to 1615 hrs. on 26th April, 2016 in Room No. "51", Parliament House, New Delhi.

PRESENT

Prof. K. V. Thomas

Chairperson

MEMBERS

LOK SABHA

2. Shri Nishikant Dubey
3. Shri Gajanan Kirtikar
4. Shri Bhartruhari Mahtab
5. Shri Ramesh Pokhriyal "Nishank"
6. Shri Neiphiu Rio
7. Shri Dushyant Singh
8. Shri Janardan Singh Sigriwal
9. Shri Shiv Kumar Udasi
10. Dr. Kirit Somaiya
11. Shri Anurag Thakur
12. Dr. P. Venugopal

RAJYA SABHA

13. Shri Naresh Agrawal
14. Shri Bhubaneswar Kalita
15. Shri Sukhendu Sekhar Roy

LOK SABHA SECRETARIAT

- | | |
|---------------------------|------------------------|
| 1. Shri A. K. Singh | - Additional Secretary |
| 2. Shri T. Jayakumar | - Director |
| 3. Shri Paolienlal Haokip | - Deputy Secretary |
| 4. Smt. Bharti S. Tuteja | - Deputy Secretary |

REPRESENTATIVES FROM THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

- | | | | |
|----|-------------------------|---|--|
| 1. | Dr. P. Mukherjee | - | Deputy C&AG (Commercial) |
| 2. | Ms. K. Ganga | - | Deputy C&AG |
| 3. | Ms. Mala Sinha | - | Director General of Audit |
| 4. | Shri Kurian Vithayathil | - | Director General of Audit (Commercial) |
| 5. | Shri Manish Kumar | - | Principal Director of Audit (PAC) |

2. At the outset, the Chairperson, PAC welcomed the Members to the Sitting of the Committee. Thereafter, the Committee took up the following draft Reports for consideration:

(i) xxxx xxxx xxxx xxxx

(ii) Draft Report on “**Avoidable Expenditure on Service Tax by Insurance Regulatory and Development Authority**” based on Para 6.1 of the C&AG Report No. 18 of 2015;

(iii) xxxx xxxx xxxx xxxx

(iv) xxxx xxxx xxxx xxxx

(v) xxxx xxxx xxxx xxxx

3. The Chairperson invited suggestions of the Members on the above mentioned draft Reports. After discussing the contents of these draft Reports, the Committee adopted the draft Reports at Sl. No (i) with minor changes/modifications. The Committee then adopted the draft Reports at Sl. No. (ii), (iii), (iv) & (v) without any changes/modifications.

4. The Committee authorized the Chairperson to finalise these Reports in the light of verbal discussion and consequential changes arising out of factual verification by the Audit and present the same to Parliament.

The Committee then adjourned.